asfa
the voice of super

SUBMISSION

Submission to Treasury – Payday Super: *Exposure draft legislation and regulations*

18 April 2025

The Association of Superannuation Funds of Australia Limited
Level 11, 77 Castlereagh Street
Sydney NSW 2000

PO Box 1485
Sydney NSW 2001

T +61 2 9264 9300
1800 812 798 (outside Sydney)
F 1300 926 484
W www.superannuation.asn.au

ABN 29 002 786 290 CAN 002 786 290

File: 2025/15

Superannuation Access and Compliance Unit

Retirement Income and Superannuation Division

Treasury

Langton Cres

PARKES ACT 2600

Via email: paydaysuper@treasury.gov.au

18 April 2025

Dear Sir/Madam

Payday Super

The Association of Superannuation Funds of Australia (ASFA) is pleased to provide this submission in response to Treasury's consultation on the draft legislation and regulations for Payday Super

About ASFA

ASFA, the voice of super, has been operating since 1962 and is the peak policy, research and advocacy body for Australia's superannuation industry. ASFA represents the APRA regulated superannuation industry with over 100 organisations as members from corporate, industry, retail and public sector funds, and service providers. We develop policy positions through collaboration with our diverse membership base and use our deep technical expertise and research capabilities to assist in advancing outcomes for Australians.

We unite the superannuation community, supporting our members with research, advocacy, education and collaboration to help Australians enjoy a dignified retirement. We promote effective practice and advocate for efficiency, sustainability and trust in our world-class retirement income system.

*****

If you have any queries or comments in relation to the content of our submission, please contact Andrew Craston on 0401 016 587 or by email: acraston@superannuation.asn.au.

Yours sincerely

James Koval

Chief Policy and Advocacy Officer

INTRODUCTION

ASFA broadly supports the Government's proposed Payday Super measures, as set out in the exposure draft legislation and regulations, which require employers to pay their employees' superannuation contributions at the same time as salary/wages.

Payday Super will have significant benefits for Australian workers.

Payday Super will make it easier for employees to keep track of their superannuation contribution payments from employers and will reduce the incidence of under-payment or non-payment of contributions. Payday Super will particularly benefit employees in lower paid, casual and insecure work who are more likely to miss out when superannuation contributions are paid less frequently, predominantly women.

Payday Super will lead to improved retirement outcomes. Currently, for the majority of employees, contributions are paid less frequently than wages. With more frequent contributions under Payday Super, all else being equal, affected employees will benefit more from compounding investment returns – and thus will have higher superannuation balances. For example, ASFA analysis shows that a median-income earner will be around $6,000 better off in retirement by receiving contributions fortnightly rather than quarterly.

At the system level, improvements to retirement savings will, over time, reduce reliance on the Age Pension and help ease pressure on government finances. By boosting retirement outcomes – particularly for lower-income and vulnerable workers – Payday Super will deliver long-term benefits not only for individuals, but for society as a whole.

Noting that the proposed changes will require numerous amendments to existing legislation, ASFA's broad support relates to the following Bills:

- *Superannuation Guarantee Charge Amendment Bill 2025*
- *Treasury Laws Amendment Bill 2025: Superannuation Guarantee Reforms to Address Unpaid Super*
- *Treasury Laws Amendment Bill 2025: Ban on Advertising Super Funds During Onboarding*
- *Treasury Laws Amendment Bill 2025: Employee Onboarding Reforms*

ASFA notes public commentary on the implementation date of Payday Super. It is ASFA's view that the implementation date should not be changed, noting the advance notice stakeholders have been given for this legislative reform. However, following the passage of the legislation, ASFA would encourage a constructive approach between the ATO and all relevant stakeholders to ensure the implementation of Payday Super is a success. For the ATO, this could include a focus on education over enforcement during the initial transition period for the new regime.

ASFA considers that the legislation, which will bring about the implementation of Payday Super, should progress without delay. This will provide certainty to all stakeholders in preparing for the required to changes.

