

Payments to Spouse

If you are doing business as a sole trader or partnership, you are not permitted to claim a tax deduction for wages paid to your spouse (or civil union or de facto partner), unless Inland Revenue consents in writing.

You may apply for approval to deduct payments you have already made during an income year. You have up until the time you file your tax return to obtain approval. However, it's a better idea to apply before you start paying your spouse or partner.

There are no special rules for payments to spouses if you are trading as a company.

Inland Revenue must be satisfied that

- the payment is for services rendered and not for services performed in connection with the home (see below for exceptions)
- the payment is a reasonable and bona fide payment
- the payment is incurred in the production of your gross income
- full and proper employee wage records are kept for your spouse

Exceptions

- if you are a farmer, the Commissioner may approve a deduction for amounts you pay your spouse or partner to cook for farm employees

Request approval in writing from Inland Revenue

Your request must include the following:

- the nature of your business
- full details of the services your spouse or partner provides
- the average hours your spouse or partner works each week, and the number of weeks worked each year
- details of the services that others provide and the payments you make, if others provide the same services as your spouse or partner, and
- the amount you pay your spouse or partner and how the amount is paid (for example, at regular intervals or periodically or by crediting an account)

If you subsequently increase the amount you pay your spouse or partner, you should apply for further approval from Inland Revenue.

Keep in mind

When the pressure's on in the business, it can be easy to take an ad hoc decision to start paying wages to your spouse or partner. Be aware of Inland Revenue's position on it and let us know if you intend to apply for approval and seek a tax deduction for the wages paid. We can help.