Technical Resource

PAYDAY SUPER - AN OVERVIEW

SEPTEMBER 2026 - V2

Payday Super: An Overview

Introduction

Currency date: 4 September 2026

Under the Payday Super (PDS) regime, from 1 July 2026 employers have been required to pay superannuation (SG) contributions such that the superannuation funds receive the money and employee data within seven business days of each 'payday'. This replaces the previous quarterly payment requirement.

PDS was first announced in the 2023-24 Federal Budget (the Securing Australians' Superannuation package). The Government's purposes of implementing PDS include:

- enabling employees to benefit from higher retirement savings
- empowering employees to track entitlements
- deterring superannuation theft
- enabling the ATO to take quick action in cases of non-compliance
- making employers' payroll management smoother.

PDS is estimated to affect approximately 8.9 million employees.

The ATO's estimates of the SG net gap are as follows[1]:

Income year	Estimated SG net gap (% of estimated theoretical SG liability)
2022-23	$6.2 billion (6.0%)
2021-22	$5.3 billion (6.6%)
2020-21	$5.0 billion (6.9%)
2019-20	$4.4 billion (6.4%)
2018-19	$3.9 billion (5.9%)
2017-18	$3.7 billion (5.9%)

Legislation, regulations and ATO guidance

The Treasury Laws Amendment (Payday Superannuation) Act 2025 and the Superannuation Guarantee Charge Amendment Act 2025 received Royal Assent on 6 November 2025.

On 28 January 2026, the ATO published PCG 2026/1 which sets out its compliance approach for the first year of operation of PDS (i.e. 1 July 2026 to 30 June 2027).

The Treasury Laws Amendment (Payday Superannuation) Regulations 2026 (the PDS Regs) were registered on 23 February 2026.

Related onboarding reforms and an advertising ban have also been enacted.

[1] ATO, *Latest estimate and trends for the super guarantee gap* (QC 105764), last updated 3 November 2025.

The ATO released its voluntary disclosure statement and accompanying instructions on 1 July 2026.

In August 2026, the ATO finalised three Law Companion Rulings:

LCR 2026/1 — Application and transitional provisions
LCR 2026/2 — Eligible contributions
LCR 2026/3 — Calculation and assessment of the superannuation guarantee charge

Draft Law Companion Ruling LCR 2026/D1 — Qualifying earnings is awaiting finalisation pending the outcome of a judicial appeal.

The ATO has also released various other technical guidance products in draft form and established a resources hub on its website.

Source documents

Treasury Laws Amendment (Payday Superannuation) Act 2025

Superannuation Guarantee Charge Amendment Act 2025

Treasury Laws Amendment (Supporting Choice in Superannuation and Other Measures) Act 2026

Treasury Laws Amendment (Payday Superannuation) Regulations 2026

Corporations Amendment (Ban on Advertising Superannuation Funds During Onboarding) Regulations 2026

LI 2026/20 — Superannuation Guarantee (Administration) (Out-of-Cycle Qualifying Earnings) Determination 2026

LCR 2026/1 — Application and transitional provisions

LCR 2026/2 — Eligible contributions

LCR 2026/3 — Calculation and assessment of the superannuation guarantee charge

LCR 2026/D1 — Qualifying earnings

SGR 2026/D1 — Superannuation guarantee: work arranged by intermediaries

SGD 2026/D1 — Superannuation guarantee: working out the payments in respect of a person's labour under a contract referred to in subsection 12(3) of the Superannuation Guarantee (Administration) Act 1992

PCG 2026/1 — Payday Super — first year ATO compliance approach

PS LA 2026/D3 — Payday Super: exceptional circumstances determinations

Voluntary disclosure statement — form and instructions

ATO guidance and resources (www.ato.gov.au/paydaysuper)

Key new concept: qualifying earnings

PDS uses a single, new earnings base called 'qualifying earnings' (QE) for calculating the SG contributions required to avoid an SG shortfall and for calculating the amount of SG charge. The current SG framework uses two distinct earnings bases, ordinary time earnings (OTE) and 'salary and wages'.

The amount an employer needs to contribute does not fundamentally change although there have been some legislative changes to streamline the existing concepts. There is no amendment to the mandatory SG rate of 12 per cent. There is also no change to the workers entitled to SG, i.e. common law employees, and contractors and other workers treated as employees for SG purposes under the extended definition of 'employee' in SG legislation.

A 'QE day' is the day on which the employer pays QE to or for an employee.

When will PDS apply?

For QE days on or after 1 July 2026.

Paying SG contributions

When do employers need to pay SG?

An employer must pay SG contributions so that they are able to be allocated to the employee's account before the end of the seventh business day after the QE day.