ASFA recommends minor amendments to the draft legislation, which are outlined in the following sections of this submission.

Once legislation is passed, stakeholders within the broader superannuation ecosystem – employers, superannuation funds, service provider intermediaries as well as relevant government agencies – will be able to focus on preparing to implement the Payday Super regime. In particular, the required data and payment systems within the superannuation ecosystem must be fit for purpose, and operations carefully sequenced to mitigate unnecessary risks and disruption. In this regard ASFA recommends the establishment of a steering committee composed of major stakeholders to provide strategic and technical advice to Government and the ATO on matters of operational significance and architectural design.

SPECIFIC COMMENTS

1. Commencement date for Payday Super, and the need for staged implementation

ASFA supports the proposed start date for Payday Super of 1 July 2026.

It is crucial that the introduction of Payday Super is accompanied by the necessary transitional and governance arrangements to mitigate unnecessary risks and disruption, by facilitating an orderly and controlled transition to the new regime: for employers, superannuation funds and intermediaries.

- Service provider intermediaries include entities that provide outsourced functions to superannuation funds and employers, such as; clearing houses, gateway or payment service providers, and payroll providers.
- Data and payment infrastructure – such as SuperStream and the New Payments Platform (NPP) – also can be considered intermediaries in the context of the Payday Super regime.

Payday Super will increase significantly the number of contribution events and (subsequently) the volume of contributions flowing through the network between employers and superannuation funds. At the same time, it will shorten time periods for reconciling/processing data and payments within the superannuation ecosystem. Many current manual processes will no longer be viable.

To accommodate this, data and payment systems within the superannuation ecosystem must be fit for purpose, and utilised. If not, a key risk is a sharp increase in the volume and frequency of errors (in reconciling/processing), and a sharp increase in contribution rejections and employer non-compliance – which ultimately could dent public confidence in the superannuation system more broadly. Within the superannuation ecosystem, certain cohorts may be particularly affected, such as small employers and sole traders.

Successful implementation of Payday Super will require careful sequencing across all parts of the superannuation and payroll ecosystem. If not properly coordinated, sequencing issues can result in data discrepancies, processing errors, or unintended disruptions to contributions and member accounts. Given the interconnected roles of employers, payroll providers, clearing houses, superannuation funds, and regulators, a clear implementation plan with close monitoring and aligned timeframes is essential.

In this regard, robust and transparent governance will be critical to successful implementation of Payday Super. ASFA recommends the establishment of a Payday Super Advisory Council, drawing on the successful model of the SuperStream Advisory Council.

- Specifically, ASFA proposes the establishment of a steering committee or reference group composed of senior representatives from major industry stakeholders.
- This group would provide strategic and technical advice to Government and the ATO on matters of operational significance and architectural design.

To ensure clarity and consistency, the ATO should lead the development of standardised messaging and guidance that all stakeholders – including employers, payroll providers, superannuation funds, and software developers – can adapt for their respective audiences.

Incorporating transitional arrangements within the Payday Super regime would help reduce risks, and provide a greater degree of certainty and comfort for stakeholders, without comprising the overarching policy intent of Payday Super.

Specific transitional arrangements relate to:

- the time period for receiving contributions (Section 4)
- enforcement (Section 7).

2. Time period for receiving contributions: context

Under the draft legislation, superannuation contributions (paid by employers on behalf of employees) are to be received by superannuation funds (typically) within a period of 7 calendar days from the day on which employers pay qualifying earnings (largely comprising ordinary-time earnings).

The proposed 7 calendar-day period represents a significantly shortened timeframe for the receipt of contributions compared with the current regime – particularly given the significantly higher frequency and volume of contribution events anticipated under the new regime.

The expectation on employers is that they will pay superannuation contributions on the same day as they pay qualifying earnings. Given the heightened risk of non-compliance in cases where a contribution is rejected, it will be crucial that employers aim to meet this 'same-day' expectation.

