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Superannuation fund taxes surge and are tipped to keep climbing

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Superannuation fund taxes have almost doubled in just two years, riding a rising tide of investment gains and more money flowing into Australians' retirement savings.

New budget documents say $10.4 billion of super fund taxes were collected last financial year, and this is forecast to grow to $19.8 billion in 2024-25, then onto $24.2bn by 2026-27.

Super taxes are leapfrogging other large sources of government revenue, including tobacco and diesel excises, as more Australians build bigger nest eggs.

While the overall trend of super taxes is upwards as wages and compulsory employer super contributions climb towards 12 per cent, there is striking volatility year-on-year, largely driven by investment markets.

For example, super funds paid just $6.27bn of tax in 2019-20 when Covid struck, but that rebounded strongly to more than $26.5bn in 2021-22 as financial markets rebounded.

Moves to increase employer superannuation guarantee (SG) compliance and pay super at the same time as wages, rather than months later as allowed under the current rules, are set to boost super tax receipts more in the coming years.

The Association of Superannuation Funds of Australia's director of research, Ross Clare, said super fund taxes grew over time "through volatile individual years".

He said the tax totals were driven by taxable contributions made and funds' investment returns and realised gains, and while larger super funds paid at least quarterly, smaller self-managed funds paid taxes annually and in arrears.

Australians' super nest eggs are turbocharged by rising contributions. Picture: iStock

"There is an upward trend in tax on contributions with the SG rate going up and wage bills going up, with growth in wages and the number employed," Mr Clare said.

Financial strategist Theo Marinis, a former Treasury official, said rising super taxes reflected rising balances driven by higher SG contributions, which started at 3 per cent of wages in the early 1990s and would reach 12 per cent in July 2025.

"There's so much money already in super and there's more dollars going in from more people," he said.

"Everyone is going to get 12 per cent from the very first minute … a lot more people will have a lot more money and that means a lot more revenue for the government."

However, super remained the best place to hold retirement savings because of its low and zero tax rates for most savers and retirees, Mr Marinis said.

ASFA says the $3.7 trillion currently sitting in super is projected to grow to more than $9 trillion over the next 15 years, based on various forecasts.

The government collects tax via the 15 per cent contributions tax on money going into super via concessional, or tax-deductible contributions. This is either through wages, salary sacrifice or personal deductible contributions.

https://www.theaustralian.com.au/business/wealth/superannuation-fund-taxes-surge-and-are-tipped-to-keep-climbing/news-story/444e5e4cf151a22519612e40f3c87439#:~:text=New%20budget%20documents%20say%20%2410.4,%2424.2bn%20by%202026%2D27

Wilson Asset Management Chairman and CIO Geoff Wilson has criticised the government's proposal to tax… unrealised gains. "It is just so unfair to bring in a tax on unrealised capital gains," Mr Wilson told Sky News Business Editor Ross Greenwood. "What it will do is just discourage people, there's close to a trillion dollars in self-managed super funds, why would you take a risk you know you're better off having your money in the bank. "Why would you take a risk when the value of your assets May over June 30 significantly increase, then you have to pay tax, and then the next month might significantly decline because high-risk plays have significant volatility. "What we want is we want those superannuation dollars to be investing in Australia because then you pay tax in Australia, you employ Australians, that's what we want to happen."

Investment earnings in super are taxed at 15 per cent in the accumulation phase but zero in the pension phase. Capital gains tax on assets sold within super is between zero and 15 per cent.

The latest budget papers revised down the super tax forecast by $3.4bn for 2024-25 to reflect lower-than-expected collections this financial year "and a weaker outlook for tax from earnings from investments".

SUPERANNUATION FUND TAXES

2019-20: $6.27bn

2020-21: $11.7bn

2021-22: $26.5bn

2022-23: $10.4bn

2023-24: $11.7bn

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2024-25: $19.8bn

2025-26: $21.4bn

2026-27: $24.2bn

2027-28: $23.1bn

Source: Budget papers

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