Low Income Superannuation Tax Offset (LISTO)

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| From 1 July 2027 the government is boosting LISTO by increasing the income threshold and payment cap. |

# Overview

The Government is boosting the Low Income Superannuation Tax Offset (LISTO) to provide additional support to low income workers to help build their retirement savings.

LISTO is a government superannuation payment which offsets taxes paid on superannuation contributions by low income earners.

From 1 July 2027, the LISTO threshold will increase from $37,000 to $45,000 to match the top of the second income tax bracket. The maximum payment will also increase to $810 to account for recent increases in the Superannuation Guarantee rate.

These changes will make sure LISTO achieves its policy intent of providing low income workers a tax concession on their superannuation contributions to support income in retirement.

Because of these changes, in 2027-28 over 770,000 additional Australians will be eligible for LISTO, and 490,000 Australians will receive a higher LISTO payment. This will mean 1.3 million Australians will benefit from these changes, of which around 60 per cent are women, bringing the total number of Australians eligible for LISTO to 3.1 million.

The average increase in the LISTO payment will be $410 for affected workers with a potential benefit at retirement of around $15,000 (in today’s dollars) depending on an individual’s income over their career.

These changes build on other key reforms to improve superannuation retirement balances for workers including:

* Increasing the superannuation guarantee to 12%. This will lead to higher superannuation balances for all Australians including women and low income earners.
* Paying superannuation on government-funded paid parental leave. This reform is a meaningful step to improve gender equity in superannuation balances.
* Ensuring super is paid on payday. This will help tackle the problem of unpaid superannuation and particularly benefit those in lower paid, casual and insecure work.
* Introducing a legislated objective of superannuation.

Boosting LISTO ensures that more individuals receive a tax concession on their superannuation contributions which improves retirement outcomes over an individual’s lifetime.

This extra support helps to deliver income for a dignified retirement and makes tax concessions fairer. This is consistent with government’s legislated objective of superannuation.

## Background

LISTO is a government payment that refunds the tax paid on concessional contributions for eligible Australians back into their superannuation accounts after the end of the financial year.

The LISTO payment makes sure eligible low income workers receive a tax concession on their superannuation contributions relative to the tax rate on their take‑home pay. It also improves equity between the superannuation tax concessions for low income workers and high income workers.

Without LISTO, these low income workers would receive little or no concessional tax treatment on their contributions

Eligible individuals do not have to do anything extra to receive a LISTO payment as long as they have provided their Tax File Number (TFN) to their fund.

Over recent years, the LISTO settings have remained the same while other aspects of the tax and superannuation system have changed, including:

* The payment cap has remained $500 per year, which is based on a Superannuation Guarantee rate of 9 per cent. However, the Superannuation Guarantee rate has been above this level since 2013 and has now reached 12 per cent. This means that the LISTO does not fully offset contributions tax for any LISTO recipients who earn over $27,778.
* Similarly, the eligibility threshold of $37,000 has not been adjusted since the second income tax bracket was increased to $45,000 in 2020-21. As a result, low income earners between these income levels currently receive no LISTO payment, and therefore receive very limited tax concessions on their contributions to superannuation.

The government’s legislated tax cuts will lower the income tax rate for workers under the proposed threshold ($45,000) to 15 per cent on 1 July 2026 and then 14 per cent on 1 July 2027. Without change to LISTO, this would mean these workers pay similar tax rates on their superannuation contributions and personal income.

The proposed changes will ensure the LISTO threshold and maximum cap align with personal income tax settings and the 12 per cent Superannuation Guarantee rate.

They will mean that, when the final legislated tax cut takes effect on 1 July 2027, the effective tax on contributions will be zero rather than 15 per cent, compared to the marginal rate of 14 per cent.

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| Person earning $33,000  Under current settings, Sachi earns $33,000 in 2027-28 and receives $3,960 in superannuation contributions. Sachi is subject to $594 tax on these contributions (15 per cent) and is eligible for LISTO. As the maximum LISTO amount is $500, she will not be refunded $94 of this tax. Her net contribution will be $3,866.  Because of these changes, Sachi will now receive a higher LISTO payment of $594, fully refunding the tax paid. Her net contribution will be $3,960.  Person earning $37,500  Under current settings, Stuart earns $37,500 in 2027-28 and receives $4,500 in superannuation contributions. Stuart is subject to $675 tax on these contributions (15 per cent). As Stuart earns over the current threshold of $37,000, he is not eligible for LISTO. His net contribution will be $3,825. He will be subject to a higher rate of tax on his superannuation contributions (at 15 per cent) than his marginal tax rate (14 per cent in 2027-28).  Because of these changes, Stuart will now receive a LISTO payment of $675, fully refunding the tax paid. His net contribution will be $4,500.  Person earning $44,500  Under current settings, Iris earns $44,500 in 2027-28 and receives $5,340 in superannuation contributions. Iris is subject to $801 tax on these contributions (15 per cent). As Iris earns over the current threshold, they are not eligible for LISTO. Their net contribution will be $4,539. They will be subject to a higher rate of tax on their superannuation contributions (at 15 per cent) than their marginal tax rate (14 per cent in 2027-28).  Because of these changes, Iris will now receive a LISTO payment of $801, fully refunding the tax paid. Their net contribution will be $5,340. |