SuperConcepts

Division 296 Tax Q&A

A practical guide for SMSF trustees

Simplifying SMSF so more Australians can control their super

October 2026

In this guide

The main rules are set out in diagrams and tables, with the details explained in the questions that follow.

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> **About the examples:** The examples use fictional people and stated assumptions to explain the rules. Unless otherwise noted, numerical tax examples use the 2026-27 thresholds.

This guide provides general information. Any advice is general only and does not take account of your objectives, financial situation or needs. The examples do not recommend a financial product or strategy. See page 25 for the publication scope.

Sources and publication notes are listed on page 26. Information current at 14 October 2026.

Who may be affected?

Responsibility	Your SMSF	You, the member
Balance test	Reports each member's interest in the fund.	Your relevant total super balance is tested across Australian super funds.
Earnings	Calculates fund earnings and attributes the relevant amount to each member.	Earnings from your relevant super interests are combined.
Assessment	Provides the information the ATO needs.	The ATO assesses any Division 296 tax against you.
Payment	Releases money under an ATO release authority, where applicable.	You can pay personally or request a release from super.

Introduction

From 1 July 2026, Division 296 introduces an additional tax for some individuals with large superannuation balances.

The tax is assessed against the individual, even where the information used to calculate it comes from their SMSF. An SMSF with more than $3 million in assets will not necessarily have a member who pays Division 296 tax. Each member's total superannuation balance, including interests in other Australian super funds, must be considered separately.

Division 296 also does not apply to the whole of a person's super balance. Where the relevant conditions are met, it applies to a proportion of their superannuation earnings. The amount depends on their balance, the earnings attributed to them for the year, and the applicable thresholds.

This guide answers the questions SMSF trustees are likely to ask about who may be affected, how the tax is calculated, what information their fund may need to report, and how an assessment can be paid.

Sources: [1] Division 296; [4] s 5; [5] Division 131; [6]-[9]. Source list: page 26

The thresholds

2026-27 financial year

Above $10 million	Additional 15%, plus a further 10%, on the earnings proportion attributed to this part of the balance.
$3 million to $10 million	Additional 15% on the earnings proportion attributed to this part of the balance.
Up to $3 million	No Division 296 tax on the earnings proportion attributed to this part of the balance.

The bands show how earnings are apportioned. They are not drawn to scale.

What are the thresholds?

For the 2026-27 financial year, the thresholds are $3 million and $10 million.

Where an individual's relevant balance exceeds $3 million, Division 296 may impose an additional 15% tax on the proportion of their superannuation earnings attributed to the amount above that threshold. Where the balance exceeds $10 million, a further 10% may apply to the proportion attributed to the amount above $10 million.

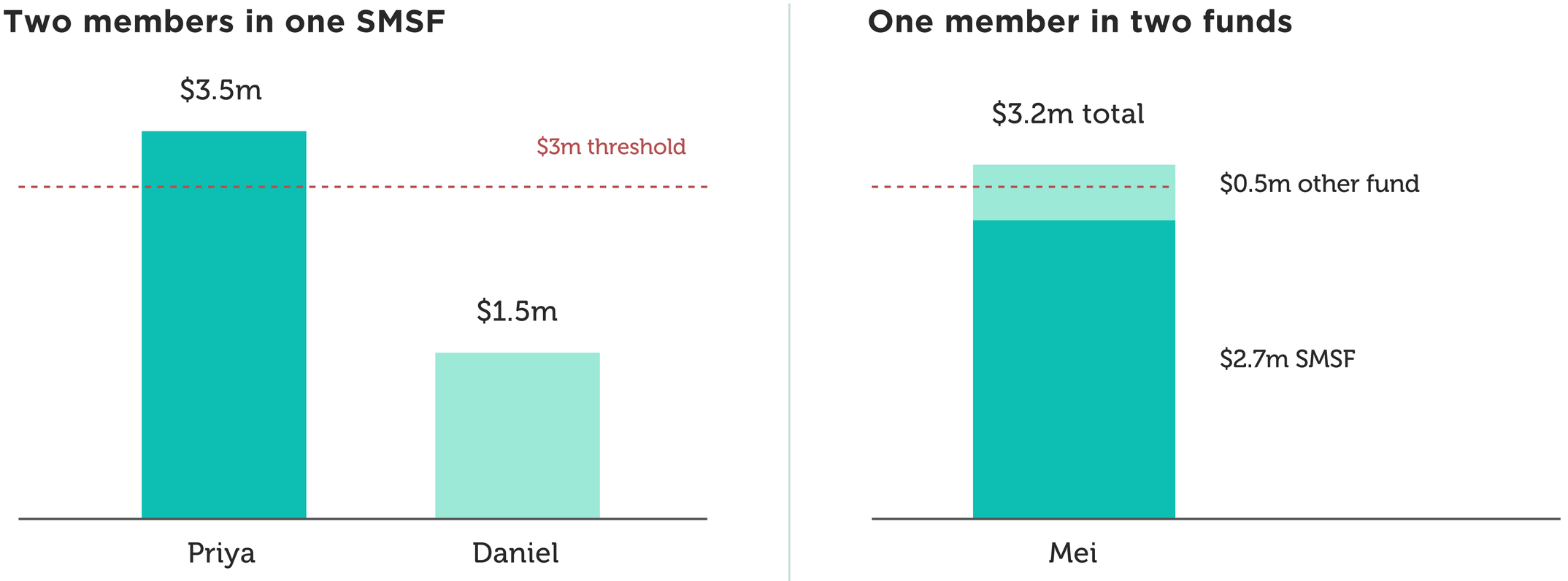
Both thresholds are subject to indexation in later years. Being above a threshold does not, by itself, establish the amount of tax payable. The individual must also have positive superannuation earnings for the year under the Division 296 rules.

Do I have to withdraw the amount above $3 million?