This means the fund must have received the money and accurate data to enable it to allocate the contribution correctly.

The law does not prescribe when the employer must make the actual payment or that the fund must have actually allocated the contribution — only that it is able to be allocated.

A 'business day' is a day other than:

- a Saturday or a Sunday
- a public holiday for the whole of any State or Territory.

Are any extensions available?

An extension applies in the following circumstances:

- The first time that an employer makes a contribution to an employee's superannuation fund — a **new employee**, or an **employee changes fund** — there is an extension until the end of the 20th business day after the QE day.
- For **out-of-cycle payments**, the Commissioner may make a determination to allow an extension until the end of the usual period for the next QE day. Out-of-cycle payments may include commissions, bonuses, payments in advance and back payments.
- The Commissioner can make an **exceptional circumstances determination** to cover a class of employers to allow an extension until the later of:
    - 20 business days from the day after the determination is made; and
    - the end of the 20th business day after the QE day.

  Exceptional circumstances include natural disasters or widespread information and communications technology outages.

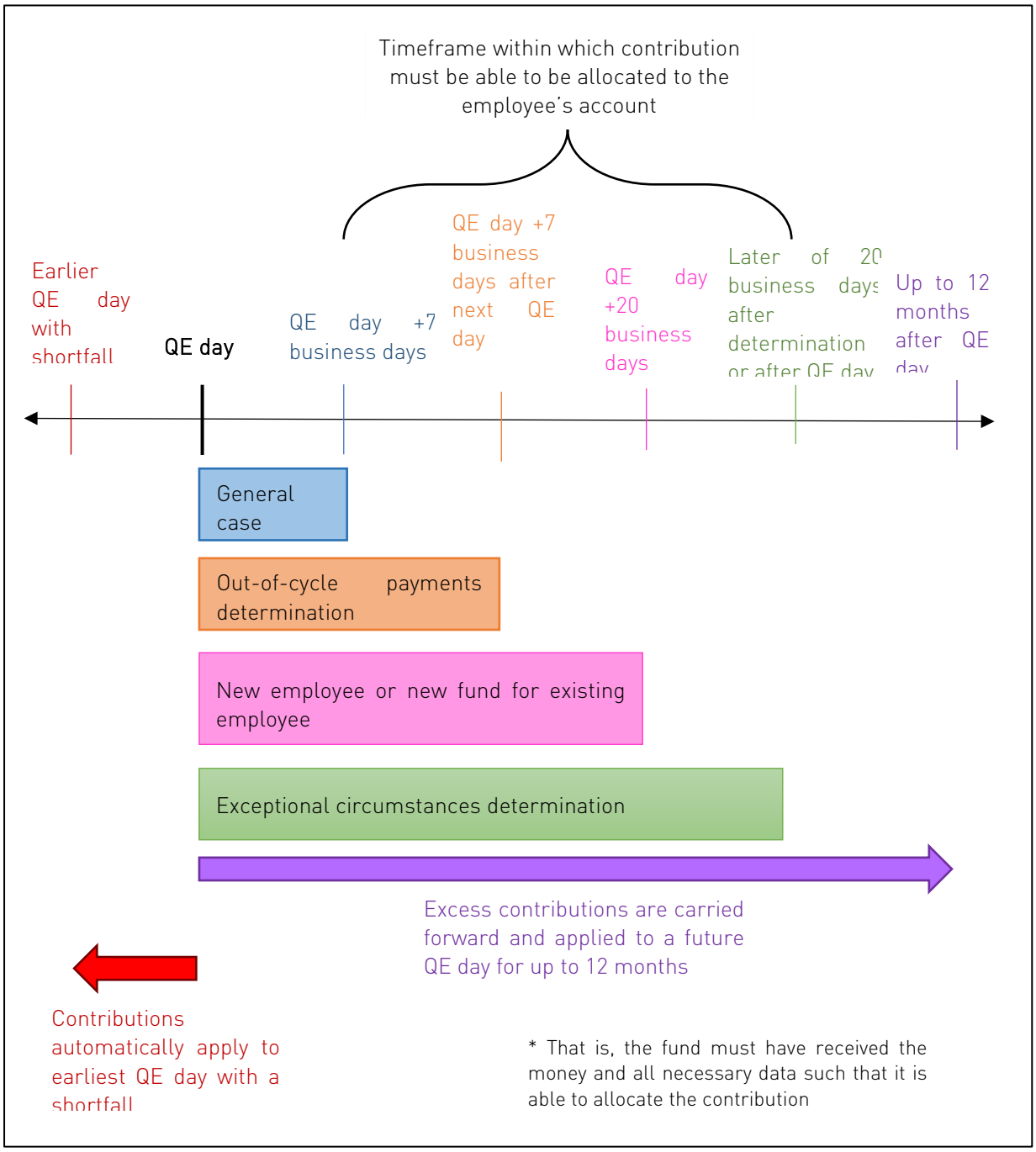
What happens to excess contributions?

