asfa
the voice of super

Research paper

Achieving greater equity in superannuation

August 2024

The Association of Superannuation Funds of Australia Limited
Level 11, 77 Castlereagh Street
Sydney NSW 2000

PO Box 1485
Sydney NSW 2001

T +61 2 9264 9300
1800 812 798 (outside Sydney)
F 1300 926 484
W www.superannuation.asn.au

ABN 29 002 786 290 CAN 002 786 290

About ASFA

ASFA, the voice of super, has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers.

We develop policy positions through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians.

Overview

The compulsory superannuation system is delivering considerable benefits for Australians. Balances for individuals at the time of retirement are increasing and increasing numbers of people in the 65 plus age group have a superannuation account balance, leading to higher retirement incomes. However, there still are concerns about the relative amount of tax concessions provided at various income and superannuation account balance levels.

Given that superannuation concessional contributions are taxed at a flat rate when received by a fund and given that higher income individuals tend to have more concessional contributions made on their behalf, a range of measures have been put in place to provide greater equity in regard to the tax concessions received across the range of incomes.

At the lower end of taxable incomes, there is the Low Income Superannuation Tax Offset, the Superannuation Co-Contribution Scheme and certain tax concessions for contributions made on behalf of a spouse. At the upper end of the income distribution there is the Division 293 tax which imposes an additional 15 per cent tax on the concessional contributions made on behalf of individuals with income and superannuation contributions exceeding $250,000 a year.

There also are a number of measures which aim to limit the tax concessions associated with investment earnings generated by relatively large account balances. Currently these are principally related to the Transfer Balance Cap which limits the amount of superannuation which can be transferred to a tax free pension account and which also limits the amount of voluntary contributions that can be made into superannuation.

Legislation is also before the Parliament (known as Division 296 superannuation taxation) which would impose an additional 15 per cent tax on the proportion of investment earnings associated with that part of an individual's superannuation which is over $3 million in value.

While the various measures have brought about or will bring about improved equity in the tax treatment of superannuation there is still a strong case for enhancing the tax concessions flowing to those in the lowest income tax brackets (those applying to individuals with taxable income under $45,000 a year).

The tax on investment earnings for individuals with superannuation over $3 million together with the Division 293 tax on superannuation contributions will raise nearly over $3.5 billion a year when both are in operation. ASFA has recommended that about $750 million of this be used to enhance the Low Income Superannuation Tax Offset.

The distribution of account balances by income level and by size of balance

There is substantial variation in superannuation balances as they are a product of a number of factors. The number of years of contributions and the annual level of contributions are important factors, along with cumulative investment returns. Any early release from a superannuation account can have a strongly negative impact on final account balance.

As shown by Table 1, average and median account balances are strongly linked to income level. An apparent anomaly is the average account balance for those on a taxable income of $18,200 or less but that is influenced by individuals who have retired and are drawing tax free income from superannuation. For instance, in 2021-22 (the latest year for which data are available) there were around 57,600 individuals with more than $1 million in superannuation but with a taxable income of less than $18,200. There were 10,700 of those with more than $2 million in superannuation.

There also are significant numbers of individuals who are not required to lodge an income tax return who have significant superannuation balances and substantial tax free income from superannuation.

Table 1: Average and median superannuation account balance by taxable income band

		2021-22	
Taxable income	**Individuals no.**	**Average account balance $**	**Median account balance $**
$18,200 or less	1,849,779	161,473	21,374
$18,201 to $45,000	3,556,433	98,453	17,127
$45,001 to $120,000	6,656,624	142,818	70,374
$120,001 to $180,000	1,300,483	295,925	178,728
$180,001 or more	744,675	573,053	303,980
No income tax return	3,057,652	132,854	40,888
Total	**17,165,646**	**164,126**	**57,912**

* Source: Individuals statistics | Australian Taxation Office (ato.gov.au)

As shown by Table 2, as at June 2022 there were around 96,000 individuals with more than $2 million in superannuation, around 0.6 per cent of the total number of Australians with superannuation. Those with relatively low balances tend to be younger and with lower taxable incomes, but there also are those aged 70 and over who have retired and have run down their superannuation balance.