No. Division 296 does not impose a compulsory withdrawal or a maximum amount that can be held in super. The threshold is used to calculate the additional tax. Contribution limits, pension limits and conditions of release continue to apply separately.

Sources: [1] ss 296-30 to 296-45; [4] s 5. Source list: page 26.

Members' super across all funds



Illustrative examples at 30 June 2027. The bars show each person's super balance, using the assumptions below.

Is the $3 million threshold measured against my SMSF?

No. The threshold applies to each individual, based on their total superannuation balance. An SMSF may have several members, and each member may hold super in other funds.

ILLUSTRATIVE EXAMPLE

Priya and Daniel: two members in one SMSF

Priya and Daniel's SMSF has $5 million in assets at 30 June 2027. Priya's interest is worth $3.5 million and Daniel's is worth $1.5 million. Assume neither has an interest in another super fund.

Priya is above the $3 million threshold and may be subject to Division 296 tax if she has positive superannuation earnings for the year. Daniel is below the threshold, so he is not affected. The SMSF's combined $5 million balance does not mean that both members are affected.

What if I also have super in an industry or retail fund?

Your Australian super interests are combined for the threshold test. In the second example, Mei has $2.7 million in her SMSF and $500,000 in another Australian super fund at 30 June 2027. Her total is $3.2 million, so she is above the threshold. The amount of any tax also depends on her Division 296 earnings.

These examples use simplified facts to illustrate how the threshold applies. Other super interests and circumstances may change the outcome.

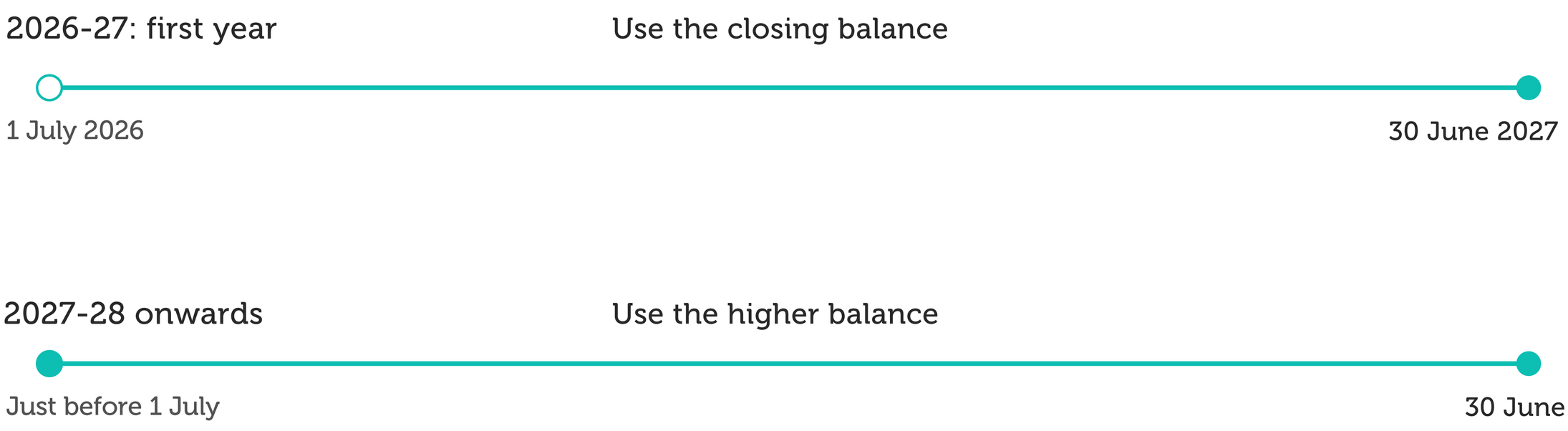
Sources: [1] ss 296-40, 296-55, 307-230 and 307-230A; [6], [8]. Source list: page 26

Which balance is tested?

For **2026-27**, the Division 296 threshold calculation uses the individual's total superannuation balance at **30 June 2027**.

From **2027-28 onwards**, it generally uses the higher of the balance just before the start of the financial year and the balance at the end of that year. This means a withdrawal during a later year will not necessarily remove a person from Division 296 for that year.

When does the balance get measured?





Will a falling balance take me out of Division 296?

It depends on the year and the relevant balance test. In the above illustration, Oliver's balance is $4 million just before the start of 2028-29 and $2.8 million at 30 June 2029 after a withdrawal. The calculation uses $4 million. His tax depends on his earnings and the indexed thresholds for that year.

Is the balance always the same as for other super rules?

Some adjustments differ. Division 296, for example, disregards the limited recourse borrowing arrangement (LRBA) amount that can be added to total superannuation balance under other rules. The balance used for another superannuation purpose may therefore need to be adjusted.

Sources: [1] ss 296-40, 296-45 and 296-260; [2] s 296-1(2); [8]. Source list: page 26.

Could Division 296 apply to you?

General pathway for an individual with ordinary accumulation or account-based pension interests.

BALANCE AND EARNINGS

For 2026-27, the thresholds are **$3 million** and **$10 million**.

Does an exception remove your liability? See pages 17-18.

YES → No Division 296 tax for the year.

NO ↓

Does your relevant total super balance **exceed the threshold?**

NO → No Division 296 tax for the year.

YES ↓

Are your total superannuation earnings **greater than nil?**

NO → No Division 296 tax for the year.

YES ↓

15% on the earnings proportion above the lower threshold.
Plus 10% on the proportion above the higher threshold, where applicable.

What is my total superannuation balance?

Total superannuation balance brings together an individual's relevant super interests. For an SMSF member, this generally includes accumulation and pension interests in the SMSF, as well as interests in other Australian super funds. Special valuation rules apply to some interests.

Do pension and accumulation interests both count?

