Navigating the $3 Million Superannuation Tax: Strategies for SMSF Holders

This presentation explores the new $3 million superannuation tax, effective from 1 July 2025. We'll delve into its implications for large Self-Managed Superannuation Funds (SMSFs) and discuss strategies to minimize its impact on your wealth.

Scenario Overview: Single-Member SMSF

Accumulation Account

The SMSF holds $2 million in the accumulation account, which is designed for long-term growth and retirement savings.

Pension Account

The SMSF also holds $2 million in the pension account, which provides income streams for retirees.

Calculating the $3M Accruals Tax

Earnings

The SMSF experiences a $1 million growth in the financial year ending 30 June 2026.

Excess Over $3 Million

This growth exceeds the $3 million threshold by $1 million, representing 25% of the total SMSF balance.

The tax liability is calculated as 15% of the excess amount multiplied by the percentage of the total balance that exceeds $3 million. In this case, the tax liability is $37,500 (15% x $1 million x 25%).

Death Benefit Implications: Non-Tax Dependent

Tax-Free Component

A portion of the $4 million balance, amounting to $800,000, is considered tax-free.

Taxable Component

The remaining $3.2 million is subject to taxation, including the existing $2 million in capital gains.

Capital Gains Tax Calculation

Discounted CGT Rate

A 10% discounted capital gains tax (CGT) rate is applied to the unrealised gains, which is a benefit for deceased estates.

CGT Liability

The CGT liability is calculated as 10% of the $2 million in unrealised gains, resulting in a total of $200,000.

After deducting the CGT liability, the fund balance reduces to $3.8 million.

Death Benefit Tax on the Remaining Balance

Tax-Free Component

The $800,000 tax-free component is exempt from any further taxation upon death.

Taxable Component

The remaining $3 million taxable component is subject to a 17% tax rate, resulting in a death benefit tax liability of $510,000.

Total Tax Liability on Death

$200,000

Capital Gains Tax

$510,000

Death Benefit Tax

The total tax liability on death, including both capital gains tax and death benefit tax, amounts to $710,000.

Strategy 1: Family Protection Trust (FPT)

Asset Transfer

Moving assets to a Family Protection Trust (FPT) allows for wealth management outside of superannuation.

Tax Benefits

Income or loans distributed to beneficiaries through the FPT are not subject to superannuation taxes.

Strategy 2: Gradual Withdrawals to Stay Under $3M

1

Withdrawals

Make regular withdrawals from the SMSF to keep the total balance below the $3 million threshold.

2

Lump Sums

Consider taking out lump sums or rolling over portions of your super to avoid the accruals tax.

3

Tax Avoidance

This strategy helps you avoid the 15% accruals tax on earnings exceeding $3 million.

Conclusion: Proactive Planning and Minimizing Tax Impact

Engage with Experts

Reach out to LY Legal or Legal Back Office for personalized strategies tailored to your specific SMSF situation.

Protect Your Legacy

Implement proactive planning to safeguard your SMSF's future and ensure a smooth wealth transfer to your beneficiaries.

Minimize Tax Impact

By understanding the new $3 million superannuation tax and exploring available strategies, you can minimize its impact on your wealth.