

Proposed Taxes on Superannuation Balances above \$3million

With the recent Labor election victory, it is likely the highly contentious Division 296 tax is back on the table. Now that the ALP has won control of the House of Representatives and will only need the support of the Greens in the Senate, we believe the tax on super balances above \$3million will be reintroduced to Parliament and pass.

How does it work?

The tax is based on the movement of a member's super balance from one year to the next. Therefore, both income and capital growth (both realised and unrealised) are subject to the tax.

Let's assume the following:

- A member's balance grew to \$4,000,000 at 30 June 2026, up from \$3,500,000 at 30 June 2025
- A \$30,000 deductible contribution was made, and a \$50,000 pension drawdown was taken out

On a \$524,500 net profit (after pensions, contributions & tax), the Division 296 tax liability would be \$19,668. The controversy surrounding this tax is that it applies to unrealised gains (ie; increase in property & investment values from year to year).

Should I act now or wait until the legislation has passed?

Each member will need to consider their own personal circumstances. For those who are scrambling now to avoid the tax altogether, it's important to know that the draft legislation is based on how much the super balance exceeds \$3million at 30 June 2026 at the earliest, regardless of their balance at 30 June 2025.

How can we help at Byfields

Our specialist SMSF team has done various data modelling which can outline what type of tax implications this tax can impose. Each client's situation is unique based on different assets within super, tax paid personally if the assets were cashed out of super, capital gains tax implications, death benefits tax, etc.

We recommend you arrange an appointment with our office to discuss your individual circumstances so we can best plan and assist you in navigating this tax.

Please contact our SMSF Associate, Corey Bavin on coreyb@byfields.com.au or (08) 6274 6400 if you would like to discuss further.