Generally, yes. Starting a pension does not automatically remove an interest from the balance test. Income that is exempt from ordinary fund tax because it supports a retirement-phase pension may still be relevant to Division 296.

Sources: [1] ss 296-15 to 296-55; [2] s 296-1; [4] s 5. Source list: page 26

Calculating Division 296 tax

Illustrative example: Jordan, 2026-27
Total super balance at 30 June 2027: **$4 million**
Total superannuation earnings for the year: **$100,000**. No special rules apply.

1. Work out the proportion

($4m - $3m) ÷ $4m
25%

→

2. Apply it to earnings

$100,000 x 25%
$25,000

→

3. Apply the tax rate

$25,000 x 15%
$3,750

Amount	What it represents
$4 million	The balance used to calculate the proportion.
$100,000	Jordan's total superannuation earnings under the Division 296 rules.
$25,000	The earnings amount to which the additional 15% applies.
$3,750	**Jordan's Division 296 tax under these assumptions.**

Is Division 296 a tax on everything above $3 million?

No. The balance determines the proportion of earnings included in the calculation. The tax is then applied to that earnings amount. In Jordan's example, the $1 million above the threshold represents 25% of his $4 million balance. The additional 15% therefore applies to 25% of his $100,000 earnings.

Where does the earnings figure come from?

Earnings are calculated under the Division 296 rules and attributed to each relevant super interest. Page 12 shows how Jordan's fund could arrive at the $100,000 used here. A change in the member's account balance does not, by itself, establish this amount.

The example illustrates the calculation only. It does not estimate investment returns or recommend a particular balance, investment or withdrawal.

Sources: [1] ss 296-40 and 296-45; [4] s 5. Source list: page 26.

The balance and the tax result

Each row assumes **$100,000 of total superannuation earnings,** the 2026-27 thresholds and no special rules.

Relevant total super balance	Earnings proportion above $3 million	Proportion above $10 million	Division 296 tax
$3 million	0.00%	-	$0.00
$3.5 million	14.29%	-	$2,143.50
$4 million	25.00%	-	$3,750.00
$5 million	40.00%	-	$6,000.00
$7.5 million	60.00%	-	$9,000.00
$10 million	70.00%	-	$10,500.00
$12 million	75.00%	16.67%	$12,917.00
$15 million	80.00%	33.33%	$15,333.00

Percentages are rounded to two decimal places before tax is calculated, as required by the legislation. Dollar amounts are shown to the cent.

What changes when the balance exceeds $10 million?

The 15% calculation continues to apply to the earnings proportion above $3 million. A further 10% applies to the proportion above $10 million. At $12 million, for example, 75% of earnings enters the first calculation and 16.67% enters the second.

Will the thresholds change?

Both thresholds are indexed in later years. The legislation provides for increases in $150,000 increments for the lower threshold and $500,000 increments for the higher threshold. Indexation does not necessarily produce an increase every year. Check the thresholds for the year being calculated.

Sources: [1] ss 296-30 to 296-45; [4] s 5. Source list: page 26.

Balance and earnings

Event	Effect on the balance	Effect on Division 296 fund earnings
A contribution	Can increase the member's balance.	Assessable contributions are removed from the calculation.
An asset is revalued upwards	Can increase the balance, even if the asset is unsold.	A revaluation alone generally does not create a realised capital gain.
An asset is sold at a gain	The asset is replaced by sale proceeds; the gain may already be reflected in its value.	The gain may enter the calculation after relevant CGT adjustments, losses and any discount.
Income supports a pension	Can contribute to the value of the pension interest.	Net exempt current pension income is added into the calculation.
A pension payment or withdrawal	Reduces the closing balance. The higher balance rule applies from 2027-28.	The payment itself is not an earnings deduction.
A tax loss or investment loss	Depends on the event. An ordinary tax loss does not necessarily indicate a lower balance.	Calculate the adjusted fund earnings first. If that result is negative, it is taken to be nil.

Is Division 296 based on the change in my balance?

For ordinary SMSF accumulation and account-based pension interests, earnings are based on fund income tax concepts, with specific adjustments. Contributions, withdrawals and revaluations can affect balances without being earnings in the same amount. Certain defined benefit and other interests use a different method.

Can an unsold asset affect my Division 296 position?

Yes. Its market value can increase your total superannuation balance and the proportion used in the tax calculation. A revaluation does not, by itself, create a realised capital gain. A later sale or other CGT event may result in a gain that enters the earnings calculation.

Sources: [1] ss 296-40, 296-60 and 296-65; [2] Division 296; [8]. Source list: page 26

From fund income to an assessment

Fund income tax calculation

Start with the fund's relevant taxable income or tax loss, subject to the Division 296 rules.

↓

Division 296 adjustments

Remove assessable contributions; add net exempt current pension income. Other statutory adjustments can apply.

↓

Division 296 fund earnings

If the resulting amount is negative, it is taken to be nil.

↓

Attribute earnings to members

For ordinary SMSF interests, apply the prescribed method using average values during the year.

↓

Report the relevant information

The SMSF reports for members within scope. Other funds report under their applicable rules.

↓

ATO assessment

The ATO combines the relevant information and calculates any tax payable by the individual.

Who works out the earnings?

The SMSF's earnings are calculated first, then the relevant amount is attributed to each member. Other funds calculate and report under the rules that apply to them. The ATO combines the reported information to work out the individual's liability.

Do my contributions count as investment earnings?

Assessable contributions are removed from the fund earnings calculation. Non-assessable contributions are not included in taxable income in the first place. Both can increase a member's balance without being investment earnings.

Does pension phase make the earnings exempt?

No automatic exemption applies. Net exempt current pension income is added into the fund earnings calculation. The calculation also adjusts the treatment of capital gains and losses on segregated current pension assets.

