PCG 2026/1EC - Compendium

Australian Government
Australian Taxation Office

Practical Compliance Guideline compendium – PCG 2026/1

Relying on this Compendium

This Compendium of comments provides responses to comments received on draft Practical Compliance Guideline PCG 2025/D5 *Payday Super – first year ATO compliance approach*. It is not a publication that has been approved to allow you to rely on it for any purpose and is not intended to provide you with advice or guidance, nor does it set out the ATO's general administrative practice. Therefore, this Compendium does not provide protection from primary tax, penalties or interest for any taxpayer that purports to rely on any views expressed in it.

Summary of issues raised and responses

All legislative references in this compendium are to the *Superannuation Guarantee (Administration) Act 1992* as amended by the *Treasury Laws Amendment (Payday Superannuation) Act 2025* (PDS Act) (commencing 1 July 2026), unless otherwise indicated.

Issue number	Issue raised	ATO response
1	**Improved clarity** Stakeholders requested greater clarity in the final Guideline in respect of: • paragraph 6 – alignment of earnings definitions • paragraph 7 – treatment of third-party delays • paragraph 10 – distinction between Commissioner assessment timing and contribution flows • paragraph 16 – clarification of risk assessment triggers • paragraphs 17, 20, 27, 29 and 32 – the definition of 'as soon as reasonably practicable' • paragraph 19 – our risk treatment strategy • paragraph 20 – clarification on what action is required to satisfy the criteria for the low-risk zone, in particular around 'attempts' to make contributions on time.	In the final Guideline, to improve clarity: • at paragraph 17, we clarify the meaning of 'as soon as reasonably practicable' and the actions that an employer needs to undertake • at footnote 10, we describe the various allowable longer periods under the changes made by the PDS Act to make an on-time eligible contribution. Other aspects have been incorporated into Examples 8 and 9 of the final Guideline. See Issue 2 of this Compendium. Other responses in this Compendium also deal with, for example, clarification on risk assessment triggers and third-party delays. To the extent that the clarification sought is in relation to the operation of the law and its practical application, this is beyond the scope of this Guideline.

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	• paragraph 22 – safe harbour treatment for timely corrections • paragraph 28 – expansion of examples to reflect multiple payroll frequencies and fund processing delays.	
2	**Further examples** Stakeholders requested clarification on distinguishing the low-risk, medium-risk and high-risk zones, including further examples in relation to: • a wider range of circumstances other than timeliness of contributions, such as incorrect rejection of contributions by funds • how employers might move from zone to zone (in particular, putting forward for consideration that prior instances of poor compliance should trigger an automatic elevation of the employer's risk rating to the next category) • whether leniency and flexibility can be incorporated into the compliance approach. Stakeholders also requested clarity on the kind of information that would be accepted as evidence for the purposes of demonstrating the employer has done everything in their control to comply with the requirements.	Whether an employer has attempted to pay the minimum superannuation guarantee (SG) contributions on time, and whether errors or issues affecting the timing of receipt of contributions by a fund have been addressed as soon as reasonably practicable so as to fall into a lower risk zone as described in paragraph 17 of the Guideline, will depend on the surrounding circumstances. The employer must be able to demonstrate that they meet the relevant criteria in Table 2 in paragraph 20 of the Guideline. In the first year of Payday Super, the employer's actions in relation to each QE day will determine what risk zone they fall under for that QE day. As noted in paragraph 22 of the final Guideline, the fact that an employer is in the low-risk zone for a number of QE days in the first year is not of itself a factor that would move the employer into the medium-risk or high-risk zones. Examples 8 and 9 in the final Guideline illustrate how an employer may move between risk zones.
3	**Medium-risk and high-risk zones not tied to attempts to comply** Stakeholders argued that employers in the low-risk zone are recognised for promptly correcting contributions that are assessed and paid on a QE day according to the Payday Super timeframes but failed to meet the deadline. This is a pragmatic approach that allows Payday Super processes to become embedded into practice.	We note this submission. However, no change has been made to the Guideline. It is important to recognise that the Guideline does not impact the application of the law. It is simply an indication of how the Commissioner will allocate and prioritise compliance resources. The risk zone framework is designed to balance the protection of employees' superannuation entitlements with employers' ability to transition to Payday Super in the first year. Medium-risk arrangements therefore reflect circumstances where timely and accurate contributions are not consistently achieved, even if the employer is still developing or updating processes to support compliance. We have reserved

