

PCG 2025/D5 (Finalised) - Payday Super - first year ATO compliance approach

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! There is a Compendium for this document: **PCG 2026/1EC** .
This document has been finalised by PCG 2026/1.



Status: **draft only – for comment**

Draft Practical Compliance Guideline

Payday Super – first year ATO compliance approach

Relying on this Guideline

This Practical Compliance Guideline is a draft for consultation purposes only. When the final Guideline issues, it will have the following preamble:

This Practical Compliance Guideline sets out a practical administration approach to assist taxpayers in complying with relevant tax laws. Provided you follow this Guideline in good faith, the Commissioner will administer the law in accordance with this approach.

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What this draft Guideline is about

1. This draft Guideline¹ has been prepared following the introduction of the Treasury Laws Amendment (Payday Superannuation) Bill 2025. The Bill, if enacted as introduced, amends the *Superannuation Guarantee (Administration) Act 1992* (SGAA) and other laws to give effect to the policy announcement known as Payday Super.
2. This Guideline sets out our proposed compliance approach for the first year of operation of Payday Super in respect of investigating a superannuation guarantee (SG) shortfall for a QE day (as defined in section 17A of the SGAA as proposed to be amended) that occurs from 1 July 2026 to 30 June 2027 inclusive.
3. This Guideline does not replace, alter or affect our interpretation of the proposed law in any way. Nor does it have any impact on obligations to pay superannuation contributions under other laws or industrial instruments and agreements, including where the obligations refer to the amount of superannuation that is to be paid for the purposes of the SGAA.
4. All references in this Guideline to Payday Super, and all legislative references in this Guideline, are to the SGAA as proposed to be amended by the Treasury Laws Amendment (Payday Superannuation) Bill 2025.
5. All references to an ‘employee’ in this Guideline refer to an ‘employee’ under section 12. It covers both common law employees and those individuals that come under the extended definition of employee in subsections 12(2) to 12(11).

Background

6. The Payday Super reforms align the payment of SG contributions with the payment of relevant earnings (which is usually on a weekly, fortnightly, or monthly basis), instead of the current quarterly system, in order for an employer to avoid liability to the SG charge.
7. There is concern that employers will not have had sufficient time to deploy, test and embed changes within their payroll systems and business processes prior to Payday Super law commencing on 1 July 2026. This increases the risk that employers will be unable to fully meet the requirements to reliably have contributions processed and accepted by super funds in the Payday Super timeframes.
8. Broadly speaking, the changes proposed under Payday Super tax employers that pay employees qualifying earnings² but do not make sufficient, timely eligible contributions for their employees’ benefit (or do not provide a choice of fund when making such contributions). The tax, SG charge, is imposed if the employer has an SG shortfall, which will arise if the employer has one or more ‘individual base SG shortfalls’³ or ‘choice loadings’⁴ greater than nil for a day on which qualifying earnings are paid.⁵
9. An employer will not have an SG shortfall⁶, and therefore will avoid the SG charge, for a QE day⁷ by ensuring they have an individual base SG shortfall of nil for all their

¹ For readability, all further references to ‘this Guideline’ refer to the Guideline as it will read when finalised. Note that this Guideline will not take effect until finalised.

² Within the meaning of section 10A. This includes the amount of a reduction of an employee’s qualifying earnings so that a sacrificed contribution can be made to a super fund for the employee.

³ Within the meaning of subsection 18C(1).

⁴ Within the meaning of section 20A.

⁵ Sections 16A and 16B.

⁶ Unless the employer does not comply with the choice of fund requirements in the SGAA.

⁷ Defined in subsection 17A(1). It is a day on which the employer makes a payment of qualifying earnings to or for an employee.