Sources: [1] ss 296-55 to 296-70; [3] reg 296-65.03; [7]-[8]. Source list: page 26

Working out fund earnings

Illustrative example: Jordan's SMSF, 2026-27

Jordan is the only member of a complying SMSF and holds an accumulation interest throughout the year. The following simplified amounts produce the $100,000 of earnings used on page 8.

Calculation	Amount
Investment income, excluding capital gains	$80,000
Net capital gain, after any applicable CGT discount	$30,000
Assessable contributions	$25,000
Less deductible expenses	($10,000)
Relevant taxable income	**$125,000**
Less assessable contributions for Division 296	($25,000)
Division 296 fund earnings	**$100,000**

Assumptions: no pension interests or reserves, franking credits, tax losses, non-arm's length component, pooled superannuation trust component, transitional CGT adjustment or other relevant adjustments. Jordan has no other super interests.

All $100,000 is attributed to Jordan. With a total super balance of $4 million at 30 June 2027, the calculation is $100,000 x 25% x 15% = $3,750.

Would the calculation differ if the fund paid pensions?

It can. Net exempt current pension income is added into Division 296 fund earnings. The starting taxable income may also need CGT adjustments. A fund with pension interests cannot assume that its ordinary taxable income is the amount to report.

How are franking credits treated?

Where the fund's assessable income includes a franking credit attached to a dividend, that gross-up can flow into Division 296 fund earnings. The associated tax offset belongs to the fund's ordinary income tax calculation; it does not directly offset the member's Division 296 tax.

Sources: [1] ss 296-60 and 207-20; [3] reg 296-65.03. Source list: page 26.

Member earnings and losses

Illustrative example: allocating $120,000 of fund earnings

Assume the required actuarial certificate attributes the earnings using average interest values of $3 million for Alex and $1 million for Sam. Each holds one ordinary accumulation interest. There are no other interests or pension reserves.

Member	Average interest value	Share of total average value	Attributed earnings
Alex	$3,000,000	75%	$90,000
Sam	$1,000,000	25%	$30,000
Total	**$4,000,000**	**100%**	**$120,000**

This illustrates attribution only. The average values do not establish either member's balance for the separate Division 296 threshold test.

How are fund earnings divided between members?

For ordinary SMSF interests, the prescribed calculation uses the average value of each relevant interest during the year. The fund's relevant interests and any pension reserves are taken into account. Closing balances alone may give a different result. Contributions, withdrawals and the length of time an interest is held can affect the averages. An actuarial certificate is generally required, with exceptions for nil fund earnings and qualifying sole-member funds.

What happens if the fund has a loss?

An ordinary income tax loss does not automatically mean Division 296 fund earnings are nil. The statutory adjustments must be made first, including adding net exempt current pension income where relevant. A negative result after those adjustments is taken to be nil.

A fall in market value also differs from a realised capital loss. Capital losses are dealt with under the applicable CGT rules. An investment loss does not, by itself, give a member a Division 296 credit or reverse an earlier assessment.

Sources: [1] ss 296-60 and 296-65; [3] reg 296-65.03. Source list: page 26.

