



Better Targeted Superannuation Concessions

From 1 July 2025, the Government will reduce the tax concessions available to individuals whose total superannuation balances exceed \$3 million at the end of the financial year.

Overview

The Government is reducing the tax concessions available to individuals whose total superannuation balances exceed \$3 million. Individuals with balances over this threshold would be subject to an additional tax of 15 per cent on the earnings on any balance that exceeds the \$3 million threshold.

This change broadly brings the headline tax rate on earnings corresponding to that proportion of the balance greater than \$3 million to 30 per cent.

As is the case currently, there would be no limit imposed on the size of account balances in the accumulation phase.

This change is expected to affect less than 0.5 per cent of individuals with a superannuation account. By 2025-26 it is expected to apply to less than 80,000 people meaning that more than 99.5 per cent of individuals with a superannuation account will continue to be unaffected by the change.

Application

Individuals with total superannuation balances (TSBs) over \$3 million at the end of a financial year will be subject to a tax of 15 per cent on earnings.

This tax is in addition to any tax their superannuation funds pay on earnings in accumulation. This means that earnings attributable to balances above \$3 million will generally attract a combined headline rate of 30 per cent.

This measure will commence on 1 July 2025 and apply to the 2025-26 financial year onwards.

The tax only applies to the proportion of earnings corresponding to balances above \$3 million. This means that earnings corresponding to funds below \$3 million will continue to be taxed at 15 per cent or less.

Earnings are calculated with reference to the difference in TSB at the start and end of the financial year, adjusting for withdrawals and contributions.

Negative earnings can be carried forward and offset against this tax in future years' tax liabilities.

Individuals will have the choice of either paying the tax out-of-pocket or from their superannuation funds. Individuals who hold multiple superannuation funds can elect the fund from which the tax is paid. This tax will be separate to an individual's personal income tax, similar to the existing Division 293 tax.

It is the Government's intent to ensure broadly commensurate treatment for defined benefit interests. Treasury will consult further on the appropriate treatment for defined benefit interests.

As the overwhelming majority of superannuation members are unaffected by this measure, the Government's implementation approach seeks to avoid imposing significant (and potentially costly) systems and reporting changes that could indirectly affect other members. The proposed approach is based on existing fund reporting requirements. Noting that funds do not currently report (or generally calculate) taxable earnings at an individual member level, the calculation uses an alternative method for identifying taxable earnings for members with balances over \$3 million.

Calculation method

- a) The below formula will be used for calculating earnings in a financial year:

$$Earnings = TSB_{Current\ Financial\ Year} - TSB_{Previous\ Financial\ Year} + Withdrawals - Net\ Contributions$$

- b) The proportion of earnings corresponding to funds above \$3 million is calculated as follows:

$$Proportion\ of\ Earnings = \frac{TSB_{Current\ Financial\ Year} - \$3\ million}{TSB_{Current\ Financial\ Year}}$$

- c) The tax liability is calculated as follows:

$$Tax\ Liability = 15\ per\ cent \times Earnings \times Proportion\ of\ Earnings$$

The formula calculates the difference between the member's TSB for the current and previous financial years and adjusts for net contributions (which excludes contributions tax paid by the fund on behalf of the member) and withdrawals.

If an individual makes an earnings loss in a financial year, this can be carried forward to reduce the tax liability in future years.

The calculation of earnings includes all notional (unrealised) gains and losses, similar to the way superannuation funds currently calculate members' interests.

Notice of assessment and reporting process for funds

The Government's approach is intended to minimise the extent of new reporting requirements for superannuation funds.

TSBs in excess of \$3 million will be tested for the first time on 30 June 2026, with the first notices of a tax liability expected to be issued to individuals in the 2026-27 financial year. Individuals will be notified of their liability to pay this tax by the Australian Taxation Office (ATO). The ATO already uses superannuation fund reporting to calculate the total amount that individuals have in the superannuation system, across multiple accounts. This calculation is used for other purposes, such as whether individuals are eligible to make non-concessional contributions.

