



MEDIA RELEASE

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NEW ANALYSIS ON THE IMPACT OF PROPOSED SUPERANNUATION TAX

The Financial Services Council (FSC) has released new data that shows the full impact of the proposed superannuation tax on different age cohorts of Australians under four different scenarios.

The FSC has built on its [previous modelling](#) to inform negotiations between the Government, the Greens and the Opposition on the final design of the superannuation tax.

The four scenarios modelled by the FSC include:

- \$3 million threshold without indexation, as previously released (Labor policy)
- \$3 million threshold with indexation (potential negotiated outcome)
- \$2 million threshold with indexation (Greens policy)
- \$2 million threshold without indexation (potential negotiated outcome)

Ultimately, the decision on whether to index the proposed tax will have a significant impact on younger Australians and is critical to the overall fairness of the measure. The total cumulative impact on Australians under the four different scenarios include:

- Labor policy: More than 500,000 Australians currently in the workforce impacted by the time they reach retirement
- Greens policy: More than 200,000 Australians currently in the workforce impacted by the time they reach retirement
- Negotiated outcome (\$3 million, indexed): 64,000 Australians currently in the workforce impacted by the time they reach retirement
- Negotiated outcome (\$2 million, unindexed): 1.8 million Australians currently in the workforce impacted by the time they reach retirement

CEO of the FSC Blake Briggs said: “The Government will set the tone for how it intends to govern in its second term by deciding whether to listen to broad consumer, industry and economists’ feedback on how the current design of its superannuation tax is unfair to future generations of Australians.

“The superannuation industry recognises the Government has the capacity to force the new tax through the Parliament with the support of the Greens but encourages the two parties to take a more constructive and consultative approach.

“The Financial Services Council encourages the Government to consult on options that would not unfairly target future generations of Australian superannuation consumers and undermine confidence in our retirement system by introducing a new, contentious tax on unrealised capital gains.

“The superannuation industry recognises there is merit to ensuring the superannuation system remains fair and fiscally sustainable, however the Government’s current approach risks undermining consumer confidence in Australia’s retirement system by changing the goal posts on current and future retirees who, until now, have played by the rules.

“The FSC is concerned that the absence of indexation is a deliberate and cynical design feature of the new tax, that targets younger Australians, in full knowledge that Australia’s deteriorating financial position means future governments will be too cash strapped to introduce indexation at a later stage,” Mr Briggs concluded.

Table 1. Impact of three superannuation tax policy scenarios on different age cohorts.

Age Range	\$2 Million (Unindexed)	\$2 Million (Indexed to Inflation)	\$3 Million (Unindexed)	\$3 Million (Indexed to Inflation)
<i>a. Under 30</i>	780,019	29,817	204,092	1,322
<i>b. 30-34</i>	358,374	20,837	135,541	785
<i>c. 35-39</i>	296,176	16,314	65,126	1,195
<i>d. 40-44</i>	144,077	11,809	19,403	2,174
<i>e. 45-49</i>	76,738	14,695	13,973	3,535
<i>f. 50-54</i>	41,316	19,819	12,694	2,500
<i>g. 55-59</i>	47,860	20,537	7,849	7,849
<i>h. 60-64</i>	15,555	15,555	15,555	15,555
<i>i. 65-69</i>	18,148	18,148	8,256	8,256
<i>j. 70-74</i>	17,260	17,260	10,834	10,834
<i>k. 75 and over</i>	16,425	16,425	10,355	10,355
Total	1,811,952	201,219	503,683	64,365

Data Source

- ATO Taxation statistics 2019-20 Individuals:

Superannuation contributions, by total superannuation member accounts balance range, taxable income range and age range, 2019-20 financial year.

Assumptions

- Start date of Projection - 1 July 2023
- Inflation - 2.5% per year
- Investment return on superannuation balance - 7.5% per year

- Effective tax on earnings - 7% per year
- Investment fee - 0.85% per year
- Administration fee - 1.01% of account balance + \$74 (indexed by CPI) per year
- Insurance in superannuation fee - \$214 (indexed to inflation) per year
- Investment earnings, fees and expenses are incurred halfway through the year
- Fees and expenses incurred by the superannuation fund are tax deductible
- With the exception of inflation (which assumes an additional 1.5% increase in costs each year due to rising living standards), the assumptions above are consistent to the ASIC Money Smart Superannuation Balance Calculator.
- Nominal salary growth of 3 per cent (0.5 per cent above inflation).
- Retirement Age - 65 years

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Media Contact: Kylie Adoranti - 0423 715 955 - kadoranti@fsc.org.au

About the Financial Services Council

The FSC is a peak body which sets mandatory Standards and develops policy for more than 100 member companies in one of Australia's largest industry sectors, financial services. Our Full Members represent Australia's retail and wholesale funds management businesses, superannuation funds and financial advice licensees. Our Supporting Members represent the professional services firms such as ICT, consulting, accounting, legal, recruitment, actuarial and research houses. The financial services industry is responsible for investing more than \$3 trillion on behalf of over 15.6 million Australians. The pool of funds under management is larger than Australia's GDP and the capitalisation of the Australian Securities Exchange and is one of the largest pools of managed funds in the world.