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The $3 million Super Proposal

It is well understood that the purpose of superannuation is to have money put aside to utilise in the retirement years. Superannuation provides ongoing tax advantages and an income post employment – an incentive to lower the overall reliance on the Government Age Pension. But with the substantial and favourable tax concessions in view, and media speculation surrounding the upcoming Federal Budget, the Albanese Government has recently proposed some changes to how high super balances will be taxed.

The $3 million Super Proposal - Summary

Federal Treasurer Jim Chalmers has proposed a change to tax concessions within superannuation. This is based on the total superannuation balance (TSB) of an individual. The TSB of an individual is the sum of all amounts you have in the superannuation system.

The proposed measure will increase the tax payable for individuals that hold super balances greater than $3 million. However, it is not considered a limit on the amount of savings that a person can hold in the superannuation system – a hard cap of $3 million would be difficult to introduce.

Individuals with balances over this $3 million threshold will be subject to an additional 15% tax. For high balance accounts, this tax is calculated on the difference in TSB at the start and end of the financial year, adjusted for withdrawals and contributions.

The table below summarises the tiered system, noting that no tax is generally applied for super withdrawals (when you're in the retirement phase and over age 60). The additional tax liability will be a separate tax, as earnings in accumulation are already taxed at 15%.

Member Balance & Phase	Tax Rate
Accumulation benefits (proposed TSB < $3 million)	15%
Up to $1.7 million on the retirement phase	0%
Over $3 million in TSB	Additional 15%

The $1.7 million limit is important to note as this limits the tax-free super balance in retirement (known as the transfer balance cap (TBC)). This was originally set at $1.6 million in 2017 and may index up to $1.9 million as at 1 July 2023. It appears that the operation of TBC will be unaffected.

Indexation

The new $3 million threshold will not be indexed. If put into immediate effect, this measure may impact about 0.5% of Australians, or approximately 80,000 who have in excess of $3 million in superannuation. This said, TSBs in excess of $3 million will be tested for the first time on 30 June 2026. This would see a larger proportion of the population affected by the proposal in coming years and decades.

Example – Calculation Method based on Recent Treasury Publication

Arthur is aged 57 and has $4 million in superannuation. He makes no contributions or withdrawals during 2025/26 and ends up with a super balance of $4.25 million as at 30 June 2026.

Arthur's calculated earnings is assessed as $250,000. The proportion of earnings corresponding to funds above $3 million is:

($4.25 million minus $3 million) divided by $4.25 million = 29.4%.

A tax liability arises equating to:

15% x $250,000 x 29.4% = $11,029

What to Consider

Given that the proposal won't apply before 1 July 2025, we will have to wait to see were it all lands as Treasury will be consulting on the implementation framework.

There appears to be no compulsion for an individual to withdraw excess funds from the super system (e.g. and invest elsewhere), though this could be assessed by individuals on case-by-case scenario. The proposal will encourage couples to equalise member balances by use of the various contribution rules and allowances, and boost super in the name of a lower-balance spouse.

If you have any queries relating to your specific circumstances, feel free to contact your adviser.

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