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employees.⁸ This occurs where sufficient ‘on-time contributions’ are received by the employees’ super funds to offset the individual SG amount⁹ for each employee for the QE day. ‘On-time contributions’ are eligible contributions that are made within one of the following periods:

- the period that is 7 business days after the day the QE is paid (‘the usual period’)
- the 12-month period ending on the day before the current QE day, and
- a number of extended periods that apply in specific circumstances.¹⁰

10. If SG charge is payable because an individual base SG shortfall amount is greater than nil, the employer can still partially reduce the amount of the charge by making eligible ‘late contributions’ up until the day the Commissioner makes an assessment of the SG charge for the QE day. If sufficient contributions are made for each employee to fully offset the individual base SG shortfalls, the employer’s individual final SG shortfalls will be nil.¹¹ However, the amount of the SG charge cannot be reduced to nil by late contributions because the SG shortfall (which the SG charge equals) includes notional earnings and an administrative uplift amount.¹²

11. If we obtain information that an employer has an SG shortfall in respect of a QE day, we are required to apply the law to that employer even if they fall within the low-risk zone outlined at Table 2 of this Guideline for the relevant QE days.¹³

Who this Guideline applies to

12. This Guideline applies to all employers in respect of a QE day that occurs from 1 July 2026 to 30 June 2027 inclusive.

Date of effect

13. When finalised, and subject to the Treasury Laws Amendment (Payday Superannuation) Bill 2025 being enacted as introduced, this Guideline will apply in respect of the application of the Commissioner’s compliance resources to investigating an SG shortfall for QE days occurring from 1 July 2026 to 30 June 2027 inclusive only (the first year). It will not apply to a QE day that occurs on or after 1 July 2027.

Our compliance approach

14. Employers need to ensure that they are paying the minimum amount of SG contributions for their employees in order to avoid liability to the SG charge under the SGAA. This includes aligning their payment frequency with Payday Super requirements.

15. The compliance approach outlined in this Guideline is in recognition of the scope of the multifaceted changes required of employers, supporting systems and service providers in readiness for the 1 July 2026 start date.

⁸ Subsection 18C(1).

⁹ Section 17A. The individual SG amount is equal to the amount of the qualifying earnings multiplied by 0.12 (the charge percentage (12) divided by 100), and reflects the amount of superannuation contributions an employer will need to pay in relation to that employee and QE day in order to avoid liability to the SG charge.

¹⁰ Paragraph 18C(1)(c) and subsection 18C(2).

¹¹ Section 18D.

¹² Subsection 16B(2).

¹³ See detailed reasoning in *Macquarie Bank Limited v Commissioner of Taxation* [2013] FCAFC 119 at [11].

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16. We will prioritise the application of compliance resources to areas of highest risk, to investigate employers who have not paid the minimum amount of SG contributions for their employees. That is, employers who have an individual final SG shortfall greater than nil for one or more of their employees for the QE day.

17. There may be cases where an employer attempts to pay the minimum amount of SG contributions for all their employees in line with Payday Super but the payment reaches the employees' super fund late. This could occur, for example, due to contributions being rejected by a super fund. The level of risk for these cases will depend upon whether the error is corrected, and how quickly the employer corrects the error. An employer who corrects the error as soon as is reasonably practicable will fall into a lower risk zone than an employer who does not.

18. There may also be cases where an employer continues to pay the minimum amount of SG contributions for all of their employees by the quarterly due dates that applied prior to 1 July 2026 but makes no attempt to pay more regularly. These employers cannot be considered to fall into the low-risk zone and compliance resources may be applied to investigate such an employer.

19. We will prioritise compliance resources in respect of employers in the high-risk zone outlined in Table 1 of this Guideline ahead of those in the medium-risk zone. We will not have cause to apply compliance resources in respect of employers in the low-risk zone; this applies to all components of the SG charge, including notional earnings, administrative uplift and choice loading.

Table 1: Risk zones – ATO approach

Risk zone	Unpaid superannuation query and proactive case selection
Low	We 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.

20. Table 2 of this Guideline outlines the requirements that must be satisfied for an employer to fall into each of the risk zones.

Table 2: 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.

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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.