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	However stakeholders drew a comparison with the medium-risk and high-risk categories, which are directly tied to current standards – paying SG contributions on a quarterly basis – not on 'genuine efforts' to comply. While the medium-risk zone may be appropriate for employers waiting on delayed system updates, it does not truly demonstrate a proactive commitment to behavioural change. An overly flexible stance risks giving a free pass to deliberately poor practices or lax adoption of the policy, effectively pushing back the intended start date.	the higher risk classification for cases where contribution patterns indicate that the employer is not taking steps to comply with the Payday Super requirements and insufficient payments of SG contributions are being made.
4	**Uncertainty of compliance action** Stakeholders submitted that the medium-risk band states that 'resources may be applied to investigate'. This could easily be interpreted to imply that employers who follow the status quo and are compliant with the current quarterly regime are unlikely to be targeted for active intervention in the first year of the policy. The high-risk band is for employers who do not meet quarterly SG obligations on time, stating that 'resources will be applied to investigate'. Investigation alone is not enough and this framing raises concerns that the ATO will not have the technical and resourcing capacity to enforce compliance during the transition period. Stakeholders therefore believe the guidance should be explicit about the ATO's intent to phase up its compliance efforts over the 12-month period, as systems and capacity uplifts occur and indicate how such evolution will contribute to efforts after 30 June 2027. In this respect, stakeholders suggested that the ATO should allocate resources to scale up data-driven surveillance before the commencement of Payday Super. Once the laws take effect, the ATO should notify all employers who fail to pay on time in the first pay cycle of the financial year, signalling that real-time monitoring has begun and urging them to meet their	The ATO will be monitoring compliance from 1 July 2026. Compliance will continue to be monitored through available data, with compliance resources prioritised in accordance with the Guideline. Risk assessments will not be made based solely on the first pay cycle of the financial year. As Table 2 at paragraph 20 of the Guideline outlines, for the first year of Payday Super, assessments are made against the employer's level of compliance relevant to a QE day. The ATO takes non-payment of superannuation guarantee contributions seriously and continues to invest in comprehensive data matching from employers and super funds to identify where employers may not be paying the correct amount of superannuation for their employees, for example, Expanding the use of Single Touch Payroll data. Payday Super will enable the ATO to provide early prompts to employers not paying superannuation for their employees on time to avoid the superannuation guarantee charge (SGC).

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	super obligations promptly. The ATO should then track responses to these notifications and take swift follow-up action to address any ongoing non-compliance.	
5	**Risk zones based on employer response to ATO compliance activity** Stakeholders noted that employers are not able to self-monitor or self-assess their compliance with Payday Super due to an absence of paid-enabled software or system-level visibility for at least the initial 2 years of implementation. Accordingly, submitters consider that an employer's 'risk zone' classification should be determined based on the employer's response to an ATO-raised concern, rather than on self-initiated monitoring. For example, where an employer appropriately responds or takes reasonable steps to resolve the concern within 28 days, the employer should be assessed as being in the low-risk zone.	The Guideline provides information on the prioritisation of the Commissioner's compliance resources. As the Guideline notes, at paragraph 11, if we obtain definitive information that an employer has an SG shortfall, we are required to apply the law. Accordingly, compliance zones are not able to be based on responses concerning interactions with the Commissioner. In the first year of Payday Super, we will continue to encourage employers to adopt timely and accurate contribution practices. This includes providing early guidance and support where appropriate and applying compliance resources where contribution behaviour does not improve over time.
6	**Go-live feasibility (1 July 2026) and extension of compliance approach** Stakeholders raised concerns about system readiness for the mandated 1 July 2026 commencement date, including overlap with other internal technology or payroll projects and limited lead-time to implement the required changes. Some stakeholders requested that the compliance approach be extended into later years (for example, 2 additional years for small withholders and 1 additional year for medium withholders). Once the Guideline periods end, the ATO should publish additional guidance or safe harbour provisions to support employers. Some stakeholders also suggested that an employer who does everything that is reasonable to be compliant should be categorised as low risk on a permanent basis, and all	We note these submissions. However, no change has been made to the Guideline. The commencement date of 1 July 2026 is legislated by the PDS Act and cannot be delayed or staged administratively. The Guideline outlines how the Commissioner will prioritise compliance resources in the first year of Payday Super, recognising that some employers may not have sufficient time to ready their systems to comply with the law on commencement of the Payday Super legislation. It is noted employers are required to commence reporting qualifying earnings in Single Touch Payroll from 1 July 2026. However, as an employer may need some time to reconfigure their payroll software, our expectation is that they commence reporting year-to-date qualifying earnings sometime in the first quarter of the 2026–27 financial year. Along with the mandated Single Touch Payroll reporting requirements, we expect employers would have transitioned their other processes to align with Payday Super before July 2027.

