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New Super Tax Pushes Australia Toward Europe-Style Wealth Penalties

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The Albanese government's proposed 15% tax on *unrealised capital gains* in superannuation accounts over $3 million has raised alarm among investors, retirees, and economists. The plan, scheduled to take effect from July 2025, would tax capital growth before assets are sold, marking a major shift in how retirement savings are treated in Australia.

Currently, Australians pay a 15% tax on earnings within their superannuation during the *accumulation phase*, the period when individuals are working and building their retirement nest egg. The new proposal adds a 15% tax on paper gains, even if no actual profit has been realized. This change would affect around 80,000 super balances, or about 0.5% of accounts.

Critics argue this approach undermines the long-standing principle that tax should be paid only when a gain is *realised*, that is, when an asset is sold and a profit is received. Geoff Wilson, chairman of Wilson Asset Management, warns that the tax mirrors failed European policies. "Australia is proving to be no different from Norway, Spain, and Sweden, where taxing unrealised gains led to capital exodus and lower-than-expected revenue," Wilson said.

In countries like Norway and Spain, taxing unrealised gains, often through "exit taxes, has driven high-wealth individuals and investors to relocate their assets. France, while maintaining a *wealth tax* on property, stops short of taxing paper profits. Germany once taxed unrealised gains but abandoned the policy due to complexity.

This would be the first time a Western nation has applied an unrealised gains tax specifically to retirement savings. Even in the United States, Democratic proposals have only targeted individuals with assets exceeding US$100 million.

Wilson Asset Management has proposed an alternative, maintaining the current system of taxing realised gains but adding tiered tax rates based on super balances, starting at 15% for $3–6 million and up to 25% for accounts over $20 million. Their model is estimated to raise more revenue than the government's plan, without penalizing unrealised growth.

With opposition from key Senate crossbenchers and signs of early asset liquidation, the tax appears economically risky and politically unstable. Rather than adopting Europe's mistakes, Australia should pursue a more balanced path, one that protects retirement savings and rewards financial responsibility.