Table 2: Number of persons by superannuation balance range, June 2022

Account balance	Number of individuals	Percentage of individuals
Less than $50,000	8,064,820	47.0%
$50,00 to $100,000	2,633,972	15.3%
$100,000 to $150,000	1,671,606	9.7%
$150,000 to $200,000	1,123,197	6.5%
$200,000 to $250,000	773,619	4.5%
$250,000 to $500,000	1,691,892	9.9%
$500,000 to $750,000	556,297	3.2%
$750,000 $1 million	258,122	1.5%
$1 million to $2 million	298,556	1.7%
$2 million plus	96,117	0.6%

* Source: Individuals statistics | Australian Taxation Office (ato.gov.au)

Achieving equity in the tax treatment of superannuation

The tax treatment of superannuation retirement savings in Australia follows an approach which is not really followed in any other country. For a variety of reasons when compulsory superannuation was introduced the reforms to the taxation of superannuation led to the adoption of a flat rate of taxation on superannuation contributions and investment returns, with concessional treatment of income in retirement on top of that. Subsequently, payments from superannuation became largely tax free when received at age 60 and over.

This differs from the personal income tax rates, which for 2024-25 onwards are set out in Table 3 below.

Table 3: Personal income tax rates, 2024-25 onwards

Taxable income	Tax on this income
0 – $18,200	Nil
$18,201 – $45,000	18c for each $1 over $18,200
$45,001 – $135,000	$4,288 plus 32c for each $1 over $45,000
$135,001 – $190,000	$31,288 plus 39c for each $1 over $135,000
$190,001 and over	$51,638 plus 47c for each $1 over $190,000

* Tax rates in the table include the 2% Medicare levy

When the flat rate of taxation on contributions at the rate of 15 per cent for concessional contributions was first introduced the rate of the tax concession increased with income, and at low income levels superannuation contributions were taxed more heavily than the marginal personal income tax rate. However, the introduction of the Low Income Superannuation Tax Offset and Division 293 higher taxation of superannuation contributions of certain higher income individuals have largely levelled out the tax concession delivered in terms of percentage of contributions made (Table 4).

Table 4: Tax concession on contributions, 2024-25 onwards

Taxable income	Tax concession on super contributions
0 – $18,200	Nil
$18,201 – $45,000	18% up to $37,000, 3% $37,001 to $45,000
$45,001 – $135,000	17%
$135,001 – $190,000	24%
$190,001 and over	32% until contributions and income reach $250,000, then 17%

There still are some gaps and inconsistencies in the pattern of tax concessions, with those on incomes between $37,000 and $45,000 receiving only a very small tax concession, and with some individuals on the top marginal tax rate receiving a relatively large tax concession. As will be discussed later in this report, ASFA has recommended measures to redress these inequities.

The operation of the LISTO means that those with taxable incomes of less than $18,200 are not disadvantaged by the taxation of superannuation contributions relative to personal income. As well, many such individuals receive benefits from having a lower reported income for social security and like purposes. In any event, only around one per cent of total employer superannuation contributions are made in regard to individuals with taxable income under $18,200 a year.

Those with relatively large superannuation balances also receive tax concessions through investment earnings being taxed at the rate of 15 per cent during the accumulation phase and at a zero rate in the pension phase. Measures put in place to limit the tax concession for those with high balances have included the introduction of the Transfer Balance Cap with limits the amount of superannuation an individual can have investment returns taxed at a zero tax rate and limits on contributions which can be made by those with high account balances. There also are measures which allow individuals with low account balances to make contributions in excess of the usual annual caps. However, it is not clear how many individuals make use of the superannuation contribution catchup provisions.

There is a strong case for both further limiting the superannuation tax concessions for those with high balances and/or high incomes and assisting further those on low incomes with generally low balances. ASFA has consistently advocated for such measures.

The following sections of this paper examine how various current and proposed provisions work and how they would impact on various groups.

The proposed Division 296 taxation of individuals with very high superannuation balances

The legislation currently before the Parliament proposes that from the 2025-26 income year onwards, the headline concessional tax rates applying to superannuation earnings would be:

- up to 15 per cent on earnings on superannuation balances $3 million and below; and
- up to 30 per cent overall on a percentage of investment earnings equal to the percentage of the individual’s Total Superannuation Balance above $3 million.

The effective tax rate will be reduced by the proportion of the superannuation balance that is in pension phase.