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	businesses with less than $10 million in aggregated turnover should be considered low risk in Year 1.	We will continue to monitor the Payday Super implementation system readiness and will update guidance where appropriate.
7	**Voluntary disclosure statement – sections 33 and 36** Stakeholders sought clarification on how voluntary disclosures are treated under the Payday Super framework, including how our compliance approach in Year 1 applies when employers proactively disclose historical errors and whether examples could illustrate common voluntary disclosure statement (VDS) scenarios. Some stakeholders stated that the final Guideline should remove the obligation for employers to consider and lodge a VDS until all digital services are fully enabled to allow an employer to monitor when payments have been allocated by super funds. In line with information provided by the employer, stakeholders suggested the ATO should adopt a ‘tell us once’ principle so employers do not have to resubmit data already held by the ATO.	The Guideline cannot provide relief from lodging a VDS, given its inherent nature of being voluntary and its impact on the SGC calculation. It is therefore outside the scope of the Guideline, which is limited to providing guidance on the prioritisation of the Commissioner’s compliance resources. We will be addressing the operation of the VDS framework in other planned advice.
8	**Graduated enforcement framework** Some stakeholders suggested that the ATO should implement a tiered enforcement model proportionate to employer size and risk profile – for example, first-time error relief or administrative penalty waivers for small employers who act in good faith and remediate within a defined period (such as 14 business days).	We note this submission. However, no change has been made to the Guideline. We remain focused on employer behaviour, regardless of the size of the employer.
9	**Exceptional circumstances outside employer control in subsection 18C(4)** Stakeholders sought clarification on how our compliance approach applies in exceptional circumstances outside an employer’s control, including significant and long period of disruptions (such as system outages, clearing house delays, banking failures, fund or employee errors or natural	The compliance approach in the Guideline does not treat exceptional circumstances as a discrete indicator of risk. Paragraphs 14 to 20 of the final Guideline articulate the general compliance approach principles, which focus on behaviour and context rather than specific circumstances. The employer’s conduct will be relevant in determining which risk zone they fall into, including whether the employer engaged promptly with the relevant parties to resolve the issue.