With respect to the broader group of stakeholders – employers, superannuation funds and service provider intermediaries – the 7 calendar-day period includes the time required to resolve rejections of contributions. Typically, this occurs where the fund or service provider intermediary receives incomplete/incorrect employee information from an employer, which prevents the fund/intermediary from matching contribution payment(s) to the appropriate member(s).

The *Explanatory Statement* states that under 7.07G(2), "If the trustee is unable to allocate the contribution to the member, the trustee must refund that amount to the employer as soon as practicable, and in any case, no later than 3 business days after receiving the contribution."

- Formerly, superannuation fund trustees were required to seek corrective information from an employer within 5 business days, and return the contribution if they could not allocate it within 20 business days.

Thereafter, in order to comply with their obligations, employers will need to provide corrected information in time for contributions to be made within the 7 calendar-day period.

- ASFA's understanding is that a contribution is deemed to be made when it is received by the superannuation fund, and is able to be allocated to the member's account (*Exposure Draft Explanatory Materials, paragraph 1.53*).

For the broad universe of stakeholders, the proposed changes will test constraints within data and payment systems – where the critical factor will be progress on NPP transition (more detail in Section 9).

- Ensuring ecosystem-wide compliance (by employers and funds) with a 7-day period would necessitate the blanket transition of payments activity from the Bulk Electronic Clearing System (BECS) to the NPP, by 1 July 2026.
  - While the NPP supports near real-time processing, there are currently no suitable real-time bulk payment solutions for payroll and superannuation transactions that offer the same or superior functionally as BECS, that will be needed to transact the expected 500 million contributions payments each year made for 12 million employees.
- There are legitimate concerns whether this can be accomplished (by the proposed start date for Payday Super).

    - Indeed, a recent risk assessment undertaken by the RBA highlighted a range of issues that must be addressed before any decisions can be made regarding the future of the payment landscape in Australia – including superannuation transactions.[1]
- If not, a substantial portion of superannuation payments will continue to occur via BECS.
- Clearing times for contribution payments (from employer to fund) can be considerably longer via BECS than the NPP.
- While the NPP supports near real-time payment, clearing times via BECS are 1 to 3 days depending on which payment type an employer uses.
- If a contribution is rejected, the effective clearing time via BECS (which accounts for time required for employers to provide corrected data to funds/service providers) can be significantly longer.

A key risk is a sharp increase in the volume and frequency of errors (in reconciling/processing), and a sharp increase in contribution rejections and employer non-compliance.

3. Time period for receiving contributions: business days is preferred to calendar days

ASFA considers that the time period for receiving contributions should be in terms of business days rather than calendar days – specifically, 7 business days rather than 7 calendar days.

Particularly from the perspective of employers, business days would be preferable. A calendar-day time period would not account for public holidays and weekends, where the number of business days within a particular calendar day period can differ markedly. For example, in 2027, a 7 calendar-day period over Easter (from 24 March to 30 March), includes only 3 business days.

While many businesses in retail and hospitality do operate across weekends and public holidays, this is not the general experience for Australian business. Even for those businesses that do operate over weekends/public holidays, payroll typically is undertaken on business days.

Superannuation funds are required to comply with business-day time frames to return unallocated contributions to employers. This is appropriate given the business-day operation of fund accounting and investment allocation procedures. However, as a result of the discrepancy in timeframes in the draft legislation (due to the 7-calendar day limit), employers may not meet obligations to pay returned contributions solely due to the prevalence of one or more public holidays within a particular pay cycle.

A business-day time period also could reduce reliance on exceptional circumstances and any resulting administrative burden on industry and government (Section 6).

4. Time period for receiving contributions: transitional arrangements

Incorporating transitional arrangements within the Payday Super regime would help reduce the risks of a sharply higher volume/frequency of errors (in reconciling/processing), contribution rejections and employer non-compliance.

In this regard, ASFA would support transitional arrangements for the time period for receiving contributions.

