Research paper

Impact Analysis: Profiling High-Balance Super Accounts

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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.

We unite the superannuation community, supporting our members with research, advocacy, education and collaboration to help Australians enjoy a dignified retirement. We promote effective practice and advocate for efficiency, sustainability and trust in our world-class retirement income system.

Overview

Australia's compulsory superannuation system continues to deliver increasing retirement balances and improved outcomes for retirees. The legislated objective of superannuation is to preserve savings to deliver income for a dignified retirement, alongside government support, in an equitable and sustainable way. Recent public and policy debate has focussed on the equity and efficiency of tax concessions, particularly for individuals with very large balances.

The superannuation tax framework includes measures designed to improve the efficient distribution of concessions, including:

- The *Division 293 tax*, which applies an additional 15 per cent tax on concessional contributions for high-income earners above $250,000 per year.
- The *Transfer Balance Cap*, which limits the amount an individual can transfer to a tax-free retirement phase account.
- Proposed *Division 296 measures*, which would apply an additional 15 per cent tax on earnings associated with superannuation balances exceeding $3 million.

This note outlines the expected impact of the Division 296 measure, including demographic characteristics of affected individuals, geographical trends, and the treatment of defined benefit pensions.

The number affected by the proposed tax on investment earnings related to superannuation balances over $3 million

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.

ATO figures indicate that the 10 largest self-managed super funds (SMSFs) have an average of around $420 million in assets, although at least some of them will have more than one member. There are 42 SMSFs with more than $100 million in assets and 100 SMSFs with more than $65 million.

The characteristics of those who would pay Division 296 taxation

The ATO two per cent 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 certain other demographic and financial data. While it is only a sample of the overall population the sample size is very large (many times larger than typical surveys) leading to analysis based on the data being statistically reliable.

Analysis of the data for 2022–23 (with superannuation balances as at June 2023) provides further insight into the characteristics of those with superannuation balances above $3 million. These are the latest available figures and they have only recently been released.

- **Gender:** Approximately 55 per cent male, 45 per cent female.

- **Age:** Around 90 per cent are aged over 60, with 47 per cent aged over 70.

- **Employment status:** Around 35 per cent are still earning wage or salary income, predominantly in managerial or professional roles.

- A small number of individuals are classified as labourers or sales workers. These are likely to involve recipients of structured insurance settlements, which are out of the scope of the coverage of the proposed Division 296 tax.

Income characteristics:

- **Average taxable income**: $240,000 per year (Table 3).

- **Median taxable income**: $110,000 per year (Table 3).
  Note: These figures do not include tax-exempt income from superannuation in retirement phase.
- A number of individuals with more than $3 million in superannuation had no or very low taxable income.
- Around 40 per cent of affected individuals reported realised capital gains during the income year.
- Around 25 per cent held one or more investment properties.
- Around 5 per cent had reported income from farming or agricultural sources, though in many cases this was often not the primary source of income.

Those affected are relatively older, 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 permitted by their initial Transfer Balance Cap (some individuals will have a higher balance supporting a tax free income stream due to investment earnings, including capital gains, being greater than income drawn down).

Location of affected people

Those with over $3 million in superannuation are very well represented in affluent regions within the major capital cities with very few in rural or remote areas as can be seen in Table 1.

- 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.
- 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. 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.

Table 1: Number of individuals impacted by Division 296 by statistical area

State/Territory	Region	Approximate number with over $3m super (a)
ACT	Australian Capital Territory	1,900
NSW	Sydney - City and Inner South	2,000
NSW	Sydney - Eastern Suburbs	4,200
NSW	Sydney - North Sydney and Hornsby	2,200
NSW	Sydney - Northern Beaches	2,800
NSW	Baulkham Hills	1,000
NSW	Mid North Coast	320
NSW	Blacktown	200
NSW	Riverina	440
TAS	Hobart	560
TAS	Launceston and North East	400
VIC	Melbourne - Inner	5,700
VIC	Melbourne - Inner East	4,800
VIC	Melbourne - Inner South	3,600
VIC	Melbourne - South East	1,000
VIC	Melbourne - West	360
VIC	Mornington Peninsula	1,900
VIC	Ballarat	400
VIC	Bendigo	360
WA	Perth - Inner	2,900
WA	Perth - North East	240
QLD	Brisbane - West	1,200
QLD	Brisbane - inner city	3,200
QLD	Gold Coast	2,200
QLD	Sunshine Coast	2,000
QLD	Logan	360
QLD	Ipswich	160
SA	Adelaide Central and Hills	2,200
SA	Adelaide - North	160

(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.

Table 2: Median account balances by gender (2022–23 income years)

Gender	Median account balance ($)
Men	68, 568
Women	54,349
All	60,037

Source: ATO Individuals statistics for Taxation statistics 2022–23

Table 3: Taxable income (2022–23 income years)

Group	Average taxable income	Median taxable income ($)
All individuals with taxable income	72,240	55,868
Individuals with super balances >$3m	240,000	110,000

Source: *Australian Tax Office Taxation Statistics*

Defined benefit members impacted by Division 296 taxation

Whether a member with a defined benefit pension in payment or who is still employed and has the prospect of such a pension will be impacted by Division 296 will depend on the valuation of their pension entitlement. It is proposed that Family Law valuation factors be used. Currently the Total Superannuation Balance amount for a defined benefit pension is calculated by apply a factor of 16 to the pension amount when a defined benefit pensioner receives their first payment.

Most defined benefit members will not be caught by the tax. Most defined benefit pensions are for modest amounts (under $50,000 a year). Regardless of age the existence of any reversionary benefit their pension will have a capital value much lower than $3 million.

Typically a defined benefit pension will need to be more, often considerably more, than $200,000 a year at age 65 to be valued at more than $3 million. By age 85 a pensioner might need to receive more than $500,000 a year to have a superannuation balance calculation of over $3 million.

Those impacted typically are on very high salaries prior to retirement, or are receiving a very large defined benefit pension after retirement.