



FACTSHEET

Division 296 Superannuation Tax

The following fact sheet provides a general explanation of the proposed Division 296 tax measure and is not meant to be a substitute for professional advice. Please seek professional advice regarding the implications of this proposed new measure on your personal circumstances.

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WHAT IS DIVISION 296?

The Federal Government has proposed new legislation (Division 296) to reduce superannuation tax concessions for individuals whose total superannuation balance (TSB) exceeds \$3 million. This measure would impose an additional 15% tax on a portion of attributed fund earnings above the \$3 million threshold. For those individuals with a TSB in excess of \$10 million a further 10% tax, increasing the Division 296 tax rate to 25%, on the portion of attributed fund earnings above \$10 million will be imposed.

Your TSB is measured at 30 June each year and determines which tax tier applies for earnings arising from 1 July the following year onwards.

Important: This measure is not yet law. It must be passed by both Houses of Parliament – the House of Representatives and the Senate – to become law.

WHO COULD BE AFFECTED?

- Individuals with more than \$3 million across all their Australian superannuation accounts as at 30 June each year.
- This includes all of your super: Self-managed super funds (SMSFs), large industry or retail funds, and certain defined benefit pensions.
- Both the lower large superannuation balance threshold of \$3 million and the upper large superannuation balance threshold of \$10 million will be indexed to the Consumer Price Index (CPI). The \$3 million threshold will be indexed in increments of \$150,000 and the \$10 million threshold in increments of \$500,000.
- Certain people are excluded, such as children receiving super income streams, those with structured settlements for personal injury, and those who die before year end.

HOW WILL THE TAX WORK?

On 13 October 2025 the Federal Treasurer announced changes to the earlier Division 296 design. Rather than ATO-reconstructed member-level earnings based on balance movements, the revised model moves to a fund-level realised-earnings approach. Funds (including SMSFs) will calculate their taxable/realised earnings for the year, attribute an appropriate share of those earnings to members whose total superannuation balance (TSB) exceeds the lower threshold, and report those figures to the ATO. The ATO will continue to aggregate TSBs across all super interests for each individual and issue any liability notices. This is a practical shift of compliance responsibilities from ATO reconstruction to trustee calculation and reporting.

The tax outcome is progressive across two bands. For the portion of a member's TSB between \$3 million and \$10 million, an additional 15% tax applies to the attributable earnings (on top of the fund's existing 15% rate). For amounts above \$10 million, the design produces a higher effective tax on attributable earnings so that ultra-high balances face a greater additional burden. Both thresholds will be indexed (the \$3m threshold in \$150,000 increments and the \$10m threshold in \$500,000 increments).

The start date is proposed to be 1 July 2026 with the first time an individual's TSB will be assessed against the Division 296 thresholds to be 30 June 2027. This will make the 2026-27 the first Division 296 income year with the first assessments to issue in 2027-28.

The Treasury summary describes the calculation in broad steps:

1. The ATO identifies in-scope members from reported balances.
2. The fund calculates realised earnings and the share attributable to each in-scope member and reports that to the ATO.
3. The ATO applies proportionate thresholds to calculate the additional tax. In formula form the approach is expressed as:

$$\text{Proportion_1} = (\text{TSB} - 3,000,000) / \text{TSB}$$

$$\text{Proportion_2} = (\text{TSB} - 10,000,000) / \text{TSB}$$

$$\text{Tax Liability} = 0.15 \times \text{Total Earnings} \times \text{Proportion_1} + 0.10 \times \text{Total Earnings} \times \text{Proportion_2}$$

This produces an effective 30% rate on the \$3m to \$10m portion (15% fund + 15% extra) and 40% on earnings attributable to balances above \$10m once combined.

EXAMPLE 1 - SAM

Sam has a total superannuation balance of \$4 million at 30 June 2027. The fund attributes realised earnings to Sam's interest of \$100,000 for the 2026-27 income year.

Proportion of balance above \$3 million

$$(\$4\text{m} - \$3\text{m}) \div \$4\text{m} = 25\%$$

Taxable 'super earnings'

$$\$100,000 \times 25\% = \$25,000$$

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$$\$25,000 \times 15\% = \$3,750.$$



EXAMPLE 2 - ALEX

Alex has a total superannuation balance of \$15 million at 30 June 2027. The fund attributes realised earnings to Alex's interest of \$930,000 for the 2026-27 income year.

Proportion of balance above \$3 million

$$(\$15\text{m} - \$3\text{m}) \div \$15\text{m} = 80\%$$

Taxable 'super earnings'

$$\$930,000 \times 80\% = \$744,000$$

Proportion of balance above the \$10 million

$$(\$15\text{m} - \$10\text{m}) \div \$15\text{m} = 33.33\%$$

Taxable 'super earnings'

$$\$930,000 \times 33.33\% = \$309,969$$

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$$\$744,000 \times 15\% + \$309,969 \times 10\% = \$147,596.90.$$



WHAT SHOULD I DO NOW?

- Don't panic! This measure may still change before becoming law. A revised Bill containing the details of changes is yet to be issued by the Federal Government.
- The proposed start date is 1 July 2026 with the first time an individual's TSB is assessed for Division 296 purposes being 30 June 2027.
- Review your current and projected super balances to see if you could be affected in the future by the proposed measure.
- Seek professional advice before making any withdrawals or significant changes.
- There may be broader tax, retirement and estate planning implications.
- Ensure your fund's records and asset valuations are up-to-date and robust, especially for SMSF members.
- Start the conversation early with your adviser.

KEY POINTS TO REMEMBER

- This measure is not yet law.
- Only a small proportion of super fund members will be impacted, but for those with high balances the effect can be material.
- Super remains a highly tax-effective retirement vehicle, even with these changes.
- Don't rush to withdraw super solely due to media headlines – seek advice on your situation.

CHECKLIST: DIVISION 296 READINESS

- ☐ Estimate your total superannuation balance at 30 June each year (across all funds)
- ☐ Consider any expected large contributions, withdrawals, or receipt of pensions (e.g. from inheritance)
- ☐ Review your investment strategies and the possible need for future tax payments from your fund
- ☐ Make sure your asset valuations are accurate and well documented
- ☐ Book a meeting with your accountant or adviser for a tailored discussion

For further information about Division 296 and how it may affect you, please contact your adviser today. Legislation is complex and your personal circumstances matter.