It is important to note that only the part of total assessed investment earnings that is applicable to the superannuation balance over $3 million is subject to the additional tax rather than all investment earnings being subject to the proposed tax once an account balance exceeds $3 million. This approach is in contrast to Division 293, where all the superannuation contributions are subject to the additional tax once a threshold is reached.

A worked example follows:

> In the 2025–26 income year Mary received benefit payments of $250,000 combined from her two pension accounts and made a $300,000 downsizer contribution. On 30 June 2025 Mary's Total Superannuation Balance (TSB) was $3.7m and $4.1m on 30 June 2026.
>
> Mary's adjusted TSB at the end of the year is calculated to be $4.05m by adding her total withdrawals of $250,000 and deducting her total contributions of $300,000 from her 2025-26 TSB $4.1m. Her superannuation earnings for the year are $350,000, the difference between $4.05 million and $3.7 million.
>
> The percentage of taxable earnings over $3 million is calculated by subtracting $3 million from $4.1 million and then dividing it by $4.1 million, resulting in a percentage of earnings attributable to the balance over $3 million of 26.83 per cent.
>
> The Division 296 tax amount is calculated by multiplying the superannuation earnings of $350,000 by 26.83 per cent, which is $93,905. That amount is then multiplied by the 15 per cent tax rate, leading to a Division 296 tax amount of $14,085.75. This is a relatively small proportion of the overall superannuation earnings of $350,000.

The calculation could not be regarded as being intuitive but it is reasonably easy to calculate on an automated basis making use of a few data items for each individual.

What would be involved in assessing taxable income (excluding unrealised gains) at the individual level

APRA regulated funds have clear records for each member on the quantum, type and timing of contributions. However, in regard to investment returns, taxation occurs at the fund level and there are no records at the individual level of the detailed tax components applying to investment returns as delivered by unit pricing or crediting rates.

Superannuation taxes can be easily applied to contributions at an individual level but the taxation of investment earnings is done at the fund level. There also are issues relating to the treatment of defined benefit superannuation interests with a capital value in excess of $3 million where investment earnings are not directly linked to an account and/or the superannuation interest is unfunded and paid out of consolidated revenue.

If detailed tax information were required for each of the 24.4 million superannuation accounts in the Australian system this would involve very considerable compliance costs. Some APRA regulated funds might only have a few members potentially affected by the tax, with the great bulk of those likely to be affected in SMSFs, followed by a small minority in defined benefit funds, and then by those with an account in an APRA regulated fund.

It is for this reason the legislation proposes use of a proxy for investment earnings making use of currently reported or easily collected data, including opening and closing account balance and amounts either contributed or taken as a benefit.

The number affected by the measure

ASFA agrees with Treasury estimates that approximately 80,000 people will be impacted when the changes come into effect. Of that figure:

- Approximately 77,400, or 93 per cent of all affected individuals, have a total superannuation balance between $3 million and $10 million. The remaining 7 per cent of affected individuals have balances between $10 million and $50 million.
- Approximately 100 individuals, or less than 1 per cent of those affected, have balances in excess of $50 million.
- Approximately 65 per cent of affected individuals are in the retirement phase, with the remaining 35 per cent of individuals still in the accumulation phase.

The tax concession received by these individuals is more than reasonably necessary to support their retirement living standard.

The proposed measure will significantly improve the equity of the tax treatment of superannuation, reducing the tax concession flowing to account holder with more than $3 million in superannuation by $2.3 billion in 2027-28, the first full year of operation of the measure.

The characteristics of those who would pay Division 296 taxation

Some public commentary tends to suggest that the main categories of individuals impacted by the proposed tax are current and retired farmers and elderly widows who like to punt big on tech stocks.

The reality is quite different. It would be much more accurate to categorise those more commonly affected by the proposed tax as being older wealthy males living in affluent areas of capital cities or affluent retirement regions who have never had anything to do with primary production or the only connection is owning a boutique winery that is run at a tax loss.

The ATO sample of individual taxpayer data can be used to estimate the characteristics of those would be affected by the new tax as the unit record data includes both superannuation balance and other demographic and financial data.

ASFA analysis of that data indicates that in terms of national split of those likely to be affected, around 40 per cent of the total affected are female and 60 per cent male. Those affected are relatively old, with 85

per cent aged over 60 with 46 per cent aged over 70. As such many of the group would be receiving tax free income from superannuation and currently tax free investment earnings on their superannuation balance up to the level of the Transfer Balance Cap. However, not all are retired, with around 30 per cent receiving wage and salary income, and with around 5 per cent having wage and salary income over $200,000 a year.

