Better Targeted Superannuation Concessions

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| The government is making practical changes to the design and implementation of its policy to better target superannuation concessions. |

# Overview

The government is making practical changes to the design and implementation of its Better Targeted Superannuation Concessions (BTSC) policy in response to stakeholder feedback. The adjustments include:

* introducing a second threshold to better target super concessions on balances above $10 million
* indexing the large balance thresholds of $3 million and $10 million
* moving to a realised earnings approach that aligns to existing income tax concepts.

The government will consult the sector on the best approach to:

* calculate realised earnings and attribute to in‑scope individuals
* extend the existing exemption for some judges to improve consistency across jurisdictions
* make additional changes necessary to ensure commensurate treatment is maintained for defined benefit members.

The government will push back the start date of the reforms to 1 July 2026 to consult on final details and prepare legislation.

As announced in the original measure, individuals will still be notified of their liability to pay BTSC tax by the ATO, based on reporting the ATO receives from funds, and will still have the choice of paying the tax directly or from their superannuation funds.

The proposed reforms will maintain the concessional tax treatment of superannuation for all members but makes these concessions more sustainable.

The table below summarises the key changes and compares the previously announced and revised version of the measure.

## Comparing the old and new measure

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| **Previously announced measure** | **New measure** |
| **Identification of high-balance members and ATO reporting process** | |
| Superannuation funds submit individuals’ balances to the ATO for all members. The ATO would add all the superannuation interests of an individual to calculate an individual’s Total Super Balance (TSB).  The ATO would then contact a super fund for contribution and withdrawal data for any individual with a TSB above the legislated threshold.  Funds provide this information (based on existing data).  The ATO would calculate the tax liability. | Superannuation funds submit individuals’ balances to the ATO for all members. The ATO will add all the superannuation interests of an individual to calculate an individual’s Total Super Balance (TSB).  The ATO will then contact a super fund for the proportion of the fund’s applicable realised earnings for any individual with a TSB above the legislated threshold.  Funds undertake calculation of earnings and the share attributable to in-scope individuals, and provide this information back to the ATO.  The ATO will calculate the tax liability. |
| **Calculating superannuation earnings** | |
| Individuals’ superannuation earnings calculated based on **changes in** TSB, adjusted for withdrawals and contributions.  Calculation applied equally to all superannuation interests (including accumulation and defined benefit interests) in both APRA-regulated funds and self‑managed superannuation funds (SMSFs). | Revised methodology will be based on **superannuation fund’s realised earnings**, attributed to members with a TSB above the large balance threshold.  Fund’s realised earnings will be based on its taxable income, adjusted for elements such as contributions and pension phase income. Calculations closely aligned to existing tax concepts.  In-scope members will then be attributed an appropriate share of the fund’s realised earnings based on existing reporting mechanisms or on a fair and reasonable basis. This would be supported by guidance from the ATO. |
| **Indexation of large balance thresholds** | |
| $3 million threshold **not indexed**. | $3 million threshold **indexed to the Consumer Price Index** in $150,000 increments, maintaining alignment with movements in the Transfer Balance Cap (TBC).  Second threshold of $10 million (see below) indexed in $500,000 increments, maintaining alignment with the Transfer Balance Cap. |

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| **Previously announced measure** | **New measure** |
| **Introduction of a tiered approach to the BTSC tax rate** | |
| A total concessional tax rate of **30 per cent** on the proportion of earnings corresponding to TSBs **above $3 million**. | Two-tiered approach with total concessional tax rates for large balance holders:   * **30 per cent** on the proportion of earnings corresponding to TSBs **between the lower** **threshold** ($3 million) **and the higher** **threshold** ($10 million); and * **40 per cent** on the proportion of earnings corresponding to TSBs **above the higher** **threshold** ($10 million). |
| **Start date & timing** | |
| Start date: **1 July 2025** (focusing on TSB at 30 June 2026)  First notices of assessments expected to be issued in the **2026-27** financial year. | Start date: **1 July 2026** (focusing on TSB at 30 June 2027)  First notices of assessments expected to be issued in the **2027-28** financial year. |

# Who do these changes affect?

The Better Targeted Superannuation Concessions Measure will affect a small proportion of the population with high superannuation balances.

The new measure will affect less than 0.5 per cent of Australians with superannuation accounts in 2026-27.

All individuals who will be affected by the new measure in 2026-27 would have been affected by the original policy in the same year.

Both the large balance thresholds of $3 million and $10 million will be indexed, which will reduce the number of individuals in scope over time compared to the original design.

The higher tier rate on balances above $10 million will affect less than 0.1 per cent of Australians with superannuation accounts — applying a more progressive treatment to superannuation taxation.

While the Government is reducing superannuation concessions for Australians with high balances, the tax paid on superannuation earnings, even for those in excess of $10 million, will remain concessional compared to individual tax rates.

# Updated calculation method and examples

The precise method for calculating tax liability will be settled during consultation but it is anticipated that it will follow these five broad steps:

**Step 1: ATO notifies the super fund that there is an in-scope member (i.e. a member with a total superannuation balance of $3 million or more)**

**Step 2: Fund calculates realised earnings attributable to that in-scope member and reports this to ATO**

Note: the trustee of the super fund could attribute earnings to in-scope members using existing processes or on a fair and reasonable basis (as supported by ATO guidance).

**Step 3: ATO calculates the proportion of the total super balance (TSB) exceeding the $3 million threshold**

**Step 4: ATO calculates the proportion of the TSB exceeding the $10 million threshold (if applicable)**

**Step 5: ATO calculates the total tax liability for all that member’s interests**

Note: the tax liability formula above gives effect to the two-tiered approach, applying an additional 15 per cent tax on the proportion of earnings corresponding to the TSB between $3 and $10 million, and an additional 25 per cent tax on the proportion of earnings corresponding to the TSB above $10 million. These apply in addition to the fund’s concessional tax rate of 15 per cent.

Examples

**Megan – both APRA-regulated fund and SMSF interests**

* Megan is 58 and she is both a member of an APRA-regulated fund and a member of an SMSF and has a total super balance of $4.5 million, of which $2.3 million is in an APRA fund and the remaining $2.2 million is in an SMSF.
* In the 2026-27 financial year, Megan had $100,000 in realised earnings from her APRA fund and $200,000 in realised earnings from her SMSF (a total of $300,000).
* The proportion of her $4.5 million balance above the $3 million threshold is 33.33 per cent. The proportion above $10 million is nil.
* Megan’s BTSC tax liability is therefore **$15,000** (0.15 x 0.3333 x $300,000).

**Emma – SMSF member with over $10 million**

* Emma is 55 and a member of an SMSF and has a total super balance of $12.9 million at the end of the 2026-27 income year. That year she was attributed $840,000 of the fund’s realised earnings for the purposes of this tax.
* The proportion of her balance above the $3 million threshold is 76.74 per cent and the proportion of her balance above the $10 million threshold is 22.48 per cent.
* Emma’s BTSC tax liability is therefore **$115,581** (0.15 x 0.7674 x $840,000 + 0.10 x 0.2248 x $840,000). Note the combined BTSC tax rate on earnings over $10 million is 25 per cent.

Next steps

The Government will introduce legislation to implement these changes as soon as possible in 2026. Further consultation will be undertaken with the superannuation industry and other relevant stakeholders to settle implementation.