

Generation Life Division 296 Webinar Q&As



Question 1

“Given most SMSF financials are not completed until the following year is there a specific timeframe the ATO is placing on these calculations, or will they just be in line with the current timeframe of lodging tax?”

Answer:

The legislation has now passed, however the detailed reporting mechanics are still being finalised.

Both Treasury and the ATO have acknowledged that SMSF financials are typically not completed until well after 30 June, often well into the following calendar year. At this stage, the ATO has not imposed a separate or accelerated reporting deadline for SMSFs to provide the Division 296 earnings components.

At this stage, the expectation is that Division 296 calculations and reporting will align with existing SMSF annual compliance and tax lodgement timeframes, rather than introducing a new or earlier deadline.

That said, final ATO guidance is still being released, so advisers should expect further clarification as implementation approaches.

Question 2

“How do you know how much has been taxed in a Generation Life investment bond?”

Answer:

Generation Life provides advisers with visibility on tax through two key mechanisms:

- 1. Projection tools (Adviser Portal):** These incorporate estimated long-term effective tax rates across each investment option, enabling advisers to model after-tax outcomes when making recommendations.
- 2. Actual effective tax reporting:** Generation Life also publishes average effective tax rates based on tax actually paid across investment options, giving advisers a real-world reference point.

While the statutory maximum tax rate within an investment bond is 30%, the effective tax rate is often materially lower due to factors such as franking credits, capital gains tax treatment, and investment option construction.

Question 3

“If a Generation Life investment bond is solely invested in shares with high franking credits, why don't the franking credits entirely block the internal tax applied?”

Answer:

Generation Life investment options can receive income from various sources and tax components, including dividends from shares, income from cash and other investments, and distributions from unit trusts.

In addition, Generation Life (similar to other investors), may also receive realised gains, being income that is generated via the trading activity of the investments.

Where an investment option invests in Australian shares, the investment option may hold some cash (earning interest) and may also receive other realised gain income, for which there are no imputation credits attached. It's important to note that the franking credits that can be applied are determined by the level of franked distributions received, relative to other income that has not benefited from franking credits.

This diversified income profile is a key reason why effective tax rates are reduced but not reduced to zero.

Question 4

“In terms of the \$3m and earnings, say a client had 50% in accumulation and 50% in pension phase, will the pension earnings get included in the overall calculation of TSB and apportioning?”

Answer:

Yes. This is a critical design feature of Division 296.

Where a member's Total Superannuation Balance (TSB) exceeds \$3 million, all super earnings are included in the Division 296 calculation—regardless of whether they arise from:

- Accumulation phase, or
- Retirement (pension) phase

While pension earnings remain tax-free within the fund, they are included in the member's personal Division 296 assessment. Pension phase earnings are included in the Division 296 base, even though they remain exempt from ordinary fund income tax.

Here's a simple example:

- TSB: \$4 million
- 50% accumulation / 50% pension
- Earnings: \$300k (accumulation) + \$300k (pension)

Outcome:

- \$600,000 (\$300,000 + \$300,000) is included in the member's Division 296 earnings
- 25% of the balance is above \$3m, therefore 25% of earnings (\$150,000) are subject to Division 296 tax
- Division 296 tax = 15% × \$150,000 = \$22,500
- Pension earnings remain 0% taxed in the fund, but the member receives a personal Division 296 assessment

This reinforces a key strategic implication - the tax-free status of pension phase does not shield earnings from Division 296 once thresholds are exceeded.

Question 5

“Is Generation Life going to increase the investment menu for greater choice for portfolio construction?”

Answer:

Generation Life continually monitors and reviews the investment options available on our investment menu. On 26 February 2026, Generation Life launched the following new investment options to help advisers with portfolio construction and to help meet investor risk/return needs:

- **Two new private asset options:**
 1. MCP Wholesale Investments Fund and Charter Hall
 2. Diversified Property Portfolio
- **Two new geared options providing a gearing overlay of existing strategies:** both with a conservative 45% LVR target position
 1. Generation Life Tax Effective Australian Share Fund (Geared)
 1. iShares Hedged International Equity Index Fund (Geared)
- **New global small caps option:** Langdon Global Smaller Companies Fund

Upcoming additions (from April 2026):

1. Pzena Emerging Markets Value Fund
2. ATLAS Infrastructure Global Portfolio (Hedged).

This ongoing expansion reflects a focus on broadening diversification, enhancing return profiles, and supporting more sophisticated portfolio construction.

Question 6

“Are constitutionally protected funds (e.g. Super SA) subject to Division 296?”

Answer:

No. Defined benefit interests in constitutionally protected superannuation funds (CPSFs), such as Super SA, are effectively excluded from Division 296.

This means:

- No additional 15% or 25% Division 296 tax applies to earnings within the CPSF
- This applies even if the member’s TSB exceeds \$3 million

However, an important nuance remains:

- The **value of the CPSF interest is still included in the member’s TSB**
- A **notional valuation method** is used (typically pension × statutory factor)

As a result, while **no tax is applied to the CPSF earnings**, the valuation can still:

- Push a member above the \$3m or \$10m thresholds, and
- Trigger Division 296 tax on **other superannuation interests**

Final regulations on valuation factors are still pending.

We're here to help

If you have any questions or would like to discuss the use of Generation Life's Investment Bonds in your clients' financial portfolios, please don't hesitate to get in touch.



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