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	disasters) that prevent contributions from being received by a fund within the expected timeframe. Some stakeholders also submitted that businesses who can provide written documentation that the delay was due to third-party error should be exempted from compliance action. Some stakeholders argued that the *Superannuation Guarantee (Administration) Regulations 2018* should allow for the ATO to declare any delays in clearing house processing as an exceptional circumstance.	The Guideline applies to employers that are covered by an exceptional circumstances determination in the same way. An employer covered by an exceptional circumstances determination will be in the low-risk zone if they fall within the criteria outlined in Table 2 in paragraph 20 of the Guideline. On-time contributions for these employers are set out in paragraph 9 of the Guideline and includes the extended period for employers covered by an exceptional circumstance determination (see footnote 10 of the final Guideline). Subsection 18C(4) provides an avenue for an extended period to make on-time contributions where an exceptional circumstances determination is in place for a class of employers. The Commissioner may only make such a determination for exceptional circumstances prescribed by the *Superannuation Guarantee (Administration) Regulations 2018*. Paragraphs 1.64 to 1.67 of the Explanatory Memorandum to the Treasury Laws Amendment (Payday Superannuation) Bill 2025 (Explanatory Memorandum) note that examples of exceptional circumstances that may be prescribed for this purpose include natural disasters or widespread technology outages that affect multiple employers on a large scale. For further information, see Payment deadlines for Payday Super and the Explanatory Memorandum at paragraphs 1.48 to 1.53.
10	**Compliance approach should focus on education instead of punishment** Stakeholders submitted that the compliance approach should focus on education rather than punishment for the first 2 years. Tax agents will need to train small employers who do not have administrative staff to submit super. Employers who genuinely attempt to comply with the Payday Super rules, where errors are detected by their tax agent at a quarterly review, should be in the low-risk zone.	We note this submission. However, no change has been made to the Guideline. Consistent with the risk zone requirements in paragraph 20 of the Guideline, employers who attempted to make on-time contributions to the fund and ensure that late contributions are received and able to be allocated by the fund as soon as practicable will fall into the low-risk zone.
11	**Non-standard work arrangements and payroll patterns** Stakeholders sought clarification on how the PDS Act applies to different payroll patterns and non-standard work arrangements and whether alternative, transitional	Advice on how the amendments apply to the listed arrangements is beyond the scope of this Guideline. For further information on how Payday Super applies to non-standard work arrangements, reference should be made to Payment deadlines for Payday

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	compliance frameworks can apply to these circumstances, including: • irregular or out-of-cycle payments • independent contractors deemed to be employees for SG purposes • directors and closely held payees • short-term and non-resident workers (in particular, those who are not able to provide a tax file number within the extended 20 business days) • gig-economy engagements • multi-jurisdiction arrangements • shadow payroll arrangements (including flexibility aligned to Single Touch Payroll concessions).	Super. Other web guidance is also being updated in readiness for the commencement of Payday Super. For guidance relating to worker classification issues, see Work out if you have to pay super and Difference between employees and independent contractors.
12	**ATO guidance materials** Stakeholders requested clearer and more practical ATO guidance to support implementation of Payday Super, including additional examples, worked scenarios and explanatory materials applicable across different industries to be made available ahead of the commencement of the PDS Act. Further, it was requested that existing guidance in relation to the SGC, ordinary time earnings and remitting administrative penalties be updated to incorporate the Payday Super laws. Some stakeholders requested a dedicated support channel for rural employers.	This Guideline is focused on our compliance approach for the first year of operation of Payday Super. Guidance on issues outside of that is beyond the scope of this Guideline. We have published guidance at Payment deadlines for Payday Super. Further guidance will be available in readiness for the commencement of Payday Super. We have identified existing ATO advice which requires updating, replacement or withdrawal. We will also publish new formal advice documents on key priorities as identified by industry.
13	**Business preparedness and communications** At the time that the Guideline was first issued for consultation, Payday Super had not passed Parliament. Stakeholders submitted that there was uncertainty that prevented them from making productive comments on the Guideline.	Since the Guideline was issued in draft for public consultation, the PDS Act received Royal Assent on 6 November 2025. The issues raised in the submissions have been considered through the ATO's broader stakeholder engagement program of work, including technical working groups regarding systems channels such as Single Touch Payroll, Member Account Transaction Service and SuperStream. Further

