

Wilson Asset Management

Build Economic Resilience and Support Australian Aspiration by Taxing Superannuation Logically

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The Progressive Super Surcharge and Tax Offset

Australia faces a critical juncture in its economic development. While the superannuation system provides savings, capital and security, the broader economy is not delivering sustainable per capita growth. To stay competitive and prosperous, we need reforms that lift productivity, drive investment and improve how capital is allocated across the economy. We welcome the opportunity to put forward a proposal that will deliver meaningful reform and support Australian aspiration.

We propose **The Progressive Super Surcharge and Tax Offset**, which will be budget positive, raise \$2.433 billion in revenue and replace Division 296, the proposed taxation on unrealised gains. Despite requiring Senate approval, the proposed tax on unrealised gains has already prompted a rush to liquidate assets ahead of the 30 June 2026 implementation date. Australia is proving to be no different than Norway, Spain and Sweden, where taxing unrealised gains led to capital exodus and therefore lower than expected tax revenue.

The Progressive Super Surcharge will tax superannuation more equitably, while the **Tax Offset** will cover the administrative and technology costs involved in implementing systems capable of accurately calculating and reporting realised gains. This proposal would apply a tax on realised gains applicable to the portion of any superannuation balance above \$3 million. The outcome of the proposal would allow the government to increase tax revenue from high balance accounts without breaching the realisation principle of the tax act. The proposed additional taxes for the **Progressive Super Surcharge** are:

- Balances of \$3 million - \$6 million: an additional 15% tax on realised gains;
- Balances of \$6 million - \$10 million: an additional 17.5% tax on realised gains;
- Balances of \$10 million - \$20 million: an additional 20% tax on realised gains; and
- Balances more than \$20 million: an additional 25% tax on realised gains.

Our proposal includes a complementary **Tax Offset**, to compensate for the administration and system upgrade costs required by Australian Prudential Regulation Authority (APRA) regulated superannuation funds claimed at the individual level. Importantly, under the **Progressive Super Surcharge and Tax Offset**, no change is proposed for the first \$3 million of any Australian's superannuation account. The tax would only be triggered upon the sale of an asset for a profit, with interest and dividend income being included. **The Progressive Super Surcharge and Tax Offset** maintains the social contract with all Australians. It guarantees the provision of trillions of dollars of patient long-term capital to support start-ups and small-to-mid-size enterprises which are vital for increasing productivity. It will also make our society more equitable, with the tax burden to be borne by those with larger superannuation balances.

Our proposal is in the national interest and a budget positive alternative to the Government's proposed policy to tax unrealised gains in superannuation. As stated by The Hon Dr Jim Chalmers, Treasurer, the Roundtable's ambition is to 'build consensus for long-term economic reform'. This consensus against the taxation of unrealised gains clearly already exists among a number of Roundtable attendees. Below are some public statements by attendees or institutions that they lead or represent:

- "It's understandable the government would want a more equitable tax treatment of superannuation but to do that you do not need to tax unrealised capital gains." *Dr Ken Henry, Former Secretary of the Department of the Treasury*¹
- "We need to have appropriate tax on super, but taxing unrealised gains is just bad policy. People shouldn't be taxed on paper profits they may never see." *Allegra Spender, MP*²
- "Taxing unrealised gains introduces a new concept into the Australian tax system that has the effect of denying the well-established treatment of capital gains." *Business Council of Australia (Bran Black, CEO)*³
- "One of the key areas in the tech start-up space is climate-related technologies. They rely on venture capital with a significant portion of that coming from self-managed super funds which will be hampered by the tax on unrealised capital gains." *Scott Farquhar, Chair, Tech Council of Australia (comment made by Tech Council of Australia CEO Damian Kassabgi)*⁴

This proposal will modernise the superannuation system and raise more revenue than is projected under the proposed Division 296. Yet, unlike Division 296, it will not discourage investment, as our prior research found a \$94.5 billion deadweight loss could be created if the taxation of unrealised gains proceeds. It therefore advances all three Roundtable priorities: productivity, economic resilience and budget sustainability, while avoiding the significant negative consequences associated with taxing unrealised gains, which we detail in our Discussion Papers, [Critiquing the Proposed Taxation on Unrealised Gains in Superannuation](#) and [Taxing Aspiration and Innovation into Oblivion: How the Unrealised Gains Tax and the Failure to Index Will Decimate Australia's Innovation](#).

A **Tax Offset** is included to compensate for the one-off system upgrade and ongoing costs required to calculate realised gains. The ongoing administration of the **Tax Offset** is provided to superannuants when completing their annual tax return. This ensures that the super system, not everyday taxpayers, funds the compliance build and ongoing costs. Consistent with the Explanatory Memorandum to Parliament for the Treasury Laws Amendment (Better Targeted Superannuation Concessions and Other Measures) Bill 2023 ('EM') the system upgrade costs of the **Tax Offset** is assumed to be \$95 million in the first year and then \$55 million annually, though the EM notes these costs may be higher. Still, the Tax Offset is a fraction of the total taxation revenue collected. Division 293 provides a precedent of individual rather than fund level calculations, that proves the administration process to tax realised gains can be delivered.

¹ The Australian - "ALP unrealised gains tax condemned: 'it's not good policy', says economic heavyweights"

² Super Review - "Independent MPs hit out at \$3m super tax"

³ Business Council of Australia submission to Treasury Laws Amendment (Better Targeted Superannuation Concessions) Bill exposure draft

⁴ The Australian - "Unrealised capital gains tax to hit green energy shift, says renewables pioneer Mike Fitzpatrick"

We anticipate administration costs will decline over time as the advent of artificial intelligence (AI) means machine learning tools can quickly provide predicative analytics, at a lower cost of compute. OpenAI has calculated a 10x cost reduction in compute costs is occurring every 12 months. A simple vector database with a large language model could solve the realised gain calculation for millions of individual calculations.

The **Progressive Super Surcharge** ensures that the broader economy and financial markets benefit. As the surcharge is only paid after an asset is sold, superannuants are not forced to offload illiquid investments to pay tax on unrealised gains. This keeps patient capital invested, which supports productivity, jobs and economic growth. Critically, taxing only realised gains reinforces the trust Australians have in the superannuation system.

The **Progressive Super Surcharge and Tax Offset** ensures that superannuation serves its intended purpose: a dignified and financially secure retirement. We respectfully ask the Economic Reform Roundtable to consider the implementation of this alternative proposal instead of moving forward with the proposed tax on unrealised gains. We would welcome the opportunity to work with any stakeholders and share our detailed modelling should it be required. Adoption of the **Progressive Super Surcharge and Tax Offset** will strengthen Australia's reputation as a socially equitable and growth-oriented tax jurisdiction. It is the Government's duty to ensure opportunity compounds across society, just as financial returns have for Australia's largest superannuation savers.

If you have questions, please contact me on 02 9247 6755 or email info@wilsonassetmanagement.com.au.

Yours sincerely,



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