



Don't trip over Payday Super this EOFY

Timing traps and contribution cap risks

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Payday Super arrives on 1 July 2026—but not without complications. Superannuation guarantee payments for the final quarter of 2025/26 under the old regime will fall due alongside the new measures, creating an overlap that could inadvertently trigger excess concessional contributions, particularly for higher income employees.

Background

Under Payday Super, superannuation guarantee (SG) contributions must be paid at the same time as employees' salary or wages—called qualifying earnings (QE) day. In most cases, SG payments must be received by the employee's superannuation fund within seven business days of QE day.

For more details refer to the MLC TechConnect article *Payday Super explained*¹.

By contrast, under existing rules SG contributions are paid quarterly in arrears, with payment due 28 days after the end of each quarter. For the quarter ending 30 June 2026, the SG payment deadline is 28 July 2026.

SG payments apply to SG shortfall first

A transitional rule proposed in the ATO's *Law Companion Ruling*

2026/D4ⁱⁱ sets out how SG payments made between 1 July 2026 and 28 July 2026 will be applied where an employer has an individual SG shortfall for an employee for the quarter ending 30 June 2026.

Under the proposed rule, SG contributions made from 1 July 2026 will first be applied to reduce the employer's charge percentage for the quarter ending 30 June 2026.

Any remaining contribution amount will then be applied to a QE day that is on or after 1 July 2026. SG payments made after 28 July 2026 will be applied only to QE days on or after 1 July 2026.

This transitional measure may create issues for both employers and employees, including employers who intend to make SG payments for the quarter ending 30 June 2026 by the due date under the previous rules (that is, 28 July 2026). This is because SG payments made on or after 1 July 2026 to meet Payday Super obligations may instead be applied first to offset any outstanding SG liability for the 30 June 2026 quarter.

Example 1: Allocation to existing charge percentage

Ronan earns a salary of \$240,000 per annum, paid as \$20,000 on the 6th of each month. For the quarter ending 30 June 2026, his employer's SG liability is \$7,200 (calculated as \$20,000 x 3 x 12%).

The employer intends to pay the quarterly SG amount shortly before the due date of 28 July 2026.

The employer plans to make the following payments:

Date paid	Due date	Salary	SG payment
6 July 2026	15 July 2026	\$20,000	\$2,400
27 July 2026	28 July 2026	\$60,000 (30 June 2026 quarter)	\$7,200

Application of contributions under the transitional rule

Under the transitional rule in *Law Companion Ruling 2026/D4* the SG contribution made on 6 July 2026 is first applied to the quarter ending 30 June 2026. As a result, the employer's SG liability for that quarter is reduced from \$7,200 to \$4,800.

When the employer makes the \$7,200 SG payment on 27 July 2026, the remaining SG liability for the quarter ending 30 June 2026 of \$4,800 is reduced to nil. Under the previous rules, this payment would not be considered late.

As the total SG contributions made between 1 July 2026 and 28 July 2026 exceed the liability for the 30 June 2026 quarter, the remaining \$2,400 is applied to the QE day of 6 July 2026.

As this \$2,400 is applied more than seven business days after the 6 July 2026 QE day, the employer is taken to have an individual base SG shortfall of \$2,400 for Ronan from 15 July 2026 until the payment is made on 27 July 2026.

To avoid creating this shortfall, the employer should ensure that the \$7,200 SG contribution for the quarter ending 30 June 2026 is paid no later than 15 July 2026, being within seven business days of the 6 July 2026 QE day.

Adviser tip:

Advisers should proactively alert clients with employees to this timing issue, particularly given the increased penalties associated with the SG charge. Clients should ensure their payroll systems are configured and operational before 1 July 2026 to comply with Payday Super requirements.

In practice, this means SG contributions for the quarter ending 30 June 2026 should be paid on or before SG payments for their employees' first QE day in July 2026 is due.

Impact of Payday Super on concessional contribution caps

Payday Super brings forward the timing of SG payments, shifting them from payments made in arrears to payments required within seven business days of each

QE day. This change can significantly affect the concessional contribution cap, particularly for high income earners and employees who salary sacrifice substantial amounts to superannuation.

An employee's concessional contributions for the 2026/27 financial year may increase materially where *both* the following occur in the same financial year:

- SG contributions for the final quarter of 2025/26, and
- SG contributions relating to qualifying earnings throughout 2026/27.

For higher income earners, this overlap increases the likelihood of exceeding the concessional contributions cap.

Example 2: Excess contributions

Ronan's salary increases from 1 July 2026 to \$257,500 per annum. Based on this salary, his estimated SG contributions for the 2026/27 financial year are \$30,500 (12% x 257,500).