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	Stakeholders also sought clearer and earlier communication to support employer preparedness for Payday Super, including consultation opportunities and system nudging (such as reminders or prompts from payroll software or intermediaries) to help employers understand upcoming expectations.	engagement will be undertaken to support business preparedness and promote awareness of employer obligations.
14	**Administrative and cash-flow impacts and the 7-day timing requirement set out in subparagraph 18C(1)(c)(i) and table item 4 of subsection 18C(2)** Stakeholders raised concerns that the increased payment frequency and the 7-business day ‘received by fund’ requirement create administrative and cash flow pressures for small, regional, seasonal and cross-jurisdiction businesses. Various suggestions to amend Payday Super laws included: • monthly super contributions with a 14-day deadline • permanent extensions to businesses who apply and have good compliance history • exemption from Payday Super for all small businesses • exemption from Payday Super for businesses with less than 5 employees, particularly for regional employers with low or variable staffing • alignment with the goods and services tax or business activity statement lodgment schedule.	The submissions raise issues concerning policy aspects of the Payday Super amendments. These policy issues are outside the scope of this Guideline.
15	**New employees and onboarding timing issues** Stakeholders sought clarification on how the Payday Super timing rules apply to new employees and short-term or non-resident workers when super fund details or onboarding information are not available at commencement, including how the extended usual period for first time superannuation contributors operates when superannuation details are provided after the first pay cycle.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline. Employers can refer to existing guidance for more information, such as Payment deadlines for Payday Super and Hiring a new worker, including the provision of fund details after commencement. Further ATO advice is planned on how the Payday Super laws apply to new employees.

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		Explanatory material on the operation of the extended period for new employees is also available in the Explanatory Memorandum, at paragraphs 1.57 to 1.61.
16	**Out-of-cycle and ad-hoc superannuation guarantee payments determined in paragraph 18C(1)(b), table item 2 of subsection 18C(2) and subsection 18C(3)** Stakeholders sought clarification on how the Payday Super rules apply to out-of-cycle or ad-hoc payments that fall outside normal payroll runs, including situations where such payments do not generate SG calculations or require manual correction.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline. Employers can refer to Payment deadlines for Payday Super and paragraphs 1.62 and 1.63 of the Explanatory Memorandum. Further ATO advice is planned on how the Payday Super laws apply to non-standard payroll events.
17	**Maximum contributions base in subsection 10A(5) and superannuation guarantee opt out** Stakeholders sought clarification on how the maximum contributions base operates when employees join or change funds mid-year, including potential excess contributions where payroll systems cannot view year-to-date superannuation across multiple funds, and how existing SG opt out arrangements apply for employees who have multiple or subsequent employers.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline. For detailed guidance on these concepts , see Maximum contribution base and Super guarantee opt out for high-income earners with multiple employers. Further explanatory material on the maximum contributions base is available in Example 1.1 of the Explanatory Memorandum.
18	**Ordering and offset rules in section 18D** Stakeholders sought clarification on how the Payday Super ordering and offset rules apply when employers make late, corrective or irregular contributions, including how payments should be allocated across QE days and how overpayments or underpayments interact with the offset framework.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline. For detailed guidance on these issues, see the subheading 'How your contributions are allocated' in Making super payments. Further ATO guidance to assist business readiness will become available closer to the commencement of the PDS Act. Explanatory material on the ordering rule is also available in Examples 1.5 (overpayment) and 1.6 (underpayment) of the Explanatory Memorandum.
19	**Small Business Superannuation Clearing House closure and small business readiness** Stakeholders raised concerns about the transition away from the Small Business Superannuation Clearing House	We note these submissions. However, no change has been made to the Guideline. Issues concerning the closure of the SBSCH, and business readiness after the closure, are beyond the scope of this Guideline.

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	(SBSCH), noting that many micro and small employers rely on the service and will need adequate notice, support and system readiness to manage contributions once SBSCH access ceases. Submitters highlighted potential issues with cost, accessibility, processing times and accountability (as employers are solely responsible for ensuring contributions are made on time). Several requested certification or assurance frameworks, minimum processing standards, and transitional support to assist small business users of the SBSCH.	Employers can refer to existing guidance, including: - employer super obligation checklist to assist employers allowing enough time for contributions to reach funds (Simple checks for super success) - SuperStream guidance on preparing for changes and checking clearing house timeframes (SuperStream for employers) The ATO has been working with clearing houses to ensure they are aware of the updated payment timeframes. Commercial clearing houses will be enabled to use the New Payments Platform to ensure fast payments of contributions though the superannuation system. We recommend that employers using a clearing house contact them to understand processing timeframes in a Payday Super environment.
20	**Self-managed super fund processing and allocation timing in sections 18A, 18D and 19A** Stakeholders requested guidance on offset ordering, treatment of rejected contributions, interest cessation and the variability of self-managed super fund (SMSF) processing times. Submissions raised concerns that SMSF transit delays may elevate compliance risk where employers pay on time, but member data is not processed promptly. Submitters sought clearer examples illustrating correct sequencing and correction processes.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline.
21	**Ordinary time earnings versus qualifying earnings** Stakeholders requested more guidance on the difference between ordinary time earnings and qualifying earnings.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline. The ATO will be providing advice on the application of the Payday Super law in respect of key priorities as identified by industry. This topic is expected to be covered. Existing ATO guidance is available at What payments are qualifying earnings. Further ATO guidance will be available ahead of the commencement of Payday Super.