- For example, the time period could be set at 10 business days for 1 July 2026, and reduced by one calendar day each year (on 1 July), down to 7 business days on 1 July 2029.

[1] RBA 2025, *Decommissioning of the Bulk Electronic Clearing System: RBA Risk Assessment*. https://www.rba.gov.au/payments-and-infrastructure/new-payments-platform/intended-decommissioning-of-the-becs/index.html

- Alternatively, the time period could be set at 10 business days for 1 July 2026 until 1 July 2029, whereupon it would be reduced to 7 business days (on 1 July 2029).

This would help reduce stress within the data and payment systems during the initial years of the Payday Super regime, without compromising the policy ambition that members receive their superannuation contributions as soon as possible after payment of salary and wages.

At a time when the required changes to systems have been fully bedded down, ASFA considers that 7 business days is an appropriate length of time for contributions to be received by a member's superannuation fund.

5. Extended time periods

New employees

For new employees, ASFA supports an extended time period for contributions to be received by superannuation funds. The draft legislation proposes an additional 14 calendar days.

- An extended time period recognises that employers may require additional time to obtain the necessary information (from new employees) to make contributions.
- While this will be especially relevant for employers with seasonal and/or casualised workforces, it will benefit all employers.

That said, the draft legislation (proposed amendments to the *Superannuation Industry (Supervision) Regulations 1994*) proposes significantly shortened timeframes for some interactions within the superannuation ecosystem. During the transition to the NPP, this could lead to an increase in errors and rejections. See Appendix A for details.

Change of fund

ASFA considers that the extended time period (additional 14 calendar days) that applies to onboarding new employees also should apply where members switch their superannuation fund (that receives qualifying contributions). Both circumstances can involve similar data-integrity issues, and thus similar risks of contribution rejections.

6. Qualifying earnings under exceptional circumstances

ASFA supports the allowance for 'exceptional circumstances' determinations (in respect of contributions on qualifying earnings), where due to the exceptional circumstances employers are not able to make contributions. However, ASFA considers that greater certainty is required around what events would be considered 'exceptional'.

- Sub-section 18C(3) of the Superannuation Guarantee (Administration) Act provides examples of exceptional circumstances: "exceptional circumstances for this purpose include natural disasters, or widespread outages of information and communications technology services, that affect multiple employers on a large scale".
- The Exposure Draft Explanatory Materials (*paragraph 1.61*), states that "These are circumstances that may impact the ability of a class of employers to make SG contributions on time, for example, natural disasters or widespread ICT or communications outages".
- Sub-section 18C(3)(a) allows regulations to prescribe the types of events that would be considered 'exceptional circumstances'.

ASFA considers that the legislation should account for circumstances where an employer, fund or service provider intermediary has been affected by a natural disaster, or other circumstance beyond their control (such as cyber attacks), that has impaired their ability to remit payments and/or data on time, or where the employer, after making reasonable efforts, has made a genuine error.

This would recognise, for example, that a major disruption could relate to an outage for a single service provider intermediary that services many employers (and also superannuation funds), which could include natural disasters, cyber attacks, and other sources of ICT or communications outages.

In addition, ASFA considers that exceptional circumstances be extended to include significant operational changes (for funds and service provider intermediaries) that would have the effect that employers would not be able to make contributions on time.

In this regard, ASFA considers that cases of successor fund transfers (SFTs) and intra-fund transfer (IFTs) should be considered exceptional circumstances, which would help affect the orderly transfer of members without unnecessary disruption.

- For example, in the case of SFTs, a key risk is that employers would attempt to make contributions to the fund (which is party to the SFT) that is closing and transferring its members to the other fund, and is no longer accepting contributions.
- Under this scenario, affected employers would generate rejections from the fund/service provider intermediary.
- While this occurs under the current data and payment systems arrangements (that includes BECS), the introduction of Payday Super coupled with the transition to the NPP would likely see an increase in rejections.

Other similar circumstances would include where a fund is switching a key service provider intermediary (notably, a fund's key administrator), which typically would involve a *limited service period* that may affect whether contributions are able to be verified and allocated.

