

Our advocacy team is based in Canberra

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The Hon. Stephen Jones MP
Assistant Treasurer
Parliament House
Canberra ACT 2600
Via email: Stephen.Jones.MP@aph.gov.au

Dear Assistant Treasurer

Re: Concerns regarding implementation of PayDay Super

We write to express significant concern about the proposed implementation of PayDay Super. We are now only 17 months from the announced start date of the Government Policy placing the obligation upon every employer to pay superannuation amounts on “PayDay”.

We are 21 months since that announcement was made, however we are yet to see what has been drafted into the Legislation. Apparently, the draft is final, but it has not been discussed with stakeholders.

While there has been consultation upon changes required to deliver payday super, there is no confidence in the business, software, advisor community that concerns about the implementation of the policy as stated (i.e. the financial impact on businesses, the cost of change, the technical changes to software, gateways, superfunds) have been considered.

No Impact assessment

Delivering payday super will be a significant cost to the Australian businesses, their payroll software providers, super funds and the ATO.

The cost to employers to change and adapt and implement will be immense. The additional cost to software providers will also be considerable and hence will result in increased cost to subscriptions and increased cost to doing business.

The cost to superfunds will be considerable, as they adapt their systems to process hundreds of millions additional contribution files and payments - matching,

reconciliation and processing of contributions will be significantly more expensive. Let alone the processing costs of many more contribution refunds and anomalies.

The extra cost of fund administration in processing more contribution data will be to the detriment of their members— higher fees.

Of concern to COSBOA and other industry associations, it that **no policy impact analysis has been shared with key stakeholder for payday super.**

We need a true impact assessment that presents:

- the proposed benefit of Payday Super to member (employee) super balances
- the cost to implement Payday Super across all stakeholders
- the economic impact on businesses with the change from SG being paid quarterly to a Payday super regime from 1 July 2026.

What problem is being solved?

A superannuation payment gap does exist and it should not. Most recent ATO reports indicate the gap to be approximately 8 per cent. That means 92 per cent are doing it right.

PayDay super will impact 100 per cent of employers, disrupt willingly compliant taxpayers, cause a greater level of compliance issues due to the 7-day requirement and not address the gap problem. This significant disruption will not impact the egregious underpayment or the intentional non-payment.

The ATO has received funding from the Albanese Government to improve their matching capability to better address the SG 'Gap'. It would be prudent to let the ATO matching regime operate and after 2 years of targeted analytics and compliance activity, then undertake further analysis on the size of the SG Gap

The announced Payday super commencement date of 1 July 2026 is not achievable. The proposed legislation has not yet been made available for stakeholder consultation. The Parliament would then need to receive the final legislation for consideration. Without the level of certainty as to what is contained in the final legislation, all parts of the super ecosystem are reluctant to invest time, funds and resources in what might be required.

There is no longer sufficient time for payroll software, super funds to invest in technology changes required to support payday super. Pushing ahead with the previously announced date will expose the Government to negative and critical industry commentary.

Every Employer will be penalised.

Systems are not yet ready for the construct of PayDay super – Contribution data and payment to be validly submitted to the superfund within 7 days or it will be deemed the employers' fault with significant penalties.

The employer has to rely on:

- the employee to give the right information
- the payroll software to be updated, compliant, available to 100% of employers and connected to the required networks for sending SuperStream contributions (data and payment),
- the SuperStream gateways to receive, process, validate and then submit the contribution data
- the clearing houses to aggregate, consolidate, transmit the payments
- the banks to process contribution payments using NPP or BECS,
- and the superfunds to receive, disaggregate, process, match payments and data and then allocate to the respective members.

SuperStream has been designed as an ecosystem where all stakeholder move in lockstep. If any part of the process fails the whole system fails – for an employer this means the contribution payment is rejected by the fund.

Under payday super, an employer will likely have 3 days or less to correct errors. The employer will be notified that a contribution payment has been refunded (typically an employer is notified only when the money is returned), confirm issue (most likely employee related – no longer at super fund), contact employee, get updated information, update payroll software, send new contribution file/payment all within the original 7 days.

The system is not ready for this timeframe...yet.

As a simple principle, employers should not be penalised when the inability to meet the proposed SG timeframe is not their fault. The focus should be on helping employers to pay super to validated member accounts – information the ATO holds – not penalising them because an employee has changed their super fund and not updated their employer.

The penalty regime has to be fair and different from the current regime.

ATO & Compliance approach

Discussions with the ATO indicate their plan is to receive intricate details of every payslip issued everyday. Then to recalculate the Superannuation amount and then challenge employers whenever the ATO thinks there is a problem with any part of the SG calculation or payment.

Payroll in Australia is complex with the OTE definition between Fair Work requirements, Employment Agreements, Superannuation Guarantee all being different. Employers have systems to get this right but they are not yet ready to provide all that information to the ATO in a usable form, especially with compliance penalties as a result of the ATO applying a different interpretation to what has been sent.

We can get there but not by July 2026.

A change in approach is required

Payday super impacts the operations of the ATO, Employers and all parts of the superannuation payment and information system (payroll software, gateways/clearing houses, super funds, banks).

The cost of implementing Payday Super across all the above stakeholders will be well beyond \$1 Billion. More than 200,000 employers use the ATO Small Business Superannuation Clearing House and concerningly this will be shut down as of 1 July 2026 with no replacement. This means there will significant cost to small business changing to another clearing house facility.

Change takes time

The current systems can possibly cope with a move to Monthly payment of super. Government should aim for that using the current regime by 2026.

The changes required to SuperStream, employee information validation and certainty, the compliance laws all require proper and comprehensive consideration and implementation.

Let's work towards doing it properly after an initial step to monthly.

The Compliance regime of the ATO reviewing and using more data needs to be discussed and co-designed. The current decisions being made as to what compliance is going to look like from the ATO is ignoring the significant and valid concerns raised by all stakeholders.

The SuperStream changes that are appropriate in a modern world, require significant investment by all parts of the super payment and data, calculation and transmission system.

NPP (New Payments Platform) should enable real-time payments and real-time rejections, facilitating the utopia envisaged by PayDay Super. To be implemented throughout the superannuation ecosystem will also take time.

The request

The SuperStream system should continue to be modernised – but this requires the development of new ATO services that enable employers to get it right upfront by

accessing correct and valid information that supports SG processing, not just funding ATO compliance activities. Banking systems need to continue to be modernised including adoption of NPP.

Other key changes are required:

- The penalty regime must be changed so employers are responsible for what they can control.
- ATO compliance must be realistic and true consultation and co-design can achieve an appropriate approach.
- Change the policy to be Monthly payments by 1 July 2026 allowing 20 days for the system to process the funds.
- Continue the momentum to change ATO systems, Superfunds and all intermediaries to work towards payday by 2030 in alignment with retirement of BECS.

Payday Super is a worthwhile idea, but it needs to be implemented properly. Without genuine consultation, impact modelling and more realistic timeline, the introduction of this policy is a disaster waiting to happen.

COSBOA continues to be available to Government to offer constructive changes and improvements to reduce the significant risks currently associated with this policy.

Please do not hesitate to reach out to myself, Chair of COSBOA Matthew Addison (chair@cosboa.org.au) and President of DSPANZ Chris Denney (chris.denney@dspanz.org) to arrange a meeting.

Sincerely



Luke Achterstraat

Chief Executive Officer