

# ***LCR 2026/D4 - Payday Super: application and transitional provisions***

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This document has been finalised by LCR 2026/1.



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## Law Companion Ruling

# Payday Super: application and transitional provisions

### **❶ Relying on this draft Ruling**

This publication is a draft for public comment. It represents the Commissioner's preliminary view on how a relevant provision could apply.

If this draft Ruling applies to you and you rely on it reasonably and in good faith, the fact that you acted in accordance with this draft Ruling would be a relevant factor in your favour in the Commissioner's exercise of any discretion in regard to the imposition of penalties or interest.

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### **What this draft Ruling is about**

1. This draft Ruling<sup>1</sup> is part of a suite of law companion rulings relating to the reforms to the superannuation guarantee (SG) framework made by the *Treasury Laws Amendment (Payday Superannuation) Act 2025* (Payday Super Act) and the *Superannuation Guarantee Charge Amendment Act 2025*.

2. These reforms, referred to as 'Payday Super' or the 'Payday Super reforms', apply from 1 July 2026. For an overview of the Payday Super reforms, see paragraphs 8 to 12 of

<sup>1</sup> For readability, all further references to 'this Ruling' refer to the Ruling as it will read when finalised. Note that this Ruling will not take effect until finalised.

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draft Law Companion Ruling LCR 2026/D3 *Payday Super: calculation and assessment of the superannuation guarantee charge*.

3. This Ruling provides guidance on the application provisions of the Payday Super amendments and the savings provisions of the old Act.<sup>2</sup> The Ruling also provides guidance on the provisions that support the transition from the quarterly SG system to Payday Super. These transitional rules are intended to address timing mismatches, legacy arrangements and overlapping actions or obligations that may arise during the transition period.<sup>3</sup>

4. The transitional rules covered in this Ruling include:

- how excess contributions made<sup>4</sup> before 1 July 2026 are applied under the new Act<sup>5</sup>
- cessation of the late payment offset
- how contributions made between 1 July 2026 and 28 July 2026 will be applied
- reversal after commencement of pre-commencement sacrificed contributions
- ending notice periods for the limit on shortfall increases for failing to comply with choice of fund requirements
- repayments of overpayments relating to a shortfall component
- Norfolk Island salary or wages.

5. Terms that are defined in the *Superannuation Guarantee (Administration) Act 1992* (SGAA) are used with their defined meaning, unless otherwise indicated.

6. All further legislative references in this Ruling are to Schedule 1 to the Payday Super Act unless otherwise indicated.

**Date of effect**

7. When the final Ruling is issued, it is proposed to apply from 1 July 2026.

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<sup>2</sup> 'old Act' means the *Superannuation Guarantee (Administration) Act 1992* as in force on a particular day prior to 1 July 2026 (see item 181 of Schedule 1 to the Payday Super Act).

<sup>3</sup> The transition period will vary depending on the particular provision. Some of the transitional rules will only cover the first month of operation. Others, such as the provisions relating to Norfolk Island salary and wages, will apply for the first year of operation of Payday Super.

<sup>4</sup> A reference in this Ruling to 'contributions made' is a reference to when the contribution (that is allocable to the employee) is received by the fund.

<sup>5</sup> 'new Act' means the *Superannuation Guarantee (Administration) Act 1992* as amended by the *Treasury Laws Amendment (Payday Superannuation) Act 2025* (see item 181 of Schedule 1 to the Payday Super Act).

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## **Specific issues for guidance**

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### **Application and savings provisions**

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8. The new Act applies in relation to a QE day<sup>6</sup> that is on or after 1 July 2026. It applies to<sup>7</sup>:

- payments of qualifying earnings to or for an employee by an employer on such a QE day that relate to work, labour or performance of duties before, on or after 1 July 2026, and
- arrangements for such payments that are made before, on or after 1 July 2026.

9. The transitional rules contain a savings provision that ensures that the old Act continues to apply on and after 1 July 2026 in relation to any quarter ending before 1 July 2026, as if the amendments introduced by the new Act had not been made.<sup>8</sup>

10. This means that the calculation of an employer's SG shortfalls and any liability to pay the SG charge for quarters ending prior to 1 July 2026 will continue to operate under the old Act. This includes lodging SG statements where the employer has an SG shortfall, and paying any SG charge amounts that relate to those quarters. It does not matter whether the liability to pay the SG charge for those quarters arose before, on or after 1 July 2026.<sup>9</sup>

11. Additionally, the old Act will continue to apply to a liability related to the liability to pay SG charge for those quarters. It does not matter whether the related liability arose before, on or after 1 July 2026.<sup>10</sup> This means that the old Act will still apply in relation to liabilities such as the general interest charge applying to any unpaid SG charge for a quarter ending prior to 1 July 2026<sup>11</sup>, or additional tax payable under Part 7 of the old Act in respect of those quarters, even if the liability arises on or after 1 July 2026.

