

Fact sheet: Payments to spouse

If you are a sole trader, no deduction is permitted for wages paid to a spouse, unless the Inland Revenue Department consents in writing to that deduction.

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

Inland Revenue must be satisfied:

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

Exceptions applying to payments for services performed in connection with the home:

- If your spouse is paid wages for cooking for permanent farm employees you may claim the following deduction:

— Cooking for one permanent employee	\$18 per week
— Cooking for two permanent employees	\$27 per week
— Cooking for three permanent employees	\$33 per week
— Thereafter, per employee	\$4.50 per week

- If your spouse is obliged to entertain people such as your firm's clients or guests in your home, as a condition of his/her employment, you may be able to claim a deduction for payments made in connection with services performed entertaining such guests

Approval is obtained by writing to the Inland Revenue Department. Such a request must include the following details:

- The nature of your business
- Precise and full details of the duties to be performed by your spouse
- The average hours your spouse is expected to work weekly and the number of weeks he/she is expected to work per annum
- Particulars of other staff employed, including wages paid
- How payments to your spouse are to be made and how often
- Calculation of the exact remuneration to be paid to your spouse

Further Approval from Inland Revenue Department

You will need to obtain further approval from Inland Revenue if, after obtaining the initial approval from Inland Revenue, you subsequently increase the wages paid to your spouse as a result of either:

- Increased duties performed by your spouse, or
- An increase in pay that is not a general wage increase

Last reviewed on 16 June 2016

Important: Clients should not act solely on the basis of the material contained in this article. Items herein are general comments only and do not constitute nor convey advice per se. Changes in legislation may occur quickly. We therefore recommend that our formal advice be sought before acting in any of the areas. This article is issued as a helpful guide to our clients and for their private information. Therefore it should be regarded as confidential and should not be made available to any person without our prior approval.