Individuals can currently view their TSBs via ATO online services.

Consultation

Treasury will consult on the implementation of this measure.

Examples

Balance not affected by changes

- Debbie has a balance in her superannuation fund of \$150,000 at 30 June 2025.
- Debbie's balance at 30 June 2026 is \$165,000.
- The proposed changes will not apply to Debbie because her total superannuation balance is less than \$3 million.

Balance exceeding \$3 million

- Warren is 52 with \$4 million in superannuation at 30 June 2025. He makes no contributions or withdrawals. By 30 June 2026 his balance has grown to \$4.5 million.
- This means Warren's calculated earnings are:
$$\$4.5 \text{ million} - \$4 \text{ million} = \$500,000$$
- His proportion of earnings corresponding to funds above \$3 million is:
$$(\$4.5 \text{ million} - \$3 \text{ million}) \div \$4.5 \text{ million} = 33\%$$
- Therefore, his tax liability for 2025-26 is:
$$15\% \times \$500,000 \times 33\% = \$24,750$$

Calculation of earnings

- Carlos is 69 and retired. His SMSF has a superannuation balance of \$9 million on 30 June 2025, which grows to \$10 million on 30 June 2026. He draws down \$150,000 during the year and makes no additional contributions to the fund.

- This means Carlos's calculated earnings are:
 $\$10 \text{ million} - \$9 \text{ million} + \$150,000 = \1.15 million
- His proportion of earnings corresponding to funds above \$3 million is:
 $(\$10 \text{ million} - \$3 \text{ million}) \div \$10 \text{ million} = 70\%$
- Therefore, his tax liability for 2025-26 is:
 $15\% \times \$1.15 \text{ million} \times 70\% = \$120,750$

Election to pay liability from funds / concessional contributions in a year

- Louise is 40 and working. At 30 June 2026, she has a balance of \$2 million in an APRA-regulated fund, and a balance of \$3 million in an SMSF. At 30 June 2025, the balance of her APRA-regulated fund was \$1.9 million and the balance of her SMSF was \$2.9 million. She does not meet a condition of release, so she has no withdrawals during the year. She makes \$20,000 of concessional contributions into her SMSF. Her contributions net of tax on contributions is \$17,000.
- This means Louise's calculated earnings are:
 $\$5 \text{ million} - \$4.8 \text{ million} - \$17,000 = \$183,000$
- Her proportion of earnings corresponding to funds above \$3 million is:
 $(\$5 \text{ million} - \$3 \text{ million}) \div \$5 \text{ million} = 40\%$
- This means her tax liability for 2025-26 is:
 $15\% \times \$183,000 \times 40\% = \$10,980$
- Louise elects to pay \$5,000 from her APRA-regulated fund and \$5,980 from her SMSF.

Carry forward of earnings loss

- Dave is 70 and has two APRA-regulated funds and one SMSF. At 30 June 2025, his TSB across all funds was \$7 million. During 2025-26, he withdraws \$400,000 from his SMSF and makes no contributions. At 30 June 2026, his TSB across all funds is \$6 million.
- This means Dave's calculated earnings are:
 $\$6 \text{ million} - \$7 \text{ million} + \$400,000 = - \$600,000$
- His proportion of earnings corresponding to funds above \$3 million is:
 $(\$6 \text{ million} - \$3 \text{ million}) \div \$3 \text{ million} = 50\%$
- The earnings loss attributable to the excess balance is \$300,000. Dave can carry forward the \$300,000 to offset future excess balance earnings.
- At 30 June 2027, Dave's funds make earnings on his excess superannuation balance of \$650,000. He carries forward the earnings losses attributable to his

excess balance at 30 June 2026 of \$300,000 and is only liable to pay the tax on \$350,000 of earnings.

- This means his tax liability for 2026-27 is:

$$15\% \times \$350,000 = \$52,000$$