Around 5 per cent of those with over $3 million in superannuation have farm income either direct or through trust or partnership distribution, but in many cases it is not substantial, with other income received. At least some of those with farm income live in inner capital cities and could be described as Pitt Street or Collins Street farmers.

Only around 7 per cent of those likely to be impacted live in rural areas, with only some of those ever having been involved in primary production and even fewer have SMSF balances over $3 million.

Accordingly, the proportion of those with over $3 million in superannuation with an SMSF and a high value farm property within the SMSF would be very low. As well, contribution caps mean that any SMSF where a member has a large balance would need to have held the high value farm property for many years, receiving lease payments a year typically in the 3 per cent to 6 per cent of property value. This would lead to substantial liquid assets in such funds, including easily sold shares in addition to cash in an at call or term deposit account with a bank. If there is a legitimate concern in regard to an SMSF having limited liquidity this would be best addressed by allowing an individual to defer payment of a Division 296 liability (with an appropriate interest rate applying) rather than abandoning adoption of the new tax.

Those with over $3 million in superannuation not surprisingly are very well represented in affluent regions within the major capital cities with very few in rural or remote areas (Table 5). Regions with a high incidence of balances over $3 million relative to the number of individuals living in the area include the Eastern Suburbs, North Shore and Northern Beaches in Sydney, inner areas of Melbourne along with the Mornington Peninsula, and inner suburbs of Perth and Brisbane. There also are significant numbers in retirement areas such as the Gold Coast and the Sunshine Coast.

Table 5: Percentage of those impacted by Division 296 by statistical area

State/Territory	Region	% total number with over $3m super (a)
ACT	Australian Capital Territory	3%
NSW	Sydney - City and Inner South	2%
NSW	Sydney - Eastern Suburbs	6%
NSW	Sydney - North Sydney and Hornsby	8%
NSW	Sydney - Northern Beaches	3%
NSW	Baulkham Hills	2%
TAS	Hobart	1.1%
TAS	Launceston and North East	0.3%
TAS	Tasmania - other	0.1%
VIC	Melbourne - Inner	7%
VIC	Melbourne - Inner East	5%

VIC	Melbourne - Inner South	4%
VIC	Melbourne - South East	1%
VIC	Mornington Peninsula	2%
VIC	Geelong	2%
WA	Perth - Inner	3%
QLD	Brisbane West	1.5%
QLD	Brisbane inner city	3%
QLD	Gold Coast	2%
QLD	Sunshine Coast	2%
SA	Adelaide Central and Hills	3%

(a) ATO data does not reflect Family Law valuations of Defined Benefit superannuation interests. Including DB members would raise the percentage for the ACT, less so in other regions.

There is a low incidence of over $3 million balances in rural Tasmania, the Hunter Valley, the Central West of NSW, Murray, Outer South West Sydney, Hume, Darling Downs, Darwin, Logan in Queensland, and Mandurah in WA.

The lack of indexation in the legislation for the threshold for the tax to be paid

While many taxation provisions index thresholds and caps by either the CPI or wages (with this supplemented in some cases by adjustments only being made in set increments) this does not apply in a number of important cases.

For instance, the threshold for Division 293 taxation requires legislative amendments for it to be altered. Similarly, the thresholds for personal income tax rates are amended by legislation when it is considered appropriate rather than being routinely indexed.

There are arguments both for and against automatic indexation. However, even when there is no automatic indexation of thresholds there are few if any recorded instances in the Australian taxation of significant thresholds being left unamended for periods of even ten or fifteen years.

Projections of the impact of a tax in 30 or 40 years' time based on thresholds not changing are not realistic exercises. Assuming that will be the case for personal income tax rates because there is no legislated indexation would lead to projections of almost all taxpayers being on the top marginal tax rate in 40 years' time.

Including unrealised capital gains in the calculation of the tax

ASFA in its submissions on the proposed Division 296 tax has stated that this is an unorthodox approach in the context of Australian taxation arrangements, and one that should not set a precedent for the taxation of superannuation or personal income tax more broadly.

