Australian Retirement Trust

Employer FAQ: Payday super

In the 2023-24 federal Budget, the Australian Government proposed that from 1 July 2026, employers will be required to pay their employees' super at the same time as their salary and wages. Many employers may experience significant impacts to their business as a result. Here's a list of frequently asked questions to help you stay on top of your super obligations ahead of this new legislative change.

Why was payday super proposed?

The government proposed the change to help improve retirement outcomes for Australian workers and reduce payroll liabilities for employers.

Smaller, more frequent super payments can lessen the impact of share market volatility on a worker's super balance. Government research shows that this change could leave a worker 1.5% better off at retirement.[1]

Payday super will also help the Australian Taxation Office (ATO) detect and recover unpaid super. In 2019-20, the ATO estimates employees were owed $3.4 billion worth of super.[1]

When can I expect payday super to become legislated?

While we don't currently know when payday super will become law, the government has suggested 1 July 2026 as the start date for this reform.

Here's a timeline of what's happened so far and what is currently proposed:

- 2 May 2023 – payday super is announced in the federal Budget.
- 9 October 2023 – the government releases the Securing Australians' Superannuation consultation paper and seeks feedback from key industry bodies for small business, private groups, tax and superannuation.
- 3 November 2023 – the consultation period closes.
- 18 September 2024 – further payday super implementation details from the government provided, including new Superannuation Guarantee (SG) charges.
- 1 July 2026 – payday super is scheduled to begin (if the measure becomes law).

What does 'payday' mean under the proposed payday super system?

According to the factsheet supplied by the Treasury[2], 'payday' is the date an employer makes an Ordinary Time Earnings (OTE) payment to an employee. Employees must receive their contributions in their super account within 7 calendar days of payday. Otherwise, employers will be liable for superannuation guarantee (SG) charges if they don't pay super on time.

What are the penalities for employers that fail to pay super contributions on time?

Under the payday super reform, an updated SG charge will be in place to reflect the seriousness of underpayment or late payment of SG. For employers that fail to pay in full and on time, they will be charged interest each day, from the day after the super payment due date. There may also be additional administrative charges that employers will need to pay, and penalties to employers that don't pay super entitlements in full within 28 days of a notice of assessment from the Australian Taxation Office (ATO). The factsheet from the Treasury[2] has additional information on the different parts of the updated SG charge.

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What does payday super mean for an employer like me?

Paying super on the same day as employees' regular pay could help employers streamline payroll processes, avoid penalties for late super payments and contribute to improved retirement outcomes for their employees.

However, there will likely be some challenges for small to medium-sized businesses, such as:

- Increasing admin burden and time spent managing and paying super
- Increased risk of compliance and data quality issues with higher payment volume
- Increased outgoings if additional staff are needed to manage increased workload
- Cash flow management may be more complicated with shorter time frames to pay contributions

It's likely there will be changes required to current business processes for most employers to meet the demands of payday super. Starting to think about how your processes could evolve to make the transition easier is a great place to start.

Can I start paying super more frequently before payday super starts?

Yes, you can start making payments more frequently at any time if it suits your business. If you do change your payment frequency, ensure you pay your total super guarantee (SG) contribution for the quarter by the due date. [3]

What happens if a new employee doesn't provide their superannuation details before their first pay cycle? What if there's errors in their details that hold up their super payment?

The Treasury has listed some changes to support the transition to payday super during the onboarding of new employees. This includes super contributions for new employees having their due date deferred until after the first two weeks of employment.

Several changes to protect employees in the onboarding process have also been indicated by the Treasury, including revised choice of fund rules to make it easier for employees to nominate their super fund when they start a new job.

We expect there will be more information available on how you can manage this once payday super is legislated. In the meantime, consider looking into ART's Super Fund Onboarding (SFO) solution which is designed to streamline the onboarding process.

How can I help my payroll staff to cope with more frequent super contribution payments?

A great place to start is reviewing your current payroll processes to see if there are possibilities to improve. Equipping your payroll staff with tools that streamline their processes is likely to be one of the most effective ways to make the transition to payday super smoother.

You may also want to look at training opportunities to upskill your team, particularly if you do plan to transition to a new tool or process.

Finally, if you anticipate a dramatically increased workload, you may want to consider if hiring additional staff is an option for your business to improve the capacity of your team.

Do you have any insights into how payroll system providers will account for payday super?

As payday super is not yet legislated, we don't currently know if this reform will come with requirements that payroll providers will need to meet.

We know many payroll providers are keeping their finger on the pulse when it comes to payday super though, so it may be beneficial to start exploring what options are available.

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You can start by considering the payroll and onboarding process updates you may need to make for higher frequency super payments, such as:

- How much manual input is necessary from your end, for example managing data or exporting files?
- Are there validation checkpoints for the payroll data to minimise compliance risks?
- Do you currently have streamlined reporting capabilities?

Do you see a change to the concessional contribution cap threshold for employees?

Currently, SG contributions can be limited in line with the 'Maximum Superannuation Contribution Base' which compares an employee's earnings over the quarter with the cap. It's unclear how payday super will interact with this, so watch this space if you currently apply this cap to any of your employees' super.

How can I get more information on the new payday super legislation?

The factsheet provided by the government has further details on the payday super measure. Download to learn more.

Important information

1 Introducing payday super | Treasury Ministers
2 Payday Super | Treasury.gov.au
3 Super payment due dates | Australian Taxation Office