

EMPLOYERS AND HIGH EARNING EMPLOYEES PAYDAY SUPER STARTS 1 JULY 2026 – ARE YOU PREPARED?

From 1 July 2026, Australia's superannuation system will undergo one of its biggest changes in decades. The introduction of Payday Super will fundamentally change when and how employers must pay superannuation guarantee (SG).



This reform is designed to reduce unpaid super, improve employee outcomes, and give the ATO near real-time visibility of employer compliance. However, it also brings significant operational, cash-flow and tax consequences for businesses and employees alike.

What Is Changing?

Currently, employers can pay super quarterly, with contributions due 28 days after the end of each quarter. From 1 July 2026, this will no longer be allowed.

Under Payday Super:

- Super is recommended to be paid on payday, at the same time as salary and wages
- Contributions must reach the employee's super fund within 7 business days of payday
- Super will be calculated on Qualifying Earnings (QE), changed from ordinary time earnings (OTE)
- Reporting will be aligned with Single Touch Payroll (STP), giving the ATO full real time access to data
- The Australian Tax Office (ATO) Small Business Superannuation Clearing House (SBSCH) will close on 30 June 2026

What Businesses Need to Do Now

Although the start date is 1 July 2026, businesses should prepare well in advance. Key action steps include:

1. Review Payroll and Super Processes

Your payroll system must be capable of:

- Calculating super each pay cycle
- Processing super payments more frequently in line with your pay cycle (weekly/fortnightly/monthly)
- Ensuring payments arrive at the fund within the 7-business day deadline

Not all clearing houses and payroll systems will be suitable under the new rules.

- As of 1 July 2026 you cannot use the ATO clearing house
- We recommend exporting all information and reports from the ATO, as after this date all information will be lost. You must have this information in case of an ATO audit
- Setting up a complying industry super fund clearing house is an alternative to using the ATO clearing house

2. Plan for Cash-Flow Impact

Many businesses have historically relied on holding super until quarter end. From 1 July 2026:

- Super becomes an immediate cash outflow
- Weekly and fortnightly payrolls will feel the impact most
- Poor cash-flow planning increases the risk of late payments and penalties

3. Understand the ATO Enforcement Environment

The ATO will have near realtime visibility of unpaid or late super through STP and super fund reporting.

Late or missed payments can trigger:

- Super Guarantee Charge (SGC)
- Interest and additional penalties which are **not tax deductible**. The late payment penalty is generally equal to 25% of the outstanding SGC amount. This will increase to 50% of the outstanding SGC amount if you have been liable for the same penalty in the previous 24 months
- Potential Fair Work breaches in some cases

The ATO has been clear that enforcement will be data driven and significantly faster than under the current quarterly system.

Important Warning for High Income- Earners (Division 293 Risk)

The transition to Payday Super also creates a little-known but critical tax risk for high-income employees.

The Issue: "15 Months of Super" in One Financial Year

Where employers currently pay super quarterly, timing issues can arise during the changeover year.

If an employer:

- Pays the June 2026 quarter super in July 2026, and
- Also begins paying super on payday from 1 July 2026,

An employee may effectively receive up to 15 months of concessional super contributions in the 2026/27 financial year.

Why This Matters

For high-income- earners, this can push them over the Division 293 threshold.

Division 293 tax applies when:

- Income + concessional super contributions exceed \$250,000 in a financial year
- An additional 15% tax applies to the affected concessional contributions

Employer super guarantee contributions are included in this calculation.

Who Is Most at Risk?

- Employees earning close to or above \$250,000 (including super guarantee)
- Individuals with bonuses, commissions or variable income
- Employees with salary sacrifice arrangements
- Business owners and senior executives

In these cases, a one-off spike in super contributions caused purely by timing (not extra pay) can still result in a Division 293 tax assessment.

What Employers and Employees Should Consider

- Employers should review when June 2026 quarter super will be paid
- Employees near the \$250,000 threshold should seek early advice
- Salary sacrifice and contribution strategies may need adjustment
- Clear communication between employers, payroll providers and advisers is critical

This is an area where proactive planning can prevent unexpected tax bills.

Final Thoughts

Payday Super is more than an administrative change. It affects:

- Payroll systems
- Cash flow
- ATO compliance risk
- Employee tax outcomes

With 3 months to go, now is the right time to start preparing.

If you would like assistance reviewing your payroll processes, cash-flow planning, or assessing Division 293 exposure for you or your employees, please contact our office.

Payday Super – Employer Readiness Checklist

Use the checklist below to assess whether your business is ready for Payday Super commencing 1 July 2026.

Payroll & Systems

- ☐ Confirm your payroll software can calculate super each pay cycle (weekly/fortnightly/monthly)
- ☐ Confirm the system supports Qualifying Earnings (QE), not just OTE
- ☐ Ensure super amounts are reported correctly via Single Touch Payroll (STP)
- ☐ Check whether your clearing house or payment platform is suitable for payday based payments
- ☐ Identify whether the Small Business Superannuation Clearing House (SBSCH) is currently used and plan an alternative (it will not support Payday Super). It would be recommended to export and save reports from the ATO Clearing House for your own records prior to the 30 June 2026 deadline.

Payment Timing & Compliance

- ☐ Understand that super must reach the employee's fund within 7 business days of payday
- ☐ Review internal processes to avoid delays caused by approvals, batching or manual handling
- ☐ Document who is responsible for monitoring on time payment confirmation
- ☐ Put controls in place to quickly fix any missed or late payments

Cash-Flow Planning

- ☐ Update cashflow forecasts to reflect super paid every pay run
- ☐ Remove reliance on the quarterly "super float"
- ☐ Stress test cash flow for weekly and fortnightly payroll cycles
- ☐ Consider contingency funding for periods of tight liquidity

Transition Year Planning (Critical)

- ☐ Review when June 2026 quarter super will be paid
- ☐ Identify whether paying June 2026 super in July 2026 could cause overlapping contributions
- ☐ Assess whether employees could receive up to 15 months of super in 2026/27
- ☐ Seek advice on managing the timing of payments during the transition period

High-income Employees (Division 293 Risk)

- ☐ Identify employees earning close to or above \$250,000
- ☐ Review salary sacrifice and bonus arrangements
- ☐ Communicate potential Division 293 tax risks arising from timing of contributions
- ☐ Encourage affected employees to obtain personal tax advice early

Employment & Communication

- Update internal payroll and HR policies to reflect Payday Super
- Communicate changes clearly to staff, particularly senior employees
- Ensure employment contracts and remuneration discussions reflect the new timing rules
- Keep records of communications and system changes for ATO review purposes

Professional Support

- Engage your accountant, bookkeeper or payroll adviser to review readiness
- Speak with your software provider about Payday Super functionality
- Schedule a pre July 2026 compliance check
- Stay informed of further ATO guidance and transitional concessions

Key Reminder

Late or missed Payday Super payments can result in Super Guarantee Charge (SGC), including additional charges for penalties and interest (of which these additional charges are not tax deductible). With real-time reporting, the ATO will identify noncompliance much faster than under the quarterly system. It would be recommended to have this in place prior to the date and begin processing to sort out any issues that may arise before the deadline.