However, the submission also indicated that ASFA accepts the rationale for use of this simplified, proxy calculation in order to minimise the potential compliance burden and cost that might be incurred – and passed through to individual superannuants – if all funds were required to determine, attribute and report, at the individual level, a more precise calculation of 'earnings' for Division 296 purposes.

While taking into account unrealised capital gains in a taxation or retirement income context is not common, there are a number of cases where this occurs in the Australian system. Examples include:

- The asset test for the Age Pension uses current market value for assessing assets, including unrealised capital gains.
- Land tax uses a market value linked measure for assessing land tax liability.
- Council rates use a market value linked measure rather than purchase price.
- The Transfer Balance Cap used for a variety of superannuation purposes makes use of market value of assets, including unrealised capital gains.
- Supervisory and other levies linked to assets of an entity are based on market value, including unrealised capital gains.
- Family Law splits of superannuation are based on market value of superannuation assets and do not exclude unrealised capital gains.

Taxation of unrealised capital gains is not common in other countries but there are some examples in operation. There also is a proposal in the US Budget for fiscal year 2025 to impose a tax on unrealised capital gains in relation to asset holdings of high net worth individuals[1]. Lengthy deferral of payment of tax by the very wealthy on capital gains clearly is a public policy issue that at least one other jurisdiction is addressing.

The Supreme Court of the US recently upheld the constitutional validity of a tax related to unrealised capital gains associated with investments by US residents in foreign corporations[2].

Use of alternative approaches to dealing with unrealised capital gains

Some commentators have suggested alternative approaches to the calculation method for valuing superannuation interests that are over $3 million.

One suggestion is that funds which can provide an exact calculation for investment earnings, one that excludes unrealised gains, should be allowed to use that.

Requiring APRA regulated funds to calculate realised taxable income for each fund member would involve an enormous administrative task and involve substantial IT costs. This would be in the context of there being 22.5 million accounts in APRA funds with only a few thousand of those likely to have any Division 296 tax liability. Around 90 per cent of those impacted by Division 296 are in an SMSF, followed by those in defined benefit funds, with relatively few in APRA regulated funds.

In contrast, the method proposed by the Government is designed to minimise implementation and ongoing administration costs by making use of data that is already collected.

---

[1] Biden proposes 25% tax on unrealized gains for high-net-worth individuals (finbold.com)
[2] 22-800 Moore v. United States (06/20/2024) (supremecourt.gov)

Tax calculations and tax returns for APRA regulated funds are prepared on a pooled basis rather than being linked to individuals.

For individual fund members, APRA funds assign investment earnings to individual accounts based on income received and estimated capital gains (both realised and unrealised) with an allowance for tax, including in regard to both realised and unrealised capital gains. In most cases this is a daily exercise. The funds do not calculate and have no easy method to calculate at the end of the year what proportion of the total investment earnings allocated to each individual fund member are attributable to unrealised capital gains, including in regard to asset purchases that could have occurred years or decades before. As well, such calculations would be further complicated by members entering and leaving funds and by numerous sales and purchases of assets, with shareholdings in listed companies generally accumulated at many different times.

Accordingly a totally new method of calculating tax liabilities for individuals, based on their share of the taxable income of their superannuation funds, would need to be developed, legislated and administered by funds. This would be at a great cost, most of which would be borne by members with no liability to pay the Division 296 tax.

As a result, APRA funds would not opt to calculate investment earnings with unrealized capital gains excluded. One of the major shortcoming of allowing a fund to choose to exclude unrealised gains by a detailed calculation would be that it would provide preferential treatment for Self-Managed Superannuation Funds, with investments held in such funds taxed at a lower rate than investment earnings in APRA regulated funds.

There also has been a suggested that a uniform deemed rate of investment return be applied. This would lead to those with low investment returns being overcharged the tax and those with relatively high investment returns being subject to a low rate of tax.

It also has been suggested that unrealised capital gains in a given year will eventually be realised, leading to collection of tax at the time the asset is sold. However, no Division 296 is collected in the year that a fund member dies. If an asset is only sold after the death of the member no Division 296 tax would be collected at that stage.

The various suggested alternative methods would generally lead to significantly lower measured investment returns on average and would mean that revenue built into the Forward Estimates would not be collected.