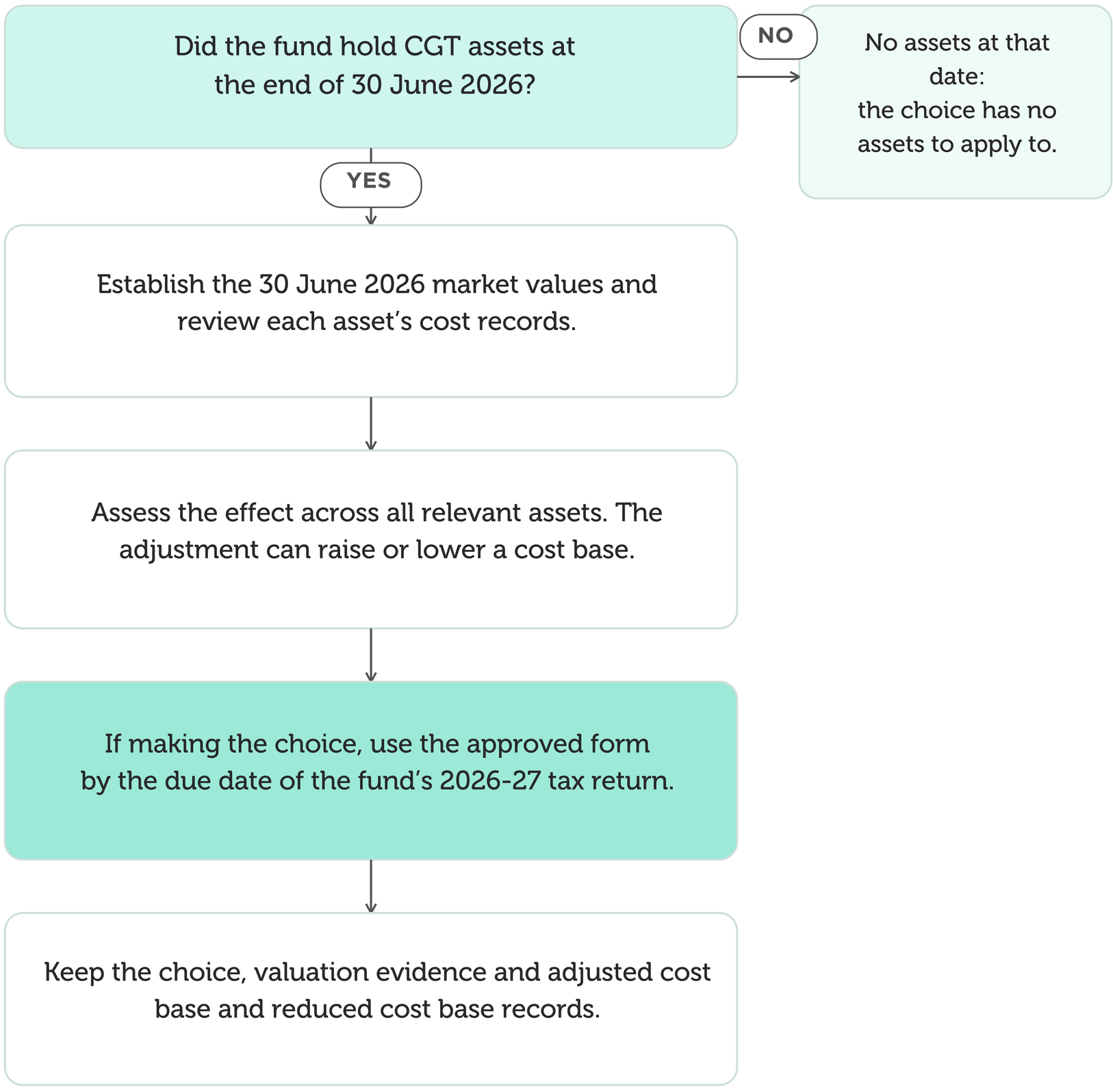
The transitional CGT choice

A fund-wide choice for eligible small superannuation funds, including SMSFs.

FUND-WIDE CHOICE

It applies to all CGT assets held at that date.

It cannot be revoked.



What happens to gains that accrued before 1 July 2026?

An eligible fund can choose a transitional adjustment for CGT assets held at the end of 30 June 2026. Where the conditions are met, the asset's market value at that date becomes the first element of its cost base and reduced cost base for the relevant Division 296 calculation.

Can the fund choose particular assets?

No. The choice applies to all CGT assets held by the fund at the end of 30 June 2026 and cannot be revoked. The asset must have been held continuously from that date until the relevant CGT event for the adjustment to apply.

Sources: [2] ss 296-50 and 296-55. Source list: page 26.

The CGT choice in numbers

Illustrative example: a property held before 1 July 2026

A complying SMSF bought a property in 2019, held it continuously and sells it on arm's length terms during 2026-27. The fund made a valid transitional choice.

Ordinary cost base	30 June 2026 value	Sale proceeds
$800,000	$1,100,000	$1,400,000

Calculation	Ordinary fund CGT	Division 296 with the choice
Sale proceeds	$1,400,000	$1,400,000
Applicable cost base	$800,000	$1,100,000
Capital gain before discount	$600,000	$300,000
One-third CGT discount	($200,000)	($100,000)
Net capital gain	**$400,000**	**$200,000**

Assumptions: the fund is entirely in accumulation phase; the asset qualifies for the one-third CGT discount; there are no capital losses or other capital gains; the $800,000 ordinary cost base includes all relevant costs and adjustments; there are no additional cost base amounts after 30 June 2026.

What does this change in the calculation?

The fund's ordinary CGT calculation includes a $400,000 net capital gain. For Division 296, the valid choice produces a $200,000 net capital gain under these assumptions. That amount feeds into the fund earnings calculation before earnings are attributed to members.

Does the table show the member's tax?

No. A member's tax also depends on their attributed earnings, other super interests, relevant total super balance and any applicable exceptions. The table isolates the CGT calculation for this asset.

Sources: [1] ss 102-5, 115-25, 115-100 and 296-60; [2] s 296-50. Source list: page 26

Capital gains in practice

Does the choice change the fund's ordinary CGT calculation?

No. It changes the relevant cost base and reduced cost base for Division 296 purposes. The fund's ordinary income tax calculation continues to use the applicable ordinary CGT rules.

The adjustment also disregards other cost base elements incurred on or before 30 June 2026 for that Division 296 calculation. Later costs may be relevant under the usual cost base rules. The fund may therefore need separate ordinary CGT and Division 296 records for the same asset.

Is making the choice always beneficial?

No. An asset's market value at 30 June 2026 may be below its existing cost base. The choice applies across the fund and cannot be revoked, so the effect of assets with unrealised gains and losses needs to be considered together.

How do realised gains and capital losses fit in?

A sale or another CGT event may produce a gain or loss. Current-year and carried-forward capital losses and any CGT discount are dealt with in the applicable order, with the Division 296 adjustments taken into account. A year-end market revaluation alone does not generally create a realised capital gain.

Can a fund make the choice if no member currently exceeds $3 million?

Yes, provided the fund meets the eligibility requirements. The choice is not conditional on a member having a current Division 296 liability. It can affect earnings from a later disposal, when a member's balance and circumstances may be different.

Does the choice create a new capital loss to carry forward?

The transitional adjustment is disregarded when working out a net capital loss that may be applied in a later income year. Trustees should not assume that the adjusted reduced cost base creates a separate pool of Division 296 losses available for future years.

Timing: The choice is due by the fund's 2026-27 income tax return due date. Follow the current ATO requirements for the approved form and retain the records described on page 22.

Sources: [1] s 296-60; [2] ss 296-50 to 296-65. Source list: page 26.

Situations needing a closer look

Situation	How Division 296 may apply	Information to review
A spouse receives a death-benefit pension	The pension can affect the survivor's total super balance and attributable earnings.	Pension terms, entitlement dates and the way the benefit is paid.
A member dies during 2026-27	The member is exempt from Division 296 for that first year.	Death-benefit payments and any effect on a recipient.
A member dies in a later year	An assessment for the year of death may still arise. Certain later earnings can be attributed to that year.	Opening balance, payment timing and estate cash flow.
Child income-stream recipient or structured settlement contribution	An exception may remove the individual's liability.	Whether the statutory conditions are met.
Defined benefit or certain other interests	Special balance or earnings rules may apply. Some liabilities can be deferred.	The type of interest and its applicable calculation and payment rules.

Can an inherited pension affect the surviving spouse?

