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# Superannuation Proposed New Tax



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# Better Targeted Superannuation Concessions

- ▶ Proposed New Policy from 1 July 2025
- ▶ The proposal broadly brings the headline tax rate on earnings corresponding to that proportion of a member balance greater than \$3 million to 30 per cent
- ▶ Will apply to any individual with a Total Superannuation Balance of \$3m (Pension plus accumulation accounts) as at 1<sup>st</sup> of July 2025 across all Superannuation Funds
- ▶ New Proposed Superannuation Tax to be raised at the individual level (individuals can elect to release from Superannuation to pay the New Tax)
- ▶ No limit imposed on the size of account balances in accumulation phase (individuals will not be forced to withdraw Superannuation even if over \$3m as at 30 June 2025)
- ▶ Treasury expects this 'New Super Tax' to impact 80,000 individuals for the 2025/2026 Financial Year

# Better Targeted Superannuation Concessions - Continued

Calculation Method on the Proposal (TSB is Total Superannuation Balance):

## Calculation method

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

$$\text{Earnings} = \text{TSB}_{\text{Current Financial Year}} - \text{TSB}_{\text{Previous Financial Year}} + \text{Withdrawals} - \text{Net Contributions}$$

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

$$\text{Proportion of Earnings} = \frac{\text{TSB}_{\text{Current Financial Year}} - \$3 \text{ million}}{\text{TSB}_{\text{Current Financial Year}}}$$

- c) The tax liability is calculated as follows:

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

# Better Targeted Superannuation Concessions - Continued

- ▶ Withdrawals have not been defined in the proposal paper. They may include Pensions, Lump Sums, Super Divorce Splits and other member withdrawals out of Superannuation
- ▶ Contributions have not been defined in the proposal paper. They may include CGT Small Business Contributions, Downsizer Contributions, Concessional and Non-Concessional Contributions
- ▶ 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 loss can be credited but the individual will not get money back for prior years 'Extra Tax' paid)
- ▶ The \$3m Total Super Cap amount will be tested for the first time as at 30 June 2026 (movement from 1 July 2025 to 30 June 2026 for those individuals with Total Super Balances over \$3m at 30 June 2025 will be impacted)

# Better Targeted Superannuation Concessions - Continued

- ▶ The \$3m Total Super Cap is un-indexed (inflation will mean more people are taxed further in future years)
- ▶ The calculation of earnings includes all realised and unrealised gains and losses, similar to the way superannuation funds currently calculate members' interests. Australian Taxation Law does not normally tax unrealised gains
- ▶ Assets that are subjective (or difficult) to accurately value may cause complications (Commercial Property, Land, Unlisted Property Trusts, Some Unlisted investment Structures, Venture Capital and other obscure assets)
- ▶ At this stage, no commentary has been made on liquidity or how this tax is going to be funded by the individual
- ▶ Small Business (CGT) contribution rules and downsizer Contributions have not been considered in this modelling

# Proposal - How Much Additional Tax Could Apply on a Member Balance (10% Return):

30-Jun-25 Total Super \$	30-Jun-26 Total Super \$	Return %	Earnings 12 Months \$	Proportion of Earnings of 15% New Tax	Extra Tax Effective Rate	Extra Tax \$
3,000,000	3,300,000	10%	300,000	9.09%	1.4%	4,091
5,000,000	5,500,000	10%	500,000	45.45%	6.8%	34,091
8,000,000	8,800,000	10%	800,000	65.91%	9.9%	79,091
10,000,000	11,000,000	10%	1,000,000	72.73%	10.9%	109,091
20,000,000	22,000,000	10%	2,000,000	86.36%	13.0%	259,091
30,000,000	33,000,000	10%	3,000,000	90.91%	13.6%	409,091
50,000,000	55,000,000	10%	5,000,000	94.55%	14.2%	709,091



# Proposal - How Much Additional Tax Could Apply on a Member Balance (20% Return):

30-Jun-25 Total Super \$	30-Jun-26 Total Super \$	Return %	Earnings 12 Months \$	Proportion of Earnings of 15% New Tax	Extra Tax Effective Rate	Extra Tax \$
3,000,000	3,600,000	20%	600,000	16.67%	2.5%	15,000
5,000,000	6,000,000	20%	1,000,000	50.00%	7.5%	75,000
8,000,000	9,600,000	20%	1,600,000	68.75%	10.3%	165,000
10,000,000	12,000,000	20%	2,000,000	75.00%	11.3%	225,000
20,000,000	24,000,000	20%	4,000,000	87.50%	13.1%	525,000
30,000,000	36,000,000	20%	6,000,000	91.67%	13.8%	825,000
50,000,000	60,000,000	20%	10,000,000	95.00%	14.3%	1,425,000

# Action Now ?

- ▶ At present we have no certainty that this new Super Tax will actually be legislated. It is currently a proposal with a proposed start date of 30 June 2025, no actions should be taken until legislation has passed the senate and receives Royal Assent
- ▶ May 2023 Budget may clarify or revise the mechanics of how this new Super Tax may operate
- ▶ It is currently being reviewed as to whether these rule changes will apply to Politician and High Court Judges Defined Benefit Funds

Link to Federal Government Fact Sheet

<https://ministers.treasury.gov.au/sites/ministers.treasury.gov.au/files/2023-03/better-targeted-superannuation-concessions-factsheet.pdf>

# Questions:

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