DLK ADVISORY

SUPERANNUATION TAX BREAK CHANGES

In an attempt to repair the Federal Budget and lower the overall national debt, the government announced changes to the way super in accumulation phase are taxed over the threshold of $3 million. It will not affect those with super account balances below $3 million, which accounts for the majority of Australians.

Currently, earnings from super in the accumulation phase are taxed at a concessional rate of 15% regardless of balance. It is proposed that from the 2025-26 income year, the concessional tax rate applied to future earnings for those with super account balances above $3 million will be 30%. It will not apply retrospectively to earnings in previous years and does not impose a limit on the size of super account balances in the accumulation phase.

Affecting an estimated 0.5% of the people or around 80,000 individuals, the government indicates that it is a “modest” adjustment which is in line with its proposed objective of superannuation – to deliver income for a dignified retirement in an equitable and sustainable way.

To illustrate just how little it affects ordinary Australians, in the latest ATO taxation statistics (relating to the 2019-20 income year), the average super account balance for Australian individuals is around $145,388, with a median balance of only $49,374. In addition, according to ASFA (Association of Superannuation Funds of Australia) estimates, for a comfortable retirement, a single homeowner individual at 67 will need $65,445 per year. If that individual lives to the ripe old age of 100, that will only equate to an amount of $1.5m in super, well below the $3m proposed.

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CONTACT

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