Yes. A death-benefit pension can form part of the survivor's superannuation interests and total superannuation balance. Earnings attributable to the pension may also be relevant. The timing depends on the nature of the pension and the recipient's entitlement. Do not assume that a delay applying to a transfer balance cap credit also delays the Division 296 consequences. A death benefit paid out as a lump sum is treated differently from an interest retained in super.

Sources: [1] ss 296-20, 296-25, 296-50, 296-55 and 296-70; [2] s 296-1(3); [3] reg 296-70.04; [5] Division 134

Death benefits and other interests

What happens if a member dies?

A person who dies during **2026-27** is not liable for Division 296 tax for that income year.

In later years, an assessment can still arise for the year of death. Although the balance is taken to be nil after death for the threshold calculation, the opening balance can remain relevant because the calculation uses the higher of the opening and closing balances.

The rules can also attribute earnings arising after the year of death back to that year. For ordinary interests, the relevant period can continue until the death benefits are paid or distributed, or another person starts receiving a death-benefit income stream. The estate's administration and cash requirements should take account of a possible assessment.

Are there exceptions?

An individual is not liable for Division 296 for a year if they are a child recipient of a superannuation income stream at any time in that year.

An exception also applies where a structured settlement contribution was made in respect of the individual in that year or an earlier income year. These are defined legislative categories; eligibility needs to be confirmed.

There are also specific rules for certain excluded interests, foreign super funds, constitutional cases and temporary residents who depart Australia. The treatment should be checked where any of those circumstances apply.

What if I have a defined benefit or legacy pension?

Some interests are valued and have earnings calculated under different rules from ordinary accumulation and account-based pension interests. A simple account balance or fund-income calculation may therefore be inappropriate.

Tax relating to an eligible defined benefit interest may be deferred to a Division 296 debt account. Separate payment and interest rules apply. Confirm the position with the relevant fund and an adviser familiar with that interest.

> This guide concentrates on ordinary SMSF accumulation and account-based pension interests. The special circumstances above need to be reviewed using the rules for the particular interest and individual.

Sources: [1] ss 296-20, 296-25, 296-50, 296-55 and 296-70; [2] s 296-1(3); [3] reg 296-70.04; [5] Division 134.

The first-year timetable

30 June 2026	Valuation date for CGT assets covered by a valid transitional choice.
1 July 2026	The first financial year to which Division 296 applies begins.
30 June 2027	The balance date used for the first year's threshold calculation.
2026-27 SMSF return	Report the required member information. The CGT choice is due by the return's due date.
Latter half of 2027-28	The ATO expects to begin issuing assessments for 2026-27. Timing depends on reporting.
60 days from issue*	Elect to release money from super after the ATO issues the assessment notice.
84 days from notice**	Pay the ordinary assessment within 84 days after the Commissioner gives the notice.

* The Commissioner may allow more time to make the release election.
** Eligible deferred amounts follow separate rules. A release request does not extend the ordinary payment deadline.

What does my SMSF need to report?

The SMSF reports the required earnings information for members within scope through its annual return. Details of super held elsewhere can help the administrator identify affected members. An SMSF's own records may not show a member's total position.

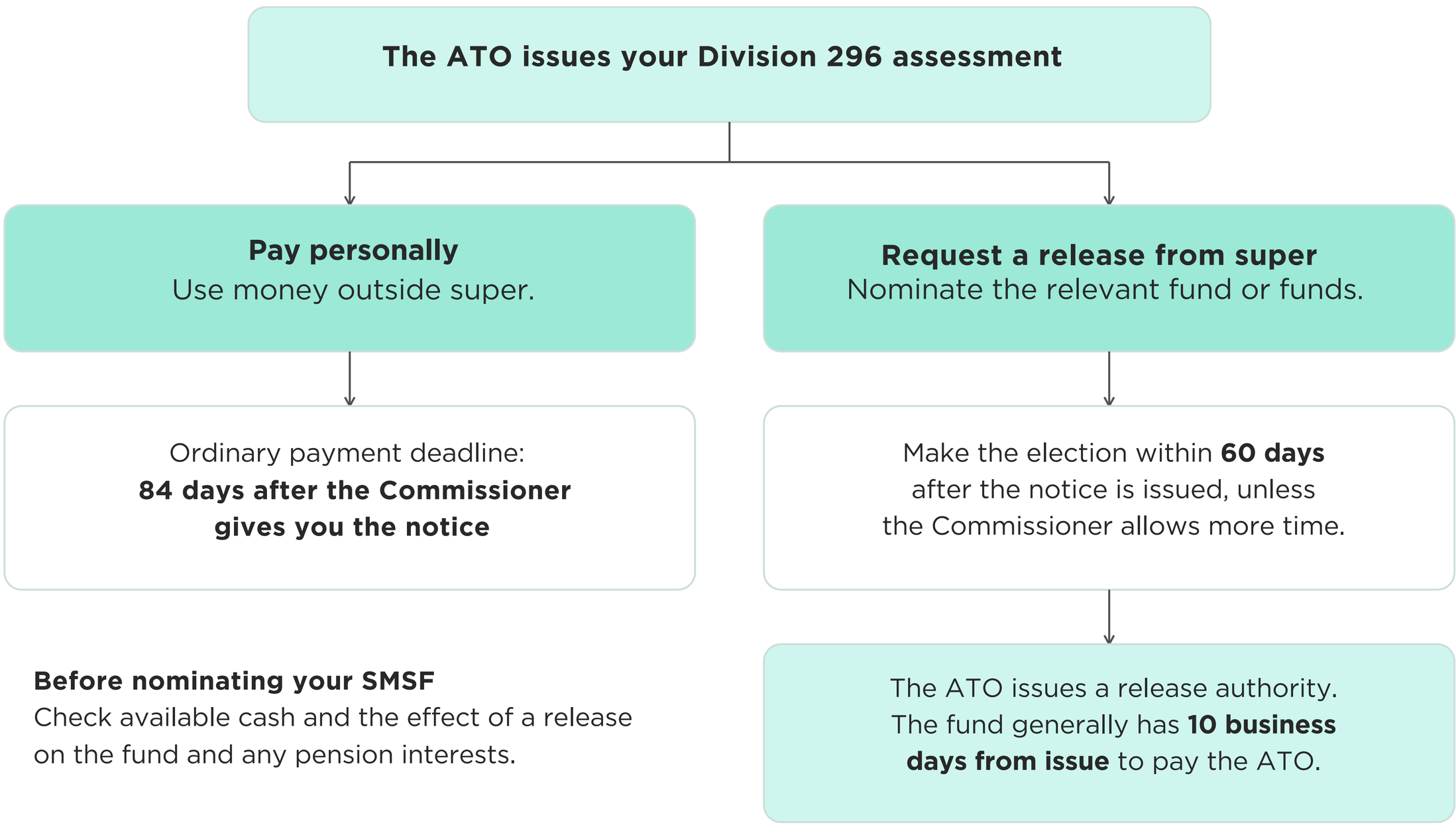
When should I expect an assessment?