Assuming the employer:

- makes all SG contributions on each QE day during 2026/27, and
- pays the SG contribution for the quarter ending 30 June 2026 on 28 July 2026,

Ronan's total concessional contributions for 2026/27 will be \$37,700 (\$7,200 + \$30,500). This exceeds the 2026/27 concessional contributions cap of \$32,500.

Managing a client's concessional contributions cap under Payday Super may involve the following strategies

Understanding employer contribution timing

- Confirm when the employer intends to make SG contributions. Advisers should establish whether payroll systems are ready for Payday Super and whether the employer intends to pay the quarter ending 30 June 2026 before 1 July 2026.
- Some employers may choose to adopt Payday Super timeframes earlier.

Reviewing and adjusting salary sacrifice arrangements

- Salary sacrifice amounts for the remainder of 2025/26 and for 2026/27 may need to be reduced to avoid breaching the concessional contributions cap.

Reviewing personal deductible contributions

- Personal deductible contributions can be reduced by lodging a valid variation notice within the required time limits.
- Any contribution amount *not* claimed as a deduction will be treated as a non-concessional contribution.

Opting out of mandatory SG contributions (where eligible)

- Clients with multiple employers may be able to opt out of receiving mandatory SG contributions where combined SG contributions are expected to exceed the concessional contributions cap—in exchange for increased salary or other benefits.



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The quote

SG contributions made from 1 July 2026 will first be applied to reduce the employer's charge percentage for the quarter ending 30 June 2026.

- Further guidance is available in *Payday Super explained* (page 5) and on the ATO website, *Super guarantee opt-out for high-income earners with multiple employers*ⁱⁱⁱ.

Applying for an excess contributions determination

- An application may be made for some or all excess concessional contributions to be disregarded or reallocated to another financial year under special circumstances.
- At this stage, the ATO has not confirmed whether excess contributions arising from the overlap between the former SG deadlines and Payday Super will constitute special circumstances.
- Refer to the ATO guidance on *Application – excess contributions determination*^{iv} for further information.

For more details on managing the concessional contributions cap, refer to the *Top tips to avoid excess contributions*^v.

Exceeding the concessional contributions cap

Where a client exceeds the concessional contributions cap, the excess concessional contribution is included in the client's assessable income and taxed at their marginal tax rate (MTR)—broadly placing them in the same tax position as if the amount had been received as salary.

The client may choose to retain the excess concessional contribution amount in superannuation. If retained, the excess will count towards the client's non-concessional contributions (NCC) cap.

Managing non-concessional contribution risks

Care must be taken to ensure the client does not exceed their non-concessional contributions cap, including where:

- the annual NCC cap is exceeded, potentially triggering the NCC bring-forward period, or
- the available NCC cap (including any bring forward cap) is exceeded because the client has already used their cap or has a total superannuation balance (TSB) above the general transfer balance cap—making them ineligible to make non-concessional contributions.

Where the NCC cap is *likely* to be exceeded, clients should elect to release the excess concessional contributions from super.

Tax consequences of excess non-concessional contributions

If excess non-concessional contributions are retained in superannuation, they are taxed at the top marginal tax rate (47%).

If excess NCCs are released, notional earnings are calculated on the excess amount and included in the client's assessable income. These associated earnings are taxed at the client's MTR (up to 47%), with a 15% tax offset available.

Further guidance is available in *How to avoid NCC traps*^v. **FS**

Adviser tip:

Advisers should proactively identify clients who may be affected by these timing and contribution issues and consider suitable strategies to manage concessional contribution caps or mitigate the consequences of excess contributions.

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Notes

- MLC (2025) *Payday super explained*. <https://www.mlc.com.au/content/dam/mlcsecure/adviser/technical/pdf/payday-super-explained.pdf>
- Australian Taxation Office (ATO) (2026) *Law Companion Ruling LCR 2026/D4*. <https://www.ato.gov.au/law/view/document?DocID=COD/LCR2026D4/NAT/ATO/00001>
- Australian Taxation Office (ATO) (2026) *Super guarantee opt-out for high income earners with multiple employers*. <https://www.ato.gov.au/businesses-and-organisations/super-for-employers/payday-super-paying-super-on-payday/what-payments-are-qualifying-earnings/super-guarantee-opt-out-for-high-income-earners-with-multiple-employers>
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- LC (2026) *Top tips to avoid excess contributions*. <https://www.mlc.com.au/content/dam/mlcsecure/adviser/technical/pdf/top-tips-to-avoid-excess-contributions.pdf>
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