12. The transitional rules also contain a limitation on the continued operation of the old Act that concerns the operation of the late payment offset found in section 23A of the old Act.<sup>12</sup> This is discussed at paragraphs 22 to 24 of this Ruling.

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### **Example 1 – continued operation of the old Act**

13. *Jeremy employs Malia in his landscaping business. Jeremy does not make any SG contributions for the benefit of Malia for the quarter 1 April 2026 to 30 June 2026 by the due date of 28 July 2026.*

14. *Under the old Act, Jeremy is required to lodge an SG statement and pay the SG charge by 28 August 2026. Although the new Act is in operation by 28 August 2026, the savings provisions mean that the old Act will continue to apply to require the lodgment of*

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<sup>6</sup> A day on which an employer makes a payment of qualifying earnings to or for an employee (see subsection 17A(1) of the new Act).

<sup>7</sup> Subitems 182(1) and (2).

<sup>8</sup> Subitem 182(3).

<sup>9</sup> Paragraph 182(4)(a).

<sup>10</sup> Paragraph 182(4)(b).

<sup>11</sup> Section 49 of the SGAA.

<sup>12</sup> Subitem 182(5).

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*the SG statement and the payment of the SG charge for this quarter, even though both occur after the commencement of Payday Super.*

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#### **Excess contributions made before 1 July 2026**

15. Excess contributions<sup>13</sup> made before 1 July 2026 can be treated as an eligible contribution under the new Act when they are made in the 12-month period ending on the day prior to the relevant QE day and to the extent that they have not been applied to either<sup>14</sup>:

- reduce the charge percentage under the old Act for an employer for a quarter ending before 1 July 2026, or
- offset under section 23A of the old Act (late payment offset) against a liability of the employer relating to a quarter ending before 1 July 2026.

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#### **Example 2 – transitional rule – excess contributions**

16. On 1 April 2026, Hayley commences employment with Tropical State University as a marketing manager. She is paid \$10,000 in ordinary time earnings on the last Friday of each month (24 April, 29 May, 26 June 2026). For the quarter 1 April 2026 to 30 June 2026, which is covered by the old Act, Hayley's ordinary time earnings totals \$30,000. The minimum amount of SG contributions that the University must make to Hayley's superannuation fund to avoid the SG charge for the quarter is therefore \$3,600, or 12% of \$30,000.

17. However, Hayley's employment contract requires the University to contribute 17% of her ordinary time earnings to her superannuation fund. Tropical State University makes a contribution of \$5,100 for the quarter (17% of \$30,000) which is received by Hayley's superannuation fund on 30 June 2026.

18. Tropical State University has made contributions for the quarter that exceed the minimum amount by \$1,500 and which are paid by the end of 28 days after the end of the quarter. It does not have an individual SG shortfall in respect of Hayley for the quarter ending 30 June 2026. Tropical State University did not have any prior individual SG shortfalls for Hayley and so did not elect to apply any of the contributions as a late payment offset.

19. Under the new Act which commences on 1 July 2026, Tropical State University's first QE day for Hayley falls on Friday 31 July 2026. On that day, Tropical State University pays Hayley \$10,000 in ordinary time earnings and has an individual SG amount for the QE day of \$1,200, or 12% of \$10,000. Tropical State University makes its contractual superannuation contribution of \$1,700 for the QE day which is received by Hayley's superannuation fund on 4 August 2026.

20. To the extent that the contribution received by Hayley's superannuation fund on 30 June 2026 was not applied to reduce the charge percentage under the old Act, the excess contribution amount (\$1,500) is considered an eligible contribution under the new

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<sup>13</sup> In this context, the term 'excess contributions' refers to the amount of superannuation contributions made by the employer for the benefit of an employee that exceeds the amount required to avoid liability to the SG charge under the old Act, and the contributions would be eligible contributions if made on or after 1 July 2026.

<sup>14</sup> Item 185.

