



“The Bottom Line”

SIMMONDS LE-FEVRE

Tax & Super Information that's Important to You

April 2026

Div 296 tax is now law: What it means for your super



There's been a lot of talk about changes to super, and one of the biggest updates is now official.

The government has passed the Division 296 tax, which will start from 1 July 2026. While it mainly affects people with large super balances, it's still important to understand what's changing and why.

About this newsletter

Welcome to your tax and super update from Simmonds Le-Fevre. This newsletter is aimed at keeping you on top of the issues you need to know about and changes as they happen. If you have any queries don't hesitate to contact us.

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A quick recap

When this tax was first proposed back in 2023, it caused quite a stir.

The original plan included:

- » Taxing unrealised gains (basically, increases in value on paper that you haven't actually received yet)
- » A \$3 million threshold that wasn't going to increase over time

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Div 296 tax is now law ... cont

Understandably, many people were concerned this wasn't fair.

After strong feedback, the government has revised the rules. The final legislated version aligns more closely with how tax usually works, that being, taxation of actual income not paper gains.

What's changed in the final version?

Here's what the new rules look like now:

- » You'll only pay tax on actual earnings, not paper gains
- » Your super fund calculates your earnings and reports them to the ATO
- » The \$3 million threshold will increase over time with inflation
- » A new \$10 million threshold has been added
- » The rules start from 1 July 2026, giving people limited time to prepare
- » Defined benefit pensions are included, so all types of super funds are treated the same

How does the tax work?

Think of it like a tiered system:

- » Up to \$3 million – earnings are taxed as normal (up to 15%)
- » \$3 million to \$10 million – a portion of earnings are taxed up to 30%
- » Above \$10 million – a portion of earnings are earnings taxed up to 40%

Importantly, if your balance is only slightly above \$3 million, only a small share of your earnings will be subject to the higher tax rate.

Put simply, the more you have in super above these thresholds, the higher the tax applied to that portion of your earnings.

Who does it apply to?

This tax only applies to individuals with more than \$3 million in super or pension phase.

A few key things to know:

- » The threshold applies per person, not per fund
- » That means a couple could have up to \$6 million combined and not be affected

- » Even if an SMSF has more than \$3 million, you won't be impacted unless your personal share exceeds the \$3 million threshold

The first time this will apply is based on your balance at 30 June 2027.

How do you pay it?

You don't need to calculate the tax yourself.

Here's how it works:

1. Your super fund reports your balance and earnings to the ATO
2. The ATO works out if you owe extra tax
3. You'll receive a notice if you're affected

If you do have a tax bill, you can choose to:

- » Pay it from your own money, or
- » Have it released from your super fund

What does this mean for you?

For most people, this change won't apply at all.

But if you have a high super balance, it could mean:

- » Paying more tax on part of your super earnings
- » Rethinking how your super is structured over time

The new rules start from 1 July 2026, with the first tax assessments expected in 2027–28.

Don't rush into decisions

If you think this might affect you, it's important not to act too quickly.

Taking money out of super might seem like a solution, but:

- » It can be difficult to put it back in due to contribution limits
- » You could lose long-term tax advantages

Getting the right advice before making any changes is key.

Final word

While Division 296 tax is a big change, it's targeted at people with large super balances and has been refined to be fairer than originally proposed.

If you're unsure how it affects you, we're here to help you understand the new rules and what they could mean for your situation. 💰

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