The ATO expects to begin issuing 2026-27 assessments in the latter half of 2027-28. The timing for an individual depends on fund reporting. The dates on the assessment determine the relevant payment and election deadlines.

> From 2027-28 onwards, the balance test generally uses the higher of the opening and closing balances. Check the indexed thresholds for the relevant year.

Sources: [1] ss 296-130 and 296-135; [2] ss 296-1 and 296-50; [5] s 131-5; [7], [9]-[10]. Source list: page 26.

Paying the assessment



Before nominating your SMSF
Check available cash and the effect of a release on the fund and any pension interests.

The ordinary payment deadline also applies if you request a release from super.

Can I pay the assessment myself?

Yes. Division 296 is the individual's liability and is additional to the fund's ordinary income tax. The ordinary deadline is 84 days after the Commissioner gives the notice. Eligible amounts deferred to a Division 296 debt account follow separate rules.

Can my SMSF pay it?

A member can elect to release an amount through the ATO process. The election is generally due within 60 days after the notice is issued and cannot be revoked. The Commissioner may allow more time to make it.

Once the ATO issues a release authority, the fund generally has 10 business days to pay the required amount, unless more time is allowed. The amount is limited by the fund's maximum available release amount. Trustees must also complete the required reporting.

> Use the ATO release authority process for a Division 296 release. The assessment itself does not authorise trustees to withdraw money from the fund.

Sources: [1] ss 296-130 and 296-135; [5] Division 131 and Division 134; [9]. Source list: page 26.

Checking your assessment

Check	What to compare
The financial year	The year shown on the assessment and the threshold rules that apply to it.
Your super interests	The funds and interests included, including those outside the SMSF.
The balance used	30 June 2027 for the first year; generally the higher of opening and closing balances in later years.
The earnings reported	The amounts attributed to you by each fund and any relevant special treatment.
The tax calculation	The applicable thresholds, percentages and tax rates.
The deadlines	The payment due date and, if relevant, the deadline to elect a release from super.

What if an amount appears incorrect?

Ask the fund or administrator to check the balance and earnings information it reported. A reporting error may need to be corrected by that fund. Questions about the assessment itself can be raised with the ATO or your registered tax agent, including the available review process and applicable time limits.

Can I nominate more than one fund for a release?

Yes. The election can nominate one or more funds and specify an amount for each, subject to the release rules. The nomination does not extend the ordinary payment deadline. Available release amounts and fund cash flow need to be checked.

Is Division 296 tax deductible?

No. The law specifically denies a deduction for Division 296 tax and for a Division 296 debt account discharge liability.

Sources: [1] ss 26-99A, 296-130 and 296-135; [5] Division 131; [8]-[9]. Source list: page 26.

Records to keep

Record	For the annual calculation	If the fund makes the CGT choice
Asset acquisition, improvement and disposal records	Support the income tax and Division 296 calculations.	Also support the separate adjusted cost base records.
Annual market valuations	Support the value of fund assets and members' interests.	Continue to be required after the choice.
Member transactions and dates	Contributions, withdrawals, rollovers and pension changes help establish average values.	Continue to be required after the choice.
Other Australian super interests	Help identify members who may be within scope.	Also relevant to the member's overall position.
30 June 2026 asset values	Relevant when considering the choice.	Support the market value of each CGT asset held at that date.
Record of the choice	Not applicable if no choice is made.	Retain the choice made in the approved form.
Adjusted cost base and reduced cost base	Ordinary tax records still apply.	Keep each affected element for every asset covered by the choice.

How long must the transitional records be kept?

Keep the record of the choice and the adjusted cost base and reduced cost base records until the end of five years after it becomes certain that no CGT event, or no further CGT event, can occur for which the record could reasonably be relevant to working out the fund's Division 296 earnings. The records must be in English or readily accessible and convertible into English.

What should trustees obtain now?

Keep objective evidence supporting annual market values. For the transitional choice, the evidence must support values on 30 June 2026, even if obtained later. Property, unlisted shares and units may need additional valuation support. Member transaction dates and calculations should also be retained.

Sources: [2] s 296-55; [3] reg 296-65.03; [7]. Source list: page 26

Quick answers

Question	Answer	Read more
Does Division 296 tax the balance above $3 million?	It taxes the relevant proportion of superannuation earnings.	Page 8
My SMSF holds less than $3 million. Could I still be affected?	Yes, if your combined super interests take your relevant balance above the threshold.	Page 5
Our SMSF holds more than $3 million. Is every member affected?	Each member is assessed separately against their own relevant balance.	Pages 3-5
Is the tax assessed against the SMSF?	No. It is the individual's liability. Money can be released from super through the ATO process.	Page 20
Does pension phase provide an exemption?	Not automatically. Pension interests and attributable earnings can still count.	Pages 7, 11
Does a higher valuation create taxable earnings?	It can change the balance test. A revaluation alone generally does not create a realised capital gain.	Page 10
Will a withdrawal remove the liability?	Not necessarily. From 2027-28, the higher of the opening and closing balances is generally used.	Page 6
Does a loss give me a personal Division 296 credit?	A negative fund earnings result is taken to be nil. An investment loss does not, by itself, reverse an earlier assessment.	Page 13
Will each fund send me a separate tax assessment?	The ATO combines the relevant information for an individual assessment.	Pages 11, 20

Sources: [1]-[5]. Supporting explanations and source references appear on the referenced pages.