The Division 293 taxation of individuals with relatively high incomes

This measure was first introduced in 2012-13 when it applied to individuals with combined taxable income and concessional superannuation contributions exceeding $300,000 a year. For those subject to the measure, an additional 15 per cent tax is applied to the concessional contributions of the individual.

In the first year it affected around 130,000 individuals. In 2017-18 the measure was amended to apply to individuals with taxable income and contributions exceeding $250,000 a year, impacting around 230,000 individuals and raising around $730 million a year in revenue.

The threshold for this additional tax has never been indexed, with the only discretionary adjustment being a reduction in the threshold. The lack of legislated indexation is the same as is the case for the proposed Division 296 measure.

In 2022-23 around 410,000 individuals were impacted by Division 293 with $1,353 million in revenue raised. This compares to the around 630,000 individuals with incomes in that year with taxable incomes over $180,000 and who had employer contributions Applying Division 293 to all taxpayers with a taxable income over $190,000 would raise an additional $700 million or so in revenue.

Recent research based on ATO and other data on taxpayers[3] provides an indication of the characteristics of those affected by the current Division 293 tax.

By definition, individuals paying the Division 293 tax are in the top personal income tax bracket. Their average age is around 49, and 75 per cent are males. Around 25 per cent have business income, around 40 per cent have rental income and 85 per cent have wage or salary income. Around 25 per cent have a Self-Managed Superannuation Fund. Around 80 per cent live in a major city, with only 1 per cent living in a remote area.

The operation of the Low Income Superannuation Tax Offset and other measures available to low income earners

The Low Income Superannuation Tax Offset (LISTO) came into effect on 1 July 2017 as a renamed version of the Low Income Superannuation Contribution (LISC). LISTO payments are capped at $500 per year.

The LISC policy initiative was a response to the Henry Review into Australia's tax system. The Henry Review argued that low-income taxpayers should not be paying more tax on their concessional superannuation contributions (employer contributions and contributions an individual has claimed a tax deduction) than on their wage and salary income.

While the then Government in the main did not take up the Henry Review recommendations, it did develop an alternative mechanism for delivering a superannuation contribution tax concession for lower income individuals.

The upper threshold when introduced aligned with the then second lowest personal income tax band with the capped amount of $500 equivalent to 9 per cent of $37,000. There has been no indexation or discretionary adjustment of the measure since its introduction despite changes to the upper threshold of the second lowest tax band and increases in the rate of the Superannuation Guarantee from 9 per cent of wages to the current 11.5 per cent (reaching 12 per cent next year).

---

[3] complete_wp_carter_breunig_april_2023.pdf (anu.edu.au)

When initially introduced in 2012-13 the measure benefitted around 3.6 million individuals.

In 2018-19 expenditure on this measure was $650 million, growing only marginally to $673 million in 2022-23 when around 2.7 million individuals benefitted. Nominal wages growth since 2012-13 has led to fewer employees having incomes under $37,000 a year but it has resulted in higher average payments (up to the cap) being made.

Who would benefit from an increase in the upper threshold for LISTO

Increasing the upper threshold to $45,000 and increasing the maximum amount payable to $700 as advocated by ASFA in its Pre-Budget Submission for the 2024-25 Budget would lead to an additional 1.2 million additional individuals receiving LISTO with a substantial number of those already receiving LISTO receiving a greater payment. The additional cost to the Budget would be around $750 million a year. It would lead to the number of beneficiaries being in line with the number benefitting when the measure was first introduced.

For a person aged 35 and retiring at age 67 who is on a wage of $44,000 a year, receiving a LISTO payment to their superannuation account of $700 a year would lift their superannuation balance at retirement in today's dollars from around $293,000 to $336,000, a substantial increase.

ATO taxpayer sample data provide an indication of those who would benefit from the proposed enhanced LISTO. Nearly 60 per cent would be female. Around 55 per cent are aged under 40. Typically those who would be benefit are in blue collar, clerical and retail occupations rather than professional or managerial roles. Around 10 per cent benefitting would be technicians and trade workers, around 20 per cent community and personal services workers, around 15 per cent clerical and administration, and around 10 per cent sales workers. In many cases those benefitting would be individuals working part-time or full-time workers who have worked for only part of a financial year.

