

ADDITIONAL TAX ON \$3M SUPER BALANCES | A FORK IN THE ROAD?

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Since the concept was first proposed in November 2023, there has been plenty of coverage of the potential taxing of unrealised gains in superannuation where the balance exceeds \$3 million per person. It was intended the changes commence on 1 July 2025, so it certainly had the potential to be a factor this year.

To recap, the proposed changes have potential to adversely affect particularly superannuation funds with a large component of farm land, where that land is rising in value. Consider the example of a typical husband and wife super fund in pension phase that:

- Has \$6,000,000 worth of land in it at 30 June 2025,
- Receives net lease proceeds after costs of \$150,000 in the 2026 financial year,
- Finishes the year with land valued at \$7,000,000.



The net lease proceeds would be subject to ordinary income tax in the fund. Additionally, under the proposed new tax the increase in the land value, although unrealised, would incur further tax of \$85,700. Additional tax will be payable in every year the land increases in value.

The worst part is if the land is sold in a subsequent year, or even transferred back to the members, there is no credit received against the tax payable on the realised capital gain i.e. members are likely paying tax twice on the same gain in value.

Having outlined the above, there is now a light at the end of the tunnel. In October 2024, the Bill stalled in the Senate due to concerns over its application and inherent unfairness, and eventually did not pass.

Further, following the recent announcement of the Federal Election set for May 3, 2025, the proposed legislation has effectively lapsed, as the government has paused all legislation that has not yet been passed.

With the ALP being re-elected, it will now need to reintroduce the legislation, and have it pass both houses. So the implementation could take a significant amount of time, if in fact it passes at all. It is worth noting that the Federal Budget announced in March 2025 shows revenue from this tax commencing in 2026/27, but we feel this is unrealistic even with Labor winning the election.

If you have any concerns in relation to the proposed legislation, please feel to call the specialist SMSF Team at Byfields for a chat. www.byfields.com.au