Any unapplied (excess) contributions for a QE day will be carried forward and apply to a future QE day for up to 12 months.

Contributions made where there is a shortfall for a previous QE day

Eligible contributions are automatically applied to the earliest QE day that they can be applied to. Employers will no longer be able to elect for a late contribution to offset SG shortfall.

Summary of SG contribution timeframes



The SG charge

Calculating SG charge

SG charge is imposed on an employer's total SG shortfall for the relevant QE day, comprising:

1. the total of their **individual final SG shortfalls** for the QE day
the sum of all **individual notional earnings components** for the QE day
any **administrative uplift amount** for the QE day
the total of the **employer's choice loadings** for the QE day.

The 'salary or wages' concept will be removed. SG charge will be based on QE.

SG charge component 1: Individual final SG shortfall

The individual final SG shortfall in respect of an employee equals the 'individual base SG shortfall' less 'eligible contributions'.

The 'individual base SG shortfall' is the individual SG amount (i.e. at 12 per cent) less on-time eligible contributions.

Eligible late period contributions are contributions paid late (i.e. after the seventh business day) but before the SG charge assessment. These contributions will be applied automatically to reduce the SG shortfall.

That is, the individual final SG shortfall = individual SG amount – eligible contributions paid on time – eligible contributions paid late but before the SG charge assessment is made.

SG charge component 2: Individual notional earnings component

The individual notional earnings component is similar to the current nominal interest component, accruing from when the employer has an individual base SG shortfall and compounding daily.

The notional earnings component for each day until the shortfall is nil is calculated as:

Notional sum × GIC rate

The notional sum is the total of:

- the employer's individual base SG shortfall for the employee and the QE day
- the notional earnings component amount worked out for each preceding day during the late period.

SG charge component 3: Administrative uplift amount

The administrative uplift component is a scalable model intended to influence employers to take voluntary steps.

The amount starts at 60 per cent of the sum of the individual final SG shortfalls and individual notional earnings components for the QE day.

The percentage may be reduced in accordance with the regulations, based on one or more of:

- whether the Commissioner has previously made an assessment for the employer on the Commissioner's own initiative
- whether the Commissioner has previously made an estimate of an SG charge liability
- whether and when the employer lodges a voluntary disclosure statement.

The regulations may also prescribe a reduction that depends on a person being satisfied of one or more specified matters.

The exposure draft legislative package included draft regulations depicting 10 possible outcomes (ranging from nil to 60 per cent) based on a combination of whether there had been a previous assessment on the Commissioner's initiative and whether and when the employer lodges a voluntary disclosure statement. At currency date of this document, final regulations have not been registered and therefore the range of outcomes is not currently known.

SG charge component 4: Choice loading

A choice loading applies where an employer makes a contribution but the contribution is not made in compliance with the choice of fund requirements.

The choice loading limit has increased from $500 to $1,200 per notice period.

The rate of 25 per cent continues to apply. The choice loading will be calculated on the value of eligible contributions for the QE day where the employer has not complied with the choice of fund requirements.

Administration

Voluntary disclosure statement

The previously mandatory SG statement is replaced with a voluntary disclosure statement. While the employer does not have to lodge one, the lodgment of a voluntary disclosure statement reduces the administrative uplift component of the SG charge.

A valid voluntary disclosure statement must be in the approved form, although minor errors will not affect validity. At time of writing the ATO has not indicated what the approved form will look like.

An employer can make a disclosure at any time before the Commissioner makes an assessment.

A voluntary disclosure statement may include either or both:

- the date an eligible contribution was received by the relevant fund (receipt day) and/or
- the date the contribution was paid (payment day) by the employer.

The date that contributions are received may not be readily available to the employer. Where the employer provides on a payment day, the receipt day will be deemed to be seven business day from the payment day, for the purposes of calculating the notional earnings component.

Assessments

The Commissioner may make an assessment of an employer's SG shortfall amount for a QE day and the SG charge payable on that shortfall at any time, either:

- on the Commissioner's own initiative; or
- if the employer lodges a voluntary disclosure statement.

The Commissioner will issue an SG charge Notice of Assessment. The SG charge is payable on the day the assessment is made.

The Commissioner will use available data, including voluntary disclosure statements, Single Touch Payroll and superannuation fund reporting, to determine an employer's SG charge amount.

Distribution of SG charge

The total individual final SG shortfalls, total individual notional earnings and choice loading components will be distributed into employees' superannuation accounts. The administrative uplift component will be retained in consolidated revenue. Any GIC will be follow each component.

