



Super unfair - how low income workers are missing out

Fact Sheet - April 2025



What is the low-income superannuation tax offset (LISTO)?

- Most Australians are taxed at a lower rate on our super than on our salary. This tax benefit is provided to reward us for quarantining our super savings until retirement. This tax benefit compounds over a lifetime and makes a significant difference to the amount of money that is saved for retirement.
- LISTO is a fairness measure set up to address the fact that lower-income workers don't get the same super tax benefit as most other workers. Unlike most other workers, without LISTO the rate of tax these workers pay on their super would be similar to the rate of tax they pay on their income.

Why the LISTO needs updating

- LISTO is no longer achieving its purpose. It has not changed since its introduction in 2012¹ and has not kept up to date with changes to tax brackets and super contribution amounts.
- When LISTO was introduced, workers falling within the first and second income tax brackets received a full refund on the tax paid on their super contributions. Changes to tax brackets in 2020 pushed the second bracket from \$37,000 to \$45,000 without a corresponding increase to the LISTO threshold.
- About 1.2 million lower-income Australians are no longer receiving a fair super tax benefit.
- Similarly, the Superannuation Guarantee rate has increased from 9% to 11.5% over this time without an increase in the LISTO offset amount. LISTO no longer fully offsets the tax on their super contributions.

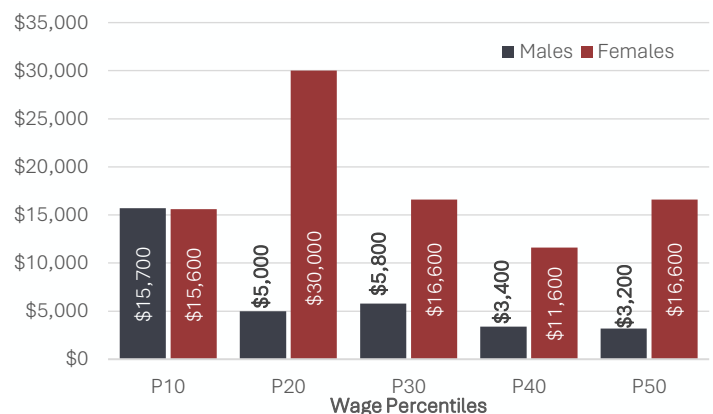
Low-income earners are not getting the same super tax benefit as others

- A person earning \$40,000 receives a tax concession of just 1% on their super (16% marginal income tax rate compared to a 15% tax rate on super contributions).
- The Government's newly legislated tax cuts mean the tax rate on incomes between \$18,200 and \$45,000 will fall from 16% to 15% in July 2026, and then to 14% from July 2027. That means people earning \$37,000-\$45,000 will eventually pay 14% tax on their income, but 15% on their super.
- In contrast, a person earning \$190,000 receives a tax concession of 30 per cent on their super contributions (45% marginal tax rate compared to a 15% tax rate on super contributions).

A big impact on retirement balances

- The failure to properly adjust the LISTO means the lowest paid Australians have missed out on a combined \$2.5 billion super tax benefits since 2020.
- A female worker in the bottom 20% of wage earners could be up to \$30,000 or 12% better off at retirement. This assumes a proportion of workers will move out of the lower tax brackets during their careers. For those workers who remain in the lower tax brackets this change could add an extra \$60,000.

Figure 1: Impact on retirement balances from lifting LISTO



Source: SMC cameo modelling

What needs to change?

- To make super tax settings fairer for low-income earners, the government should lift eligibility for the LISTO to include those earning \$37,000 to \$45,000 and increase the offset amount to \$810 to reflect the legislated Superannuation Guarantee rate.
- These changes will start to strengthen retirement for more of the nation's lowest-paid workers, giving them a fairer deal.

Women would benefit the most

- Women would be the biggest winners making up 60% (760,000) of those who would benefit. They would benefit by an average of \$400 each in 2025-26, including 280,000 under 30.
- Women currently approach retirement with 25% less super than men, lifting the LISTO is an important step the Government can take now to make super fairer for women and help narrow the gender super gap.

¹ Originally the Low Income Superannuation Contribution (LISC)
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