Uniting Church in Australia
SYNOD OF VICTORIA AND TASMANIA

Superannuation Tax Reform – Curbing the need for Bigger Barns for the Wealthy

June 2025

Then he said to them, "Watch out! Be on your guard against all kinds of greed; life does not consist in an abundance of possessions." And he told them this parable: "The ground of a certain rich man yielded an abundant harvest. He thought to himself, 'What shall I do? I have no place to store my crops.'

"Then he said, 'This is what I'll do. I will tear down my barns and build bigger ones, and there I will store my surplus grain. And I'll say to myself, "You have plenty of grain laid up for many years. Take life easy; eat, drink and be merry."' "But God said to him, 'You fool! This very night your life will be demanded from you. Then who will get what you have prepared for yourself?'

"This is how it will be with whoever stores up things for themselves but is not rich toward God."

Luke 12:15-21

Our Christian faith leads us to want a decent life for all people, including those who are in crisis, people with disabilities or who suffer from mental health issues. We want a society where children have a decent education and there is affordable health care for everyone. All these things require adequate funding by Governments.

The superannuation system is deeply skewed towards benefiting the wealthy in Australia. Contributions into superannuation and income earned by the superannuation investments are taxed at a regressive flat rate of 15%, providing a huge discount in tax that the wealthy would otherwise pay on their income and investments. In January 2024, the Australian Treasury pointed out that in 2020-2021, 90% of the benefit from the regressive tax arrangements that relate to superannuation went to people in the top half of the income distribution. Further, 30% of the benefit (approximately $6 billion) went to people in the top 10%. The tax breaks on superannuation cost government revenue $50 billion annually, almost as much as the government spends on the Aged Pension.

The share of the benefit of flat taxation of superannuation earnings for people on the lowest 20% of incomes was close to zero because, on average, they face a marginal personal income tax rate close to 15%.

The regressive taxation of superannuation is contributing to growing financial inequality in Australia. The World Inequality Database (https://wid.world/country/australia/) shows that between the First World War and 1980, the share of income for the bottom 50% of Australians increased from 15.3% to 18.7%. The income share of the top 10% decreased from 36.6% to 24.9%. After 1980, the trend reversed with the rise of neoliberal economics, which favoured the wealthy. By 2022, the neoliberal economic policies pursued by Australian governments saw the income share of the bottom 50% of Australians drop to 16.4%, while the top 10% had their share increase to 32.9%.

The superannuation system was set up to support people in their retirement. It has become, at least in part, a massive tax dodge and inheritance scheme for the wealthy.

The Federal Government is seeking to introduce a reform that would see people who have superannuation balances over $3 million having to pay 30% of the earnings of those investments over $3 million instead of the 15%, before the person retires (the accumulation phase). So, someone with $4 million in superannuation would continue to pay a 15% tax rate on the earnings of their first $3 million of superannuation investments and then 30% on the earnings of the last $1 million of their superannuation.

After retirement, during the pension or draw down phase, earnings from the first $3 million of superannuation investments would remain untaxed. Earnings on the part of the superannuation investments over $3 million would be taxed at 15%.

To put the $3 million threshold in context, half of the men at retirement age in 2021 had superannuation balances of less than $212,000. For women of retirement age in 2021, half had superannuation balances of less than $159,000.

Currently, only 0.5% of wealthy Australians have superannuation balances of over $3 million. In addition to helping to address the contribution the superannuation system plays in increasing financial inequality in Australia, the reform is expected to raise $2.7 billion in the 2025 – 2026 financial year.

The right-wing press, particularly News Corp media owned by billionaire Rupert Murdoch and Nine Media owned *The Australian Financial Review,* have been relentless in running a campaign to try and scuttle the proposed change to taxing superannuation. Every time a new billionaire, millionaire or CEO of a corporation speaks to their self-interest in opposing the reform, it is a story in these papers. It is therefore imperative that the Government hears that there are ordinary Australians who support tax reforms that will address growing financial inequality in Australia.

There has been an objection that there may be up to 10,000 Self-Managed Superannuation Funds (SMSF) that own farms worth more than $3 million, where the owner of the farm may struggle to pay extra tax as the value of the farm increases. The main reason for placing farms in SMSFs is to avoid paying capital gains tax when the farm is sold. The simple solution here is to remove the farm from the SMSF and pay tax on the farm like any other business asset outside of the superannuation system.

What You Can Do

Write polite and respectful letters to:

The Hon Anthony Albanese MP
Prime Minister
PO Box 6022
House of Representatives
Parliament House
Canberra, ACT, 2600

Salutation: Dear Prime Minister

The Hon Dr Jim Chalmers MP
Treasurer
PO Box 6022
House of Representatives
Parliament House
Canberra, ACT, 2600

Salutation: Dear Treasurer

Points to make in your letters:

- Thank the Government for being willing to seek tax reform to address the existing unfairness of the superannuation that greatly favours Australians on high incomes and contributes to growing financial inequality in Australia.
- Indicate support for the reforms to make the superannuation system fairer by increasing the tax on the superannuation balances of people with over $3 million in their superannuation.
- Seek assurances they will not be bullied into abandoning the reform due to noisy opposition being mounted by *The Australian* and *The Australian Financial Review*.