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ACCOUNTING AND FINANCIAL PLANNING

Pay Day Super – coming soon!!!

What is it?

From **1 July 2026**, employers will be required to pay superannuation contributions to employees' super funds at the same time as their salary and wages — rather than quarterly. This change, known as Pay Day Super, aims to ensure employees' super balances grow more consistently and transparently.

When does it start?

The Pay Day Super rules will take effect from 1 July 2026. However, it's important to start preparing well in advance to make sure your payroll systems and processes are ready to handle more frequent super payments.

Can you opt out of it?

No. The new Pay Day Super requirements will apply to all employers once they take effect. Compliance will be mandatory under Australian superannuation law.

Can you start later?

No. All employers must comply from 1 July 2026. However, you can choose to start early if your systems and cash flow allow it. Early adoption may help you identify any process issues before the mandatory start date.

How often do you have to pay once it starts?

Under the new system, super contributions will need to be paid each pay cycle, at the same time employees receive their salary or wages.

This means:

- If you pay weekly, you'll pay super weekly.
- If you pay fortnightly, you'll pay super fortnightly.
- If you pay monthly, you'll pay super monthly.

How long after the pay is it due?

Super contributions must be received by the employee's superannuation fund **within 7 business days of the payday**.

While employers are encouraged to process super at the same time as wages, the legislation allows up to 7 business days for the payment to reach the fund. This period is just to allow for movement of funds through payment systems, including clearing houses – the expectation is that the employer pays it on the pay day itself.

This change replaces the current quarterly deadlines.

Has the way you calculate SGC super changed?

No. The method for calculating Superannuation Guarantee (SG) contributions has not changed.

You'll still calculate super as a percentage of an employee's ordinary time earnings (OTE) at the current SG rate. Only the timing of payments is changing under the Pay Day Super rules.

Key points to note:

- You must continue to include all OTE components, such as ordinary hours, commissions, and some allowances.
- The ATO may issue further guidance on rounding, partial pay periods, or adjustments once Pay Day Super commences.

In short — the way you calculate super stays the same, but the way you pay it becomes more frequent.

What should you do to prepare?

- Review your payroll systems: Confirm that your software provider will support Pay Day Super functionality.
- Mainstream payroll programs such as Xero and MYOB are already working on their updates and have indicated they will be ready on time.
- If your software provider offers training or information sessions on Pay Day Super, we recommend taking them up on it to ensure your and your team are confident with the new process.
- Stay informed: The Australian Taxation Office (ATO) will release detailed guidance closer to the start date — we recommend subscribing to ATO updates.
- Budget for cash flow changes: Paying super more frequently may affect your business's cash flow timing.
- We also recommend you get your current super up to date before 28 July 2026 to avoid any issues transitioning into the new system. Ensuring all prior quarters are paid and reconciled will make the shift to Pay Day Super much smoother.

- Update your internal processes: You may also wish to consider changing the timing of your super payments to monthly / fortnightly / weekly in advance. This will help your business adjust to more frequent payments and smooth out cash flow ahead of the changeover.

BWP Tip - If you are bringing forward payments that you wouldn't normally make until the next financial year you should be aware that this may affect contribution caps for employees who salary sacrifice their super. You should let them know in advance that you are going to be bringing those payments forward so they can adjust their salary sacrifice amounts if necessary.

Does it apply to closely held employees?

Yes. Pay Day Super applies to all employees, including closely held employees.

A closely held employee is generally someone who is a family member or a director of a private company.

Key points:

- Super contributions must be paid for closely held employees at the same time as their salary or wages, just like any other employee.
- There are no exemptions from Pay Day Super for family members, directors, or shareholders of private companies.

Businesses with closely held employees should ensure payroll systems are updated so super is calculated and paid correctly for every pay cycle, avoiding any potential ATO compliance issues.

BWP Tip – For closely held employees, you may wish to **review your pay cycle** and consider whether changing it could better suit your circumstances. For example, you could choose to make your own super contributions less frequently by paying your drawings or directors' fees into a **loan account** in your accounting software and clearing this balance through a **payroll entry at the end of the month or quarter**. Alternatively, you can choose to remain on the same pay cycle as your other employees.

What is a QE day?

A QE day stands for Quarter End day.

Previously, QE days referred to the last day of each quarter — used to determine the cut-off for super contribution periods, with payments due 28 days after each quarter ended.

Under Pay Day Super, this changes. From 1 July 2026, your QE day will effectively become the pay day itself, meaning each pay day marks the end of a new “super period.”

In other words:

- Each pay cycle (weekly, fortnightly, or monthly) becomes its own QE period.
- Super contributions must be calculated and processed for that period.

- Payments must be received by the employee's super fund within 7 business days of that pay day (new QE day).

This removes the need for quarterly deadlines and aligns super obligations directly with your payroll cycle.

What does the ATO do if I don't comply?

If super contributions are not paid within the required timeframe, the ATO can take compliance action. This may include:

- **Superannuation Guarantee Charge (SGC):** You'll need to lodge an SGC statement and pay the outstanding super, plus interest and an administration fee.
- **Loss of tax deductions:** Late super payments are generally not tax-deductible once an SGC assessment has been issued. However, if you pay the super late **before** the ATO issues an SGC assessment, the payment will still be tax-deductible. So paying later is still better than not paying at all.
- **Penalties and enforcement:** The ATO can impose additional penalties, issue Director Penalty Notices, and take recovery action for unpaid super amounts.

BWP Tip – Since the introduction of Single Touch Payroll the ATO has more data than ever on what superannuation should be paid by employers. They actively use this information for data matching and we have had clients picked up for non-payment and late payment of super over the last 12 months from these activities. You are more likely than ever to get caught if doing the wrong thing – even if it's just an oversight.

Wage Theft Laws and Non-Payment of Super

It's also important to note that non-payment of super is now a criminal offence under Australia's wage theft laws, which **commenced on 1 January 2025**.

Under these laws:

- An employer commits a **criminal offence** if they intentionally underpay employees amounts owed under the Fair Work Act 2009 or a related industrial instrument.
- Unpaid or underpaid super contributions are now considered within the scope of wage theft and may attract criminal penalties where deliberate underpayment occurs.

This reinforces the importance of ensuring superannuation is calculated and paid accurately and on time.

Need help?

If you'd like support preparing for Pay Day Super, please contact our team. We can help you review your payroll setup and ensure you're ready for a smooth transition.