When an employer's risk zone changes during the year

21. Employers may move between risk zones during the year. For QE days for which an employer is in the low-risk zone, we will not have cause to apply compliance resources to review those periods. However, if the employer moves into the medium-risk or high-risk zone in respect of other QE days, we may allocate compliance resources to review those QE days for which the employer is in the medium-risk or high-risk zones.

22. 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.

23. This Guideline only applies for QE days occurring from 1 July 2026 to 30 June 2027. While an employer may be low risk during that period, if the employer continues to make contributions for their employees after the required timing from 1 July 2027, and therefore has individual base SG shortfalls for one or more employees for QE days on or after that date, they may be subject to compliance action in relation to those QE days.

24. This Guideline does not cover and has no impact on how the Commissioner may allocate compliance resources, and gives no indication of risk, for QE days on or after 1 July 2027.

Examples

25. The following examples illustrate how this Guideline can apply in various factual scenarios. The examples are indicative only and do not cater for every fact pattern. The intention of these examples is to illustrate how we will prioritise the allocation of compliance resources to investigate whether an employer has an SG shortfall for one or more QE days occurring from 1 July 2026 to 30 June 2027.

Example 1 – low risk – evidence the employer attempts to reduce their individual base SG shortfall to nil by making sufficient on-time eligible contributions – rejected contributions

26. *From 1 July 2026, an employer pays superannuation contributions at the same time they pay their employees. Usually, the super funds receive these contributions on time. However, on occasion, the super fund rejects a contribution. When this happens, the employer works with the fund and the employee to fix the error and re-makes the contribution as soon as possible.*

27. *Even though the re-made contributions are received late, the employer is considered to fall into the low-risk zone because they corrected the error as soon as reasonably practicable, resulting in all their individual final SG shortfalls being nil. The*

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Commissioner will not have cause to apply compliance resources to this employer for any QE days occurring from 1 July 2026 to 30 June 2027.

Example 2 – low risk – evidence the employer attempts to reduce their individual base SG shortfall to nil by making sufficient on-time contributions – successor fund transfers

28. From 1 July 2026, an employer pays superannuation contributions at the same time they pay their employees. However, between July and September 2026, some employees' superannuation accounts are moved to a new fund under a successor fund transfer, and the employer does not yet have the new account details. As a result, the employer's contributions to the old fund are rejected and the employer cannot make the contributions on time for those employees. Once the employer gets the new account information, they immediately make the contributions, which are received late.

29. The employer is considered to fall in the low-risk zone because they tried to comply with Payday Super and made the late contributions as soon as it was reasonably practicable, resulting in all their individual final SG shortfalls being nil. The Commissioner will not have cause to apply compliance resources to investigate this employer for any QE days occurring from 1 July 2026 to 30 June 2027.

Example 3 – medium risk – employer moves to comply with Payday Super and contributions are made in full, some are made late

30. For 6 months from 1 July 2026, an employer, who pays employees monthly, continues paying superannuation contributions quarterly, ensuring the employees' super funds receives the contributions by the 28th day after the end of each quarter. From 1 January 2027 to 30 June 2027, the employer starts to make superannuation contributions monthly but, due to reporting errors, some contributions are late in reaching the funds. These errors continue until August 2027.

31. For the QE days in the period 1 July 2026 to 31 December 2026, the employer pays sufficient eligible contributions for the QE days to ensure that they have no individual final SG shortfalls greater than nil by the end of the 28th day after the end of each quarter. However, as they have not adjusted their contribution payment frequency in line with Payday Super in that period, they are considered to fall into the medium-risk zone for QE days in that period. We may investigate this employer in respect of those QE days, but the allocation of compliance resources to this employer in respect of those QE days will be given lower priority than high-risk employers.

32. For QE days in the period 1 January 2027 to 30 June 2027, if the employer remedies the errors as soon as reasonably practicable, resulting in no individual final SG shortfalls for those QE days at that time, they will be considered to fall into the low-risk zone for those periods. The Commissioner will not have cause to apply compliance resources to the employer in respect of those QE days.