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*Act. This contribution falls within the 12-month period ending on the day before the QE day of 31 July 2026. As it is received by Hayley's superannuation fund earlier than the contribution received on 4 August 2026, it is applied first to the individual SG amount of \$1,200 for the QE day. This means that Tropical State University will have an individual base SG shortfall for the 31 July 2026 QE day of nil.*

21. *The remaining excess eligible contribution amount of \$300, received by Hayley's superannuation fund on 30 June 2026, will be applied to the individual SG amount for the following QE day for Hayley (Friday 28 August 2026) as it will still fall within the 12-month period for that QE day.<sup>15</sup> The \$1,700 eligible contribution received on 4 August 2026 will similarly be carried forward to apply to that QE day, with any excess being carried forward to future QE days.*

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### **Cessation of the late payment offset**

22. Despite the savings provisions discussed at paragraphs 8 to 10 of this Ruling, the late payment offset under section 23A of the old Act will only apply in respect of contributions made before 1 July 2026.<sup>16</sup> Employers will not be able to elect to offset contributions made on or after 1 July 2026 against a liability to pay SG charge in relation to a quarter that arose under the old Act.

23. This has the effect that the late payment offset will not be available for the quarter ending 30 June 2026, as the due date for making contributions for that quarter (in order to avoid liability to the SG charge) is 28 July 2026. Thus, any late contributions after that date cannot be offset. As such, the last quarter the late payment offset is available is the quarter ending 31 March 2026.

24. The transitional rule makes no change to the time available for employers to make the late payment offset election<sup>17</sup>, it only limits the contributions that can be the subject of such an election.

### **Contributions made between 1 July 2026 and 28 July 2026**

25. There is a transitional rule<sup>18</sup> that prescribes how contributions made by an employer for the benefit of an employee on a day between 1 July 2026 and 28 July 2026 will be applied where, on the day the contribution is made, the employer has an individual SG shortfall greater than nil for the employee for the quarter ending 30 June 2026.

26. The reason for this rule is that there is a period of overlap between the old Act and the new Act. Under the old Act, employers have until 28 July 2026 to make contributions to reduce their individual SG shortfall in respect of the quarter ending 30 June 2026. However, under the new Act from 1 July 2026, eligible contributions must be received by the employees' superannuation funds within 7 business days of the payment of qualifying earnings to avoid having an individual base SG shortfall greater than nil. A rule is therefore required to determine how to apply any contributions made in this period.

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<sup>15</sup> For more information on how contributions are applied to individual base SG shortfalls and individual final SG shortfalls, refer to draft Law Companion Ruling LCR 2026/D2 *Payday Super: eligible contributions*.

<sup>16</sup> Subitem 182(5).

<sup>17</sup> Under subsection 23A(2) of the old Act, the employer must make the election in their SG statement for the quarter, or within 4 years after the employer's original SG charge assessment for the quarter is made.

<sup>18</sup> Item 186.

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27. Under this transitional rule, relevant contributions will be applied as follows:

- First, apply contributions under the old Act to reduce the charge percentage for the employer for the employee for the quarter ending 30 June 2026.
- Then, apply any remaining contribution amount under the new Act to a QE day that is on or after 1 July 2026.

28. This means that contributions the employer makes in the period 1 July 2026 to 28 July 2026 will not be applied to any QE days until the employer's charge percentage for the quarter ending 30 June 2026 is reduced to zero.

29. Any contributions made after 28 July 2026 can *only* be applied to QE days on or after 1 July 2026.

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**Example 3 – 1 July 2026 to 28 July 2026 period**

30. *Sarita operates a small local café. Sarita employs Gianna as a barista and pays her \$3,000 in ordinary time earnings monthly. In order to avoid having to pay SG charge under the old Act for the quarter ending 30 June 2026, Sarita needs to make contributions to Gianna's nominated superannuation fund of \$1,080 by 28 July 2026 (12% of \$9,000).*

31. *The first payment of qualifying earnings to Gianna on or after 1 July 2026 occurs on 2 July 2026, when Gianna is paid \$3,000. Sarita will have an individual SG amount for the QE day of 2 July 2026 of \$360 (12% of \$3,000).*

32. *In order to avoid the liability to SG charge for the quarter ending 30 June 2026 under the old Act and the QE day of 2 July 2026 under the new Act, Sarita makes a contribution of \$1,440 for the benefit of Gianna which is received by her fund on 9 July 2026.*

