Hi <<Client Name>>,

From **1 July 2025**, the Federal Government will impose a *second* layer of tax on SMSF members whose **Total Superannuation Balance (TSB) exceeds $3 million**.
The legislation (Division 296 ITAA 1997) is soon to be law and the rules, barring any last minute changes, are locked in.

**What you need to know — in plain English**

| **Issue** | **What it means for you** |
| --- | --- |
| **It’s a wealth tax** | 15 % is charged *on the portion of annual earnings attributable to any balance above $3M—which includes* ***unrealised gains***. Think of it as a superannuation wealth‑tax that hits you every 30 June. |
| **Ever‑shrinking thresholds** | History shows new limits go *down*, not up (eg surcharge, Reasonable Benefit Limits, TBC index freeze). Today it is $3M; tomorrow it could be $2.5M. Plus it is not indexed to CPI capturing more member balances every year. |
| **Complex new valuations** | All SMSFs must lodge 30 June market values—properties, private companies, collectibles—using the ATO’s tougher evidence rules. Bad valuations = penalties *and* an inflated tax bill. |
| **Cash‑flow drag** | The ATO will issue a personal assessment (first bills expected late 2026). Trustees may have to release cash quickly—selling assets in a slow market, or paying personally after already drawing pensions. What happens if the superfund has only a large asset such as property which is hard to split. |
| **Ongoing record‑keeping** | You must track contributions, withdrawals, family‑law splits, negative‑earnings carry‑forwards and—if you’re in a defined‑benefit scheme—actuarial notional contributions every year. |
| **ATO data‑matching** | Fund reporting errors or late SMSF returns will trigger default assessments and audit flags. |

**A quick (and very real) scenario**

**Case study— “John Smith”**
• Opening balance 1 July 2025: **$4M**
• Closing balance 30 June 2026: **$5M**
• Pension drawings and lump‑sum withdrawals: **$350,000**
• Contributions: **$320,000**

**John’s personal division 296 tax for one year:** **$61,800** due 84 days after assessment.

If markets rise 8 % p.a. and the $3M stay frozen, John’s aggregate tax bill could exceed **$500,00** over the next decade—*all on money he hasn’t even withdrawn yet*. And here is the kicker, if the fund sells assets in the meantime – that is realises them, then capital gains tax will apply.

Could that be you in 2026?

**Why you must act now—not next June**

1. **Year‑end balance planning**—strategic withdrawals, spouse equalisation and asset‑placement decisions *must be in place before* 30 June 2025.
2. **Valuation evidence**—independent reports for property and unlisted assets need time.
3. **Liquidity review**—ensure the fund (or you) can fund the tax without a fire‑sale.
4. **Build bloodline structures now**: shield your family’s wealth from this egregious tax now.
5. **Documentation and software upgrades**—new reporting fields for Division 296 start with the 2026 SMSF annual return and it is vital for all the strategies we bring to the table that you have the latest 2025 LY Legal SMSF deed.

**Next step: book your 45‑minute “Division 296 Readiness” session**

**Call <<Practice Phone>> or click <<Booking Link>>** now to lock in a priority planning slot.
We will:

* Forecast your potential Division 296 liability for the next five years.
* Stress‑test your SMSF’s cash flow and valuation processes.
* Design a strategy to keep more wealth in your family—inside or outside super.

**Important:** Delaying could cost you tens of thousands in unnecessary tax—and put your fund under ATO scrutiny.

Let’s make sure the new rules work *for* you, not against you.

Kind regards,

**<<Adviser Name>>
<<Practice Name>> | SMSF & Wealth Advisory**

*This email contains general information only and is not personal financial advice. Please confirm all figures with your tax adviser before acting.*