33. This Guideline does not apply to the QE days from 1 July 2027 and we may investigate the employer for those QE days.

Example 4 – medium risk – employer makes sufficient contributions, no change to frequency of contributions in line with Payday Super

34. Before 1 July 2026, an employer pays their employees weekly and pays all superannuation contributions for their employees quarterly, ensuring the employees' super

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funds receive the contributions by the 28th day after the end of each quarter. From 1 July 2026, the employer makes no adjustments. Although they pay sufficient superannuation contributions, they continue to pay those contributions quarterly, so they are received by the employees' super funds by the 28th day after the end of each quarter.

35. *The employer is considered to fall into the medium-risk zone because they did not change the frequency of their contributions to comply with Payday Super. We may investigate this employer for the QE days occurring from 1 July 2026 to 30 June 2027, but the allocation of compliance resources to this employer will be given lower priority than high-risk employers.*

Example 5 – high risk – employer makes insufficient contributions by the end of the quarter – rejected contributions

36. *Before 1 July 2026, an employer pays their employees fortnightly and pays all superannuation contributions for their employees before the 28th day after the end of each quarter. From 1 July 2026, the employer makes no adjustments and continues to pay superannuation contributions quarterly, even though they pay their employees fortnightly. Some contributions are rejected by the fund due to data errors, and the employer does not fix these errors before the 28th day after the end of the quarter.*

37. *The employer is considered to fall into the high-risk zone because they still had individual final SG shortfalls greater than nil 28 days after the end of the relevant quarter in which the qualifying earnings were paid. The Commissioner will prioritise compliance resources to investigate this employer ahead of employers in the medium-risk zone for the QE days occurring from 1 July 2026 to 30 June 2027.*

Example 6 – high risk – employer incorrectly calculates qualifying earnings and makes insufficient contributions by the end of the quarter

38. *Before 1 July 2026, an employer pays their employees monthly and pays all superannuation contributions for their employees at the end of each quarter. From 1 July 2026, the employer makes no adjustments and continues to pay superannuation contributions quarterly, even though they pay their employees monthly. The employer also misclassifies some payments and incorrectly treats them as not being qualifying earnings. As a result of this misclassification, the employer does not make sufficient contributions for some employees.*

39. *The employer is considered to fall into the high-risk zone because they have individual final SG shortfalls greater than nil 28 days after the end of the relevant quarter in which the qualifying earnings were paid. The Commissioner will prioritise compliance resources to investigate this employer ahead of employers in the medium-risk zone for the QE days occurring from 1 July 2026 to 30 June 2027.*

Example 7 – high risk – employer has individual final SG shortfalls for their employees

40. *Before 1 July 2026, an employer pays their employees monthly and pays all superannuation contributions for their employees at the end of each quarter. From 1 July 2026, the employer pays superannuation contributions at the same time they pay their employees.*

41. *From 1 January 2027, the employer experiences cash flow difficulties and ceases making superannuation contributions for their employees. The employer does not make*

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any superannuation contributions for their employees for QE days occurring between 1 January 2027 and 30 June 2027.

42. *The employer fails to make sufficient contributions for the QE days between 1 January 2027 and 30 June 2027, leading to individual final SG shortfalls greater than nil 28 days after the end of the relevant quarters. This places the employer in the high-risk zone. The Commissioner will prioritise compliance resources to investigate this employer ahead of employers in the medium-risk zone for those QE days.*

Commissioner of Taxation

9 October 2025

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Your comments

43. You are invited to comment on this draft Guideline including the proposed date of effect. Please forward your comments to the contact officer by the due date.

44. A compendium of comments is prepared when finalising this Guideline, and an edited version (names and identifying information removed) may be published to the Legal database on ato.gov.au.

45. Please advise if you do not want your comments included in the edited version of the compendium.

Due date: 7 November 2025

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

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References

Legislative references:

Treasury Laws Amendment (Payday
Superannuation) Bill 2025

Cases relied on:

- *Macquarie Bank Limited v
Commissioner of Taxation* [2013]
FCAFC 119

ATO references

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