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What's Happening To Super With Balances of Over $3 Million?

Last week, the government announced a change to superannuation, introducing a new tax that will apply to member balances above $3 million.

From July 1, 2025, super earnings over $3 million will be taxed at 30 per cent, double the current rate of 15 per cent. According to the government, this change aims to ensure that sustainability and fairness remain central to the system.

To put it into perspective, the average Australian super fund contains an average balance of $150,000, and about two-thirds of Australians have less than $100,000.

This new tax concession increase will affect about 80,000 people, who will continue to have more generous tax breaks on earnings from the $3 million below the threshold (which will not rise over time). This will not be retrospectively applied and will only apply to future earnings.

A person with $3 million in super will likely receive a tax benefit at 30% still. However, serious thought could be given to leaving money in superannuation, where the tax rate is the same as putting it into a company.

Other considerations that may need to be thought through include

- **If you die and leave that super to non-death benefits dependent, they will pay 15% on the entire taxable component, leading to an effective tax rate of 45% on the earnings.**
- **Taking money out of the company will come with franking credits but may put you in a position of paying top-up tax. Conversely, leaving it in the company and leaving the shares to a testamentary trust may allow you to pay dividends without further tax.**
- **A company does not need to comply with any SIS rules so that you can have in-house assets, loans to members etc.**
- **Any actions taken should be done with consultation with a professional adviser to comply with legislation and regulations.**

As these changes to super balances of over $3 million will not take effect until after the next election, there is plenty of time to plan and model out the best path for your situation (if you are one of the few who this will affect). You will need an actuarial certificate to determine what percentage of the fund's income will be taxed at 0%, 15% and 30%.

While the average Australian super fund may be far below this threshold, that doesn't mean a fund cannot be increased. Through voluntary contributions, including concessional and non-concessional contributions, you can help to boost your nest egg to a comfortable level.

Do you want to know more about tax breaks, concessions, or ways you could contribute to your superannuation? Speaking with a licensed professional is the best way to start.