Australian Government
Australian Taxation Office

Payday Super

Explaining qualifying earnings



What are qualifying earnings?

Qualifying earnings are the types of payments made to employees that are used to calculate the super guarantee (SG) under Payday Super.

Qualifying earnings (QE) includes:

- ordinary time earnings (OTE), i.e. payments for ordinary hours of work, including certain types of paid leave, allowances, bonuses and lump sum payments (find out what payments are considered OTE at ato.gov.au/OTE)
- all commissions paid to an employee
- salary sacrifice amounts that would qualify as QE had they not been sacrificed to superannuation
- certain payments specifically included for individuals who fall under the expanded definition of employee, including
  - payments to independent contractors paid mainly for their labour, where that payment is made in respect of the person's labour
  - payments to a sportsperson, performer, musician, film maker, or an individual involved in similar or related activities, where the payment is in respect of the provision or performance of a specified activity or service.

What does QE mean for employers

From 1 July 2026 all employers will use qualifying earnings (QE) as the base to calculate both the SG amount and the super guarantee charge (SGC). Currently employers calculate SG and SGC on different earnings bases.

For many employers, the new concept of qualifying earnings doesn't change the amount of SG you are currently paying for your employees.

Most employees are eligible for SG. Independent contractors paid mainly for their labour are considered employees for SG purposes.

You can confirm eligibility at ato.gov.au/payingsuper

How to calculate, pay and report SG

Before 1 July 2026	From 1 July 2026
Calculate SG as 12% of eligible employees' ordinary time earnings	Calculate SG as 12% of eligible employees' qualifying earnings
Pay super at least once a quarter	Pay super at the same time as qualifying earnings (on pay day)
Report OTE or super liability in STP (or both)	Report both QE and super liability in STP

When to start reporting QE in STP

From 1 July 2026 employers will be required to report the year-to-date amount of QE for each employee through their Single Touch Payroll (STP) reporting each payday.

Employers will also have to report the year-to-date super liability for that employee.

Reporting payments made to independent contractors

It isn't mandatory to report payments made to independent contractors paid mainly for their labour, in STP. You'll need to confirm their eligibility for super at ato.gov.au/employeeorcontractor

If you do choose to report for these workers, you'll need to report both QE and super liability.

Changes to reporting in STP

Before 1 July 2026	From 1 July 2026
Report one or both for each eligible employee: • OTE • super liability	It is mandatory to report each eligible employee's QE and super liability STP reports that don't include both amounts by 1 July 2027 will be rejected

Why both QE and super liability are reported

QE replaces OTE as the base for calculating an employer's SG payments.

An employer may have additional obligations to pay super under an industrial instrument, such as an award or agreement. These amounts may not be QE but can continue to be reported as super liability in STP.

Working out OTE and QE

Following is an example of the most common types of OTE and QE payments for employees within the ordinary meaning of that term. It does not cover qualifying earnings that relate to payments to an individual who falls under the expanded definition of employee.

For more information, see ato.gov.au/QE

Payment	Salary and wages	OTE	QE (from 1 July 2026)
Hours and loading			
Ordinary hours of work	Yes	Yes	Yes
Casual loading	Yes	Yes	Yes
Shift penalties (including public holiday penalties)	Yes	Yes	Yes
Overtime payments	Yes	No	No
Leave types			
Annual leave	Yes	Yes	Yes
Rostered days off – time taken and paid at ordinary rates	Yes	Yes	Yes
Sick, personal and carers leave	Yes	Yes	Yes
Salary sacrifice			
Salary sacrificed to superannuation – amount that would otherwise be OTE if paid to the employee	Yes	Yes	Yes
Salary sacrificed to superannuation – amount that would not otherwise be OTE if paid to the employee (such as paid parental leave or overtime)	Yes	No	No
Commission			
Commission payments	Yes	Yes	Yes
Commission solely for work performed entirely outside ordinary hours	Yes	No	Yes

How to get ready to report QE

- For employers, your digital service provider will let you know when your software is ready to report QE. You can check with them to find out when their STP product will be updated.
- You can also review your STP reporting. Make sure you're lodging on time, your pay codes and employee details are correct and your contact details are up to date.
- Visit ato.gov.au/paydaysuper for details about QE and how to be ready.

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