

Government announces major changes to super tax

February 2026

Legislation has now been introduced into the Commonwealth Parliament in relation to the major changes to the proposed extra 15% tax on the super earnings of members whose total super balances (TSB) are over \$3m.

The details of these major changes to superannuation include:

- The introduction of the new tax will be delayed to first apply to super fund earnings in the 2026-27 tax year. The new tax was originally proposed to apply from 1 July 2025.
- The new tax will be an additional 15% on super fund earnings where a member's TSB is over \$3m and an additional 25% (the first 15% plus 10%) where the TSB is over \$10m. The original proposal was a single threshold of \$3m.
- The Australian Tax Office (ATO) will advise funds of members whose TSBs are over the \$3m threshold and request the fund to calculate the member's "superannuation earnings" based on ATO guidance.
- We understand that "superannuation earnings" for SMSFs and small APRA funds (6 or fewer members) will be "based on the fund's taxable income after deducting taxable contributions and adding back income on retirement phase pensions (which is exempt from income tax)." The Div 296 superannuation earnings of large APRA funds will be calculated on the basis of regulations yet to be published.
- Most importantly, unrealised gains prior to 1 July 2026 will be excluded from the earnings calculation with SMSFs and small APRA funds able to elect to reset the cost bases of their CGT assets (for Div 296 purposes only) to their market values as at 30 June 2026. Other transitional arrangements will apply to larger APRA funds.
- Given legislation may pass prior to 30 June 2026, we strongly recommend a review of the CGT assets of the fund to plan of any adverse tax consequences that may arise after 1 July 2026.
- The \$3m and \$10m thresholds will be indexed by \$150,000 and \$500,000 increments respectively.

Most super members with balances over \$3m have retirement phase pensions in their super funds. Although income on retirement phase pension accounts is generally exempt from income tax, the new additional tax will apply to a proportion of earnings on these pension accounts.

Examples have been included below –

Example one:

At 30 June 2027, Megan has a total super balance (TSB) of \$4m. So:

- $(\$4m - \$3m) / \$4m = 25\%$ of her TSB is over \$3m

The ATO advises her super fund, and the fund calculates her share of earnings excluding unrealised gains to be \$100,000.

Megan will have a tax liability to pay of \$3,750 ($\$100,000 \times 25\% \times 15\%$)

Example two:

At 30 June 2027, Gustav has a total super balance (TSB) of \$12m. So:

- $(\$12m - \$3m) / \$12m = 75\%$ of his TSB is over \$3m, and
- $(\$12m - \$10m) / \$12m = 16.67\%$ of his TSB is over \$10m.

The ATO advises his super fund, and the fund calculates his share of earnings excluding unrealised gains to be \$500,000.

Gustav will have a tax liability of \$64,585 ($[\$500,000 \times 75\% \times 15\% = \$56,250] + [\$500,000 \times 16.67\% \times 10\% = \$8,335]$)

Some exemptions do exist in relation to the above measures, including in relation to defined benefit super interests, and some judge's pensions.



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Next steps

We expect the Federal Government will want the legislation to pass Parliament and prior to 30 June 2026 given the proposed start date of 1 July 2026.

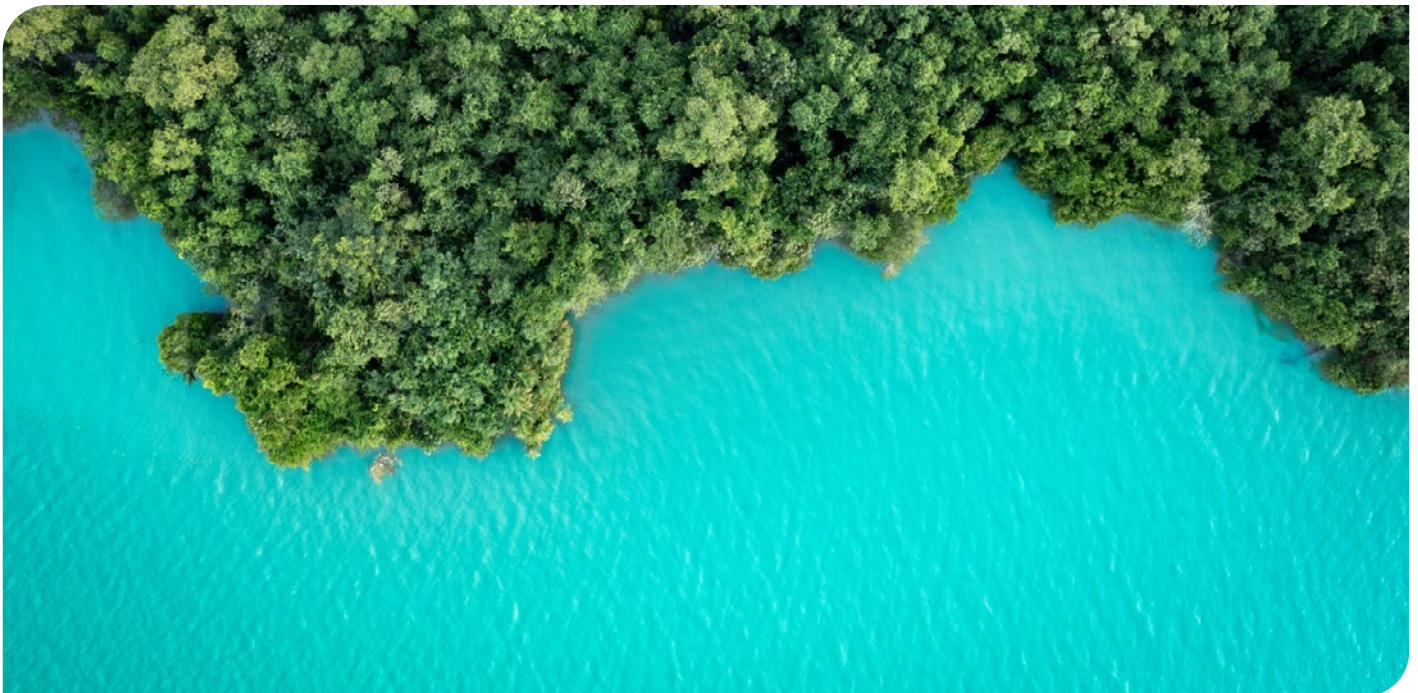
In these circumstances, there are now less than 5 months until 30 June 2026, when we expect these new rules will apply.

This month, we recommend beginning tax planning to identify any potential adverse tax consequences arising from the measures outlined above. This should include a review of all CGT assets expected to be held as at 30 June 2026.

Depending on your personal circumstances, any tax planning over the coming months may also need to consider your broader estate plan, where your interest in superannuation forms part of your estate.

However, given the legislative uncertainty (including the current Federal Government's requirement for support of these measures in the Senate), any final decision regarding superannuation interest should not occur until the legislation passes the Australian Parliament. Please note that the impact on each individual's situation is different and therefore requires specialist advice in respect of each taxpayer's personal circumstances.

Please speak with your local **Nexia Adviser** as soon as possible to understand how the proposed measures could impact you, to ensure that you have sufficient time to plan for the changes before they come into effect as law.



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