33. *Under the transitional rule, the \$1,440 is allocated so that \$1,080 of the contribution is applied first against the quarter ending 30 June 2026 and the remaining \$360 is then applied against the QE day of 2 July 2026.*

**Example 4 – 1 July 2026 to 28 July 2026 period with missed contribution**

34. *Miranda operates a wildlife sanctuary and employs a part-time animal keeper, Jim, who is paid fortnightly. Miranda calculates that she needs to contribute \$900 for the 1 April to 30 June 2026 quarter to avoid the SG charge for Jim under the old Act. However, on 6 July 2026, Miranda contributes only \$800.*

35. *On 9 July 2026, Miranda pays Jim qualifying earnings under the new Act. An individual SG amount of \$150 arises, which Miranda must pay so that it is received by Jim's superannuation fund within 7 business days to avoid having an individual base SG shortfall greater than nil for that QE day. Miranda transfers \$150 to Jim's nominated superannuation fund, intending it to be applied to the QE day of 9 July 2026. It is received by the fund on 14 July 2026.*

36. *Under the transitional rule, contributions made between 1 and 28 July 2026 are first applied to reduce the employer's charge percentage for the employee for the quarter ending 30 June 2026 under the old Act. The whole contribution of \$800 on 6 July 2026 is applied against that quarter, leaving a shortfall of \$100 to reduce the employer's charge percentage to nil for that quarter. As a result, \$100 of the \$150 contribution received by the fund on 14 July 2026 is used to reduce the individual SG shortfall for Jim to nil for the quarter ending 30 June 2026. The remaining \$50 is applied to the QE day of 9 July 2026.*

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*Unless Miranda makes an additional contribution within 7 business days of that QE day she will have an individual base SG shortfall for that QE day of \$100.*

**Example 5 – contributions made after 28 July 2026**

37. *Leanne employs Arthur as a retail assistant in her candle shop. In order to avoid the SG charge for the quarter ending 30 June 2026, Leanne needs to make contributions of \$600 to Arthur's superannuation fund before 28 July 2026. Arthur is paid an amount of qualifying earnings on 28 July 2026 and Leanne has an individual SG amount of \$200 for Arthur for that QE day.*

38. *Leanne makes a contribution of \$800 to Arthur's superannuation fund, which is received by the fund on 3 August 2026. As the contribution was not made until August 2026, it can only be applied against QE days from 1 July 2026. It cannot be the subject of a late payment offset election for the June 2026 quarter. As such, \$200 of the contribution is applied against the 28 July 2026 QE day so that Leanne has an individual base SG shortfall of nil for Arthur for that QE day. The remaining \$600 of the contribution that is not applied against the 28 July 2026 QE day for Arthur (and cannot be applied against the quarter ending 30 June 2026) is carried forward and available to apply against individual SG amounts for Arthur for future QE days.*

39. *Leanne is required to lodge an SG statement, which, for the quarter ending 30 June 2026 is due by 28 August 2026, and pay the applicable SG charge.*

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**Reversal of pre-1 July 2026 sacrificed contributions on or after 1 July 2026**

40. Under the new Act, a payment that represents a reversal of all or part of a sacrificed contribution<sup>19</sup> is excluded from an employee's qualifying earnings.<sup>20</sup> A transitional rule ensures that this will also apply to a reversal of a sacrificed contribution<sup>21</sup> that was made before 1 July 2026.<sup>22</sup>

41. This means that if a sacrificed contribution<sup>23</sup> is made before 1 July 2026 and is reversed on or after 1 July 2026, which results in a payment to the employee that would otherwise be qualifying earnings, that payment amount is not included in the qualifying earnings of the employee. This prevents double counting of that amount between the old Act and the new Act.

**Ending notice periods under the old Act**

42. All notice periods in force under section 19A of the old Act will come to an end at the end of 30 June 2026.<sup>24</sup>

43. These notice periods relate to the limit on the shortfall increase for failing to comply with the choice of fund requirements under the old Act. The Payday Super Act makes a number of changes to how these provisions operate under the new Act.

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<sup>19</sup> Within the meaning of subsection 6(1) of the new Act.

<sup>20</sup> Paragraph 10A(3)(a) of the new Act.

<sup>21</sup> Within the meaning of the old Act on 30 June 2026.

<sup>22</sup> Item 184.

<sup>23</sup> Within the meaning of the old Act on 30 June 2026.

<sup>24</sup> Item 187.

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44. As the choice of fund requirements will operate differently under Payday Super, it is necessary to bring to an end the old notice periods. Any notice periods applicable under the new Act will apply from 1 July 2026 or later.

