

SUBMISSION

Select Committee on the Operation of the Capital Gains Tax Discount

16 January 2025

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Select Committee on the Operation of the Capital Gains Tax Discount
The Senate
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Canberra ACT 2600
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To the Committee Secretariat,

Select Committee on the Operation of the Capital Gains Tax Discount

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission to the Select Committee on the Operation of the Capital Gains Tax Discount (the Committee).

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 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.

Opening Remarks

The Capital Gains Tax (CGT) Discount plays a crucial role for Australian superannuation funds in delivering healthy, long term returns for members and helping to build for their retirement.

In this submission, ASFA highlights several key aspects of the relationship between Australia's superannuation sector and the CGT Discount, in illustrating the many benefits this Discount provides, not just to superannuation funds and their valued members, but to numerous key areas across Australia's domestic economy.

These aspects and corresponding benefits, along with ASFA's key recommendations on the operation of the CGT Discount moving forward and potential implications of its reduction, are discussed in further detail in **Appendix A**.

Closing Remarks

We look forward to continuing to engage with you on these topics. To discuss any of these issues further please contact ASFA Policy Manager Luke O'Donnell at lodonnell@superannuation.asn.au or on 0407 486 877.

Yours sincerely

A handwritten signature in black ink, appearing to read 'James Koval', with a stylized flourish at the end.

James Koval

Chief Policy & Advocacy Officer | ASFA – the voice of super

Appendix A: Capital Gains Tax Discount in Superannuation

Current Operation of the CGT Discount in Superannuation

The CGT Discount – which, by design and intention, is the primary code of taxation for Australian superannuation funds – plays an important role in enabling funds to deliver long term returns for their members.

While companies are unable to access the CGT Discount, the CGT primary code rule in section 295-85 of the *Income Tax Assessment Act 1997*¹, ensures that gains and losses on most assets owned by complying superannuation entities are taxed according to the CGT provisions.

This rule has established a now long standing taxation framework under which capital account treatment is the primary taxation approach for the sector, as opposed to the income taxation regime applied to both business and individuals.

As a result of this framework, and as outlined by the Australian Taxation Office, complying superannuation funds will generally be able to access a CGT Discount of one third (33.33%) in most circumstances where an asset is owned for at least 12 months prior to the asset being disposed (i.e., a CGT event)².

Table 1: Key Features of CGT Discount

| Feature | Super Fund (Accumulation Phase) | Super Fund (Pension Phase) | Individual/Trust |
|----------------------|---------------------------------|----------------------------|------------------------------------|
| General CGT Discount | 33.33% | N/A (Exempt) | 50% |
| Holding Period | 12+ months | N/A (Exempt) | 12+ months |
| Effective Tax Rate | ~10% | 0% | Marginal tax rate (after discount) |

¹ Federal Register of Legislation, 'Income Tax Assessment Act 1997', ([1 November 2025](#))

² ATO, 'CGT discount', ([17 January 2025](#))

Benefits of the CGT Discount in Superannuation: Fund members and the Australian economy

ASFA highlight the significant benefits the CGT Discount affords both fund members in building their retirement, and the Australian economy in building for our country's future.

Fund members

The CGT Discount provides a number of highly valuable benefits to fund members, including allowing members to be treated similarly to non-member individuals outside of superannuation who are entitled to the full CGT Discount.

As will be demonstrated in the following section, estimates based on the public financial reports of five different Australian superannuation funds for the most recent reportable period, a fund member in the accumulation phase with an account balance of \$420k will see an additional \$4,302 in annual returns.

These figures, contained in Example A below, show the average amount a member account with \$420,000 would be reduced by, if the CGT discount was removed.

This reduction would occur immediately from the effective date of the removal and would likely see a compounding effect over time.

In addition to mandated contributions, many fund members also have options such as salary sacrifice, enabling them to transfer part of their taxable income to their superannuation account, where that income is then able to enjoy the benefits of a lower superannuation tax rate along with the CGT Discount where applicable.

Australian Economy

ASFA submits that the CGT Discount has been instrumental in encouraging superannuation fund investment across a multitude of key areas across Australia's domestic economy.

For example, the domestic investments of superannuation funds includes thousands of new residential dwellings across Australia that are either under development or in the planning phase.

ASFA also notes that the CGT Discount is also considered in decisions to invest across a wider array of unlisted domestic assets, including commercial property such as shopping centres, office buildings and industrial warehouses, and public infrastructure assets across transportation, communication, and power.

Changing the CGT Discount in Superannuation: Impacts to Fund Members and Australian Investment

From a holistic perspective, ASFA submits that the overarching impact of the removal of the CGT Discount for superannuation funds would likely be an immediate increase on the tax payable on all unrealised capital gains, which would rise from 10% to 15%.

Impacts to fund members

To assist in illustrating in real terms the financial impacts to both funds and fund members where the CGT Discount is removed from superannuation, ASFA provides the below examples.

These examples demonstrate estimates based on the financial positions of hypothetical funds, which still closely resemble the current state of financial play of several large funds. This includes deferred taxation liabilities (DTL), gross assets, and value of the CGT Discount.

Example A

| Name of fund | DTL as at 30 June 2025 (\$millions) | Gross assets at 30 June 2025 (\$millions) | Value of CGT discount (\$millions) | Impact on fund member in accumulation phase with account balance of \$420k |
|--------------|-------------------------------------|---|------------------------------------|--|
| Fund A | 8,076 | 412,301 | 4,038 | \$4,113 |
| Fund B | 5,762 | 363,649 | 2,881 | \$3,327 |
| Fund C | 3,495 | 206,801 | 1,748 | \$3,550 |
| Fund D | 2,605 | 100,042 | 1,303 | \$5,470 |
| Fund E | 2,550 | 106,026 | 1,275 | \$5,051 |

Example B

A superannuation fund discloses in its balance sheet for the financial year, a DTL of \$2 billion and gross investment assets of \$102 billion.

Here, the fund's net assets are \$100 billion, while the DTL is 2% of net assets (i.e., the remaining \$2 billion).

in calculating the \$2 billion, the pre-discount gross gain would have been \$20 billion, and the DTL calculated as this minus the one-third discount.³

In this example, the loss of the CGT Discount would see 15% tax applied to the full \$20 billion, resulting in a \$1 billion increase in the superannuation fund's overall tax bill (equal to 1% of net assets).

Impacts to Australian Investment

While calculating the precise reduction in the amount invested in Australia's domestic economy where the CGT discount is removed or revised downward is difficult, ASFA submits that there would likely be a measurable reduction.

As can be seen above in Example A, this has the potential to impact Australia's residential housing supply given the significant investments being made by superannuation funds in this area, which includes much needed rental property developments.

Further, and as previously iterated, this impact would not only be contained to housing, but also other unlisted assets where the CGT has been factored into investment decisions, including commercial property and public infrastructure.

³ \$20 billion x 1/3, or \$6.67 billion, equals \$13.3 billion, which is multiplied by tax rate 15% = \$2 billion.