Late payment penalty

The current Part 7 penalty will be abolished.

If the SG charge is unpaid 28 days after it becomes payable, the Commissioner must issue a notice to pay if certain conditions are met. The amount is due 28 days after the day specified in the notice (the current notice payment period).

If it still remains unpaid, the employer will become liable for a late payment penalty as follows:

Situation	Penalty as a percentage of unpaid amount
An exceptional circumstances determination applies to the period	0%
An exceptional circumstances determination does not apply and the employer has previously been liable for a penalty in the 24 month period ending on the day after the current notice payment period	50%
All other circumstances	25%

Other matters

ATO Small Business Superannuation Clearing House

The ATO's Small Business Superannuation Clearing House (SBSCH) was abolisehd on 1 July 2026. Approximately 250,000 users of the SBSCH were required to move to a commercial clearing house or source another appropriate payroll solution through which they can make their SG contributions.

Prior to 1 July 2026, users of the SBSCH were treated as satisfying their SG obligation once the SBSCH received a valid contribution. This treatment does not apply for users of commercial clearing houses.

Tax deductibility

Deductible	Not deductible
On-time contributions Late contributions SG charge	Late payment penalty GIC

Fund allocation and SuperStream updates

The timeframe within which funds must allocate or return contributions has been reduced from 20 down to three business days.

The SuperStream data and payment standards will be revised to:

- reduce the likelihood of employees' contributions being rejected by a super fund
- provide clearer error messages when a contribution is rejected by a super fund
- enable faster payment of contributions
- enable early notice of key changes to large super funds' details.

Single Touch Payroll

Employers will be required to report in Single Touch Payroll the QE and superannuation liability amounts for an employee.

The maximum contributions base

The maximum contributions base (MCB) limits the amount of QE for a year for which an employer can have an individual SG amount. Currently the MCB is a quarterly limit.

The MCB is calculated as follows (rounded down to the nearest 10 dollar multiple):

$$\text{Concessional contributions cap} \times \frac{100}{\text{Charge percentage}}$$

The ATO has confirmed that the MCB for 2026-27 is $270,830, based on an increased concessional contributions cap of $32,500 and a charge percentage of 12 per cent.

Employer exemption certificates

The rules relating to shortfall exemption certificates have been amended so that employees may apply for a certificate if they commence working for a new employer part way through a year and are likely to have excess concessional contributions for the year as a result of the combined contributions from both their new and former employers. Previously, certificates could only be granted if another employer was likely to have an SG amount for the employee in that quarter — i.e. if they worked for two or more employers concurrently.

The ATO's compliance approach — PCG 2026/1

PCG 2026/1 — issued on 28 January 2028 — sets out the ATO's proposed compliance approach for the first year of operation of PDS in respect of investigating a SG shortfall for a QE day that occurs from 1 July 2026 to 30 June 2027.

Risk zones — ATO approach

Risk zone	Unpaid superannuation query and proactive case selection
Low	The ATO will not have cause to review the employer's actions.
Medium	Compliance resources may be applied to investigate whether the employer has an SG shortfall for one or more QE days. Medium-risk arrangements will be given lower priority than arrangements that are rated high risk.
High	Compliance resources will be applied to investigate whether the employer has an SG shortfall for one or more QE days. High-risk arrangements will be given the highest priority resourcing.

Requirements for each risk zone

Risk zone	Requirements
Low	An employer will be in the low-risk zone where all of the following have been met: • the employer attempted to ensure that all of their individual base SG shortfalls in relation to their employees were nil for the QE day, by making on-time contributions equal to or exceeding the individual SG amount • some or all of the eligible contributions were not received by the relevant fund (and allocable for the benefit of the employee) on time • these eligible contributions are received by the relevant funds and allocable for the benefit of the employees as soon as reasonably practicable, resulting in the employer having individual final SG shortfalls of nil for all employees for the QE day at that time.
Medium	An employer will be in the medium-risk zone where the employer does not meet the criteria to be in the low-risk zone, but the individual final SG shortfalls for all their employees are nil by 28 days after the end of the quarter in which the qualifying earnings were paid.
High	An employer will be in the high-risk zone where the employer does not meet the requirements to be in the low-risk or medium-risk zone. An employer will be in the high-risk zone if they have one or more individual final SG shortfalls greater than nil for their employees by 28 days after the end of the quarter in which the qualifying earnings were paid.

COPYRIGHT

© Institute of Public Accountants (ABN 81 004 130 643) 2008. All rights reserved. Save and except for third party content, all content in these materials is owned or licensed by the Institute of Public Accountants (ABN 81 004 130 643).