#### **Repayments of overpayments in relation to a shortfall component**

45. The Payday Super Act includes amendments replacing section 69 of the SGAA regarding the repayment of overpayments relating to a shortfall component. The new provision ensures the Commissioner can recover an overpayment where it is no longer held by the superannuation fund to which it was paid. It allows recovery from a subsequent fund that the amount is rolled-over into, or the employee to the extent that the overpayment has been paid out in benefits to the employee.

46. Section 69 of the new Act applies in relation to a payment by the Commissioner before, on or after 1 July 2026.<sup>25</sup> That is, the extended recovery options will be available to the Commissioner regardless of when the overpaid shortfall component was originally paid.

#### **Norfolk Island salary and wages**

47. A transitional rule continues the current transitional arrangement that is applied to Norfolk Island salary or wages with respect to SG.<sup>26</sup>

48. Currently, a transitional SG rate applies in relation to Norfolk Island salary or wages that progressively catches up to the standard SG rate of 12% by 1 July 2027.

49. Norfolk Island salary or wages in this context means qualifying earnings paid to or for the employee<sup>27</sup>:

- while the employee is a resident of Norfolk Island, and for work done in Norfolk Island or outside Australia, or
- while the employer is a resident of Norfolk Island, and while the employee is a resident of Australia for work done in Norfolk Island.

50. To ensure this transitional approach is not disturbed, for QE days in the first year of operation of Payday Super (that is, QE days in the financial year ending 30 June 2027), the amount of qualifying earnings for the employer, employee and QE day will be treated as if it were *reduced by* the result of the following formula:

$$\frac{\text{Total Norfolk Island salary or wages paid to or for the employee by the employer on the QE day}}{\times \frac{1}{12}}$$

51. The effect of this formula is equivalent to applying an SG rate of 11% to the amount of the qualifying earnings relating to Norfolk Island salary or wages to determine the individual SG amount (consistent with the original transitional approach for such earnings in the financial year ending 30 June 2027).

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<sup>25</sup> Item 188.

<sup>26</sup> Item 189.

<sup>27</sup> Subitem 189(3).

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**Example 6 – Norfolk Island salary and wages**

52. *Isaac is a Norfolk Island resident who works solely in Norfolk Island for one employer. Isaac is paid \$5,000 on 14 July 2026 for his ordinary hours of work. Isaac's qualifying earnings are treated as if it were reduced by the following amount:*

$$\begin{aligned} & \text{Total Norfolk Island salary or} \\ & \text{wages paid to or for the} \\ & \text{employee by the employer on} \\ & \text{the QE day} \quad \times \frac{1}{12} \\ & = \$5,000 \times (1 \div 12) \\ & = \$416.66 \end{aligned}$$

53. *Isaac's qualifying earnings are therefore \$5,000 – \$416.66 = \$4,583.34. This results in an individual SG amount for Isaac of \$550 (\$4,583.34 × 12%) (which is the same result as if the full amount of \$5,000 was subject to an SG rate of 11%).*

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**Commissioner of Taxation**

18 March 2026

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## Appendix – Your comments

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54. You are invited to comment on this draft Ruling. Forward your comments to the contact officer by the due date.

55. A compendium of comments is prepared as part of the finalisation of this Ruling. An edited version of the compendium (names and identifying information removed) is published to the ATO Legal database on [ato.gov.au](http://ato.gov.au).

56. Advise the contact officer if you do not wish for your comments to be included in the edited compendium.

**Due date:** 1 May 2026

Contact officer details have been removed as the comments period has ended.

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## References

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### *Previous draft:*

Not previously issued as a draft

### *Related rulings and determinations:*

LCR 2026/D1; LCR 2026/D2; LCR 2026/D3

### *Legislative references*

- SGAA 1992 6(1)
- SGAA 1992 Pt 7
- SGAA 1992 10A(3)(a)
- SGAA 1992 17A(1)
- SGAA 1992 19A
- SGAA 1992 23A
- SGAA 1992 23A(2)
- SGAA 1992 49
- SGAA 1992 69
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 181
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 182(1)
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 182(2)
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 182(3)
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 182(4)(a)
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 182(4)(b)
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 182(5)
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 184
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 185
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 186
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 187
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 188
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 189
- Treasury Laws Amendment (Payday Superannuation) Act 2025 Sch 1 189(3)

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### ATO references

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