Those aged under 40 would particularly benefit from increased access to LISTO given that they would have some decades for superannuation to compound before they retire from the paid labour force. The average superannuation balance in 2022 for those aged under 40 and receiving income in the range $37,000 to $45,000 was only $21,330 with the median balance even lower at around $17,000. It can be argued that such individuals are much more deserving of government assistance for their superannuation than individuals with more than $3 million in superannuation and/or with a high taxable income.

In terms of the geographic areas where the potential LISTO recipients are resident, they differ substantially from the areas most impacted by the proposed Division 296 tax.

There would be many more individuals benefiting from an increase in the eligibility for LISTO compared to the number impacted by either Division 293 or Division 296 taxation. This results in substantial numbers of potential beneficiaries in most geographic areas of Australia. However, the pattern differs from the pattern of those potentially affected by Division 296.

For instance, the Eastern Suburbs and Northern Beaches areas of Sydney would have significant numbers of individuals impacted by Division 296 with relatively few in the areas of Blacktown or Parramatta. In contrast, compared with around 10,000 potential recipients of an expanded LISTO in each of the Eastern

Suburbs and Northern Beaches there would be around 21,000 in Parramatta and 17,000 in Blacktown (Table 6). Other areas with a considerable number of potential LISTO recipients in NSW include 15,000 on the Central Coast, 16,000 in Newcastle and 25,000 in Inner South West Sydney.

Table 6: Potential additional LISTO recipients by statistical area

State/Territory	Region	~ Potential LISTO recipients
NSW	Sydney - Eastern Suburbs	10,000
NSW	Sydney - Northern Beaches	10,000
NSW	Sydney – Parramatta	21,000
NSW	Sydney – Blacktown	17,000
NSW	Central Coast	15,000
NSW	Newcastle	16,000
NSW	Sydney - Inner South West	25,000
QLD	Logan	17,000
QLD	Ipswich	17,000
QLD	Gold Coast	36,000
QLD	Sunshine Coast	22,000
SA	Adelaide North	23,000
VIC	Melbourne West	38,000
VIC	Melbourne South East	39,000
VIC	Latrobe	15,000
WA	Perth South East	26,000
WA	Perth North West	26,000
WA	Perth North East	13,000
TAS	Hobart	13,500
TAS	Launceston	7,500

In Queensland there would be 17,000 potential LISTO recipients in Logan and a similar number in Ipswich, again areas with very few individuals who would be impacted by Division 296. There also would be significant numbers in the Gold Coast and Sunshine Coast areas.

In South Australia there would be 23,000 potential LISTO recipients in the Adelaide North area, again a area with a low number of Division 296 affected individuals.

Around the suburbs of Melbourne there are large numbers of potential recipients of an expanded LISTO, with 38,000 in Melbourne West and 39,000 in Melbourne South East, along with 15,000 in the Latrobe area.

In Western Australia there would be around 26,000 in both Perth South East and Perth North West, with less than half that number in Perth North East, where there is a relatively high incidence of individuals affected by Division 296.

There would be around 13,500 potential LISTO recipients in Hobart and 7,500 in the Launceston and North East area in Tasmania, again both areas with low Division 296 incidence.

The numbers of potential LISTO beneficiaries in remote areas and regional areas tend be relatively low, most likely reflecting both lower populations and the lesser incidence of casual and part-time employment in those areas.

The Superannuation Co-contribution and spousal contributions

Low income earners can also benefit from the Superannuation Co-contribution Scheme. The Superannuation Co-contribution in 2024-25 provides a maximum entitlement of $500 for those with incomes below $45,400 with entitlement cutting at the upper threshold of $60,400. A matching contribution of up to $500 is paid if a qualifying individual makes a personal non-concessional superannuation contribution to their fund.

Given the various qualifying requirements (including for personal contributions to be made) and the cap on payments, total expenditure on the co-contribution in 2022-23 was $130 million, with around 410,000 participants. Enhancements to LISTO rather than an adjustment to the co-contribution would benefit far more low income earners.

There also is a tax offset available of 18 per cent of the contribution with the offset capped at $540 available to an individual if they make a contribution to the account of an eligible low income spouse. The numerous eligibility criteria in conjunction with a not overly generous rate of tax offset has meant that this measure has not been much used. Direct statistics are not available but on the basis of data relating to spouse contributions, perhaps around 50,000 individuals a year make use of this measure with total expenditure in the order of $20 million. Again, adjustment of LISTO has the potential to assist many more individuals.