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22	**Notional earnings and interest (section 19A) when contributions are late or corrected** Stakeholders sought clarification on how interest cessation and notional earnings apply when employers correct, reallocate or adjust contributions, including how the cessation framework interacts with late or revised payments under the Payday Super rules.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline. Further ATO guidance will be available ahead of the commencement of Payday Super.
23	**Superannuation guarantee charge components, penalties in sections 59 to 59E, deductibility and correction interactions** Stakeholders sought clarification on how the components of the SGC (including administrative uplift, penalty settings, deductibility rules and nominal interest) interact with late, corrective or reallocated contributions, and how correction timing affects SGC remission, interest cessation and notional earnings.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline. Further ATO guidance will be available ahead of the commencement of Payday Super.
24	**Remediation for rejected super contributions, ex-employees and closed funds** Stakeholders argued that employers should only incur penalties for failures directly within their control, such as not initiating payment on the required day. Stakeholders also suggested that where a super fund rejected a contribution, there should be a renewed payment deadline of 7 business days from the date of notification of rejection. Other stakeholders also requested that remediation pathways be available for scenarios involving ex-employees, closed or inactive accounts, successor fund transfers and fund-initiated refunds.	Advice on the interpretation and operation of the Payday Super legislation is beyond the scope of this Guideline. Under the SuperStream *Data and payment standards – contributions message implementation guide*[1], super funds must return contributions they cannot allocate, and employers are expected to work with the fund to correct and resubmit the contribution as soon as reasonably practicable. Consistent with the Guideline, employers who take reasonable steps to remediate fund-returned contributions as soon as reasonably practicable will be treated as low risk during Year 1 (see Example 1 of the Guideline). The usual period of 7 business days for contributions is a legislated requirement under the Payday Super amendments. The law also allows for some longer periods in certain circumstances, such as first-time contribution payments to a fund for the employee. The Commissioner has no discretion in relation to these due dates.

[1] Version 3.0-0.4, published November 2025 and operative from 1 July 2026, https://softwaredevelopers.ato.gov.au/ContributionV3.

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25	**Overpayment of superannuation guarantee charge due to salary being paid in advance and the employee then not working the hours** Where an employee leaves unexpectedly after payday but before the end of the month (monthly payroll cycle payable in advance), there is the possibility of super being overpaid. Stakeholders requested guidance on the processes to retrieve the overpayment from super funds.	This issue is outside the scope of this Guideline.
26	**Transitional application of Payday Super (1 July 2026)** Stakeholders sought clarification on how the Payday Super timing rules apply during the transition to 1 July 2026, including the: • treatment of contributions made before and after commencement • end of the late payment offset on 30 June 2026 • applicability of Law Administration Practice Statement PS LA 2007/1 (GA) *Assessing superannuation guarantee charge where the employers have done what they could reasonably be expected to do to comply with the law by the due date* from 1 July 2026 • need for clear transitional arrangements for employers, funds and digital service providers.	We note these requests. However, no change has been made to the Guideline. Transitional issues relating to Payday Super are beyond the scope of this Guideline. Further ATO guidance about transitional issues will be available ahead of the commencement of Payday Super.
27	**Impact on small business** Stakeholders advocated for the impact of Payday Super on small business to be taken into account before the *Treasury Laws Amendment (Payday Superannuation) Act 2025* was passed by Parliament.	The submissions raise issues concerning policy aspects of the Payday Super amendments. These policy issues are outside the scope of this Guideline.