Trustee action checklist

Use this checklist with your SMSF administrator or adviser before the fund's 2026-27 return is prepared.

Members

- ☐ Identify each member's super interests, including interests outside the SMSF.
- ☐ Consider which members could exceed the relevant threshold.

Earnings and attribution

- ☐ Reconcile income, realised gains, losses and net exempt current pension income.
- ☐ Keep member transaction dates and confirm any actuarial certificate requirement.

Valuations

- ☐ Support annual market values with appropriate evidence.
- ☐ Obtain the 30 June 2026 values needed to consider the transitional CGT choice.

Cash flow

- ☐ If a release from the SMSF is contemplated, check whether it can meet the authority.
- ☐ Consider the effect of a release on fund assets and pension interests.

Transitional CGT choice

- ☐ Review the effect across all CGT assets held at 30 June 2026.
- ☐ Record the decision and, if making the choice, complete the approved form by the return's due date.

Death benefits and other interests

- ☐ Review relevant pension terms and death-benefit arrangements.
- ☐ Identify any defined benefit interest or legislative exception needing separate consideration.

How can SuperConcepts help?

SuperConcepts provides SMSF administration and technical support. Existing clients can contact their Client Service Manager about the records needed for the fund's accounts and reporting.

Have ready: details of other super interests, member transactions, asset cost and valuation records, and any ATO assessment received.

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Sources: [1]-[5], [7]. This checklist is a general preparation aid and does not cover every fund or member circumstance.

Key terms

Term	Meaning in this guide
Total superannuation balance (TSB)	The statutory measure of an individual's super interests. Special valuation and adjustment rules can apply.
Relevant balance / balance reference amount	For 2026-27, the balance at 30 June 2027. In later years, generally the higher of the opening and closing balances used in the percentage calculation.
Division 296 fund earnings	The fund-level earnings amount calculated using the statutory income tax adjustments.
Relevant superannuation earnings	The earnings amount attributed to a particular super interest under the applicable method.
Total superannuation earnings	The individual's combined relevant earnings for the year, after the statutory exclusions and adjustments.
Taxable superannuation earnings	The amount obtained by applying the percentage above the lower threshold to total superannuation earnings.
Very large superannuation balance earnings component	The additional earnings component calculated using the percentage above the higher threshold.
Net exempt current pension income	Relevant income from assets supporting current pensions, exempt from ordinary fund tax and reduced by the deductions specified in the rules.
Release authority	An ATO authority under which a fund releases an amount in accordance with the relevant rules.

About this guide

This guide provides general information for SMSF trustees. Any advice is general only and has been prepared without considering your objectives, financial situation or needs. Consider its appropriateness to your circumstances before acting, and obtain relevant financial, tax or legal advice where needed.

The examples are fictional, use simplified assumptions and explain the operation of the rules. They do not recommend a financial product or strategy, predict returns or determine an individual's tax liability. The guide focuses on ordinary accumulation and account-based pension interests.

These are plain-English summaries. The legislation and regulations contain the full definitions.

Sources and publication notes

The legislation determines the tax treatment. ATO guidance explains the current reporting and administrative approach. Links below open the relevant official source.

1 Income Tax Assessment Act 1997

Division 296; s26-99A; CGT and franking rules; Division 307; indexation in Subdivision 960-M.

2 Income Tax (Transitional Provisions) Act 1997

Division 296, including the first-year balance rule, death exemption and transitional CGT choice and records.

3 Income Tax Assessment (1997 Act) Regulations 2021

Regs 296-65.03 and 296-70.04: member attribution and earnings after death.

4 Superannuation (Building a Stronger and Fairer Super System) Imposition Act 2026

Section 5: the additional 15% and 10% tax rates.

5 Taxation Administration Act 1953

Schedule 1, Divisions 131 and 134: release elections, authorities and deferred liabilities.

6 ATO: Division 296 tax

Overview of the tax and who it can affect.

7 ATO: About Division 296 tax for SMSFs

Fund calculation and reporting information.

8 ATO: How Division 296 tax is calculated

Balances, earnings and the individual calculation.

9 ATO: Paying Division 296 tax

Payment options and release arrangements.

10 ATO: Is your SMSF ready for the new tax on large super balances?

Expected timing of first assessments.

11 ATO: Division 296 tax- the latest for SMSFs

24 September 2026 update on reporting and the transitional CGT choice.

Information current at 14 October 2026. Rules, indexed thresholds and ATO processes can change. Check the requirements for the relevant year, including the current reporting and CGT choice instructions.

SMSF technical support

Division 296 can raise questions beyond the calculation. Our technical consultation team can help explain the superannuation rules and review the documents relevant to your query.

Technical questions

Discuss superannuation rules and their practical application with our SMSF technical team.

Compliance matters

Seek technical support with transfer balance cap issues, asset arrangements and ATO determinations.

Document review

Get help examining pension agreements, trust deeds and limited recourse borrowing arrangements.

Arrange a technical consultation

Tell us the matter you would like to discuss. Our team can explain the service and the information required.

Fees apply. View the service details, fees and terms online.

ENQUIRE ABOUT A CONSULTATION

Scan to explore our SMSF technical consultation services

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