From the perspective of funds, an allowance for 'exceptional circumstances' needs to account for time required to validate contributions and resolve errors. During a 'black-out' period – such as during an SFT – a fund (or the service provider intermediary) typically will be able to accept and hold contributions on behalf of members. However, only after the 'black-out' period has ended will the fund/service provider be able to validate and allocate contributions, and resolve any errors.

7. Enforcement

ASFA notes and supports the proposal to impose a late payment penalty when a superannuation payment has not been received within the specified time.

However, ASFA also considers that an appropriate transition time period is necessary, where compliance with new regime is not strictly enforced. For funds, the joint regulatory role of ATO and APRA in respect of the Payday Super regime, means that any deferral or dispensation by ATO in relation to meeting the new obligations should be jointly communicated by ATO and APRA.

Superannuation funds, employers and any intermediary service providers within the value chain will need to undertake a transition process – which include, changes to systems and process, and conforming interoperability of systems between all stakeholders. Historically such changes have taken up to 24 months after legislation is passed.

- Section 10 includes a description of the required, phased approach to system-wide implementation that will allow stakeholders to progressively implement changes, test new processes, and address issues as they arise.

At the same, during this period, the priority of regulators (and particularly the ATO) should be education of, and engagement with employers, funds and service provider intermediaries.

- The ATO should lead the development of standardised messaging and guidance that all stakeholders – including employers, payroll providers, superannuation funds, and software developers – can adapt for their respective audiences.
- More broadly, employers, funds and service provider intermediaries will require details on how the ATO plans to monitor and enforce the new regime (see Section 10).

After an appropriate transition period, ASFA believes it is appropriate for penalties to be more strictly applied.

8. Advertising and stapling

The exposure draft limits advertising of superannuation products during onboarding to default products and MySuper products that have passed the performance test, among other requirements.

ASFA broadly supports the proposed settings for advertising during an employee's onboarding.

ASFA agrees that the draft legislation "...balances the benefits of protecting employees from poor outcomes while ensuring that employees and employers can still benefit from superannuation onboarding services." (*Exposure Draft Explanatory Materials, paragraph 2.14*), and specifically, that exceptions to the general prohibition on advertising be limited to the employer's default fund and MySuper products that have passed the most recent APRA annual performance test.

ASFA notes the requirement (on advertised MySuper products) that the advertisement or statement referring to the product is accompanied by clear and unambiguous disclosures as prescribed by the regulations (*sub-section 992AB(3)(e) of the Corporations Act*), where the regulations are "expected to include requirements to clearly label advertising material, include appropriate disclaimers and disclose any fees or payments, among other things." (*Exposure Draft Explanatory Materials, paragraph 2.13*).

- With respect to the latter, disclosure could include any commercial arrangements between onboarding platforms and advertised funds.

ASFA proposes a number of changes to the proposed settings by making regulations under sub-section 992AB(3)(d).

- The employee's stapled fund, and the default fund of the employer, be given prominence over other advertised funds.
- For advertised MySuper products, advertising should be accompanied by standard information (for consumers) around choosing a superannuation fund – as per the Australian Government's *YourSuper comparison tool*.
- For advertised MySuper products, disclosure of commercial arrangements between onboarding platforms and advertised funds.

With respect to the latter, sub-section 992AB(3)(c) of the Corporations Act would prohibit advertising of a MySuper product that has passed the most recent performance test in cases where the associated superannuation fund and the onboarding platform are connected entities (under the Corporations Act). As noted above, an alternative approach to managing conflicted relationships could be via disclosure requirements prescribed by regulations for the purposes of the proposed sub-sections 992AB(3)(d) and (e) of the Corporations Act.

With respect to insurance, ideally, for an employee's stapled fund and an employer's default fund, insurance arrangements should be disclosed – as per the ATO's online *Superannuation standard choice form*. In particular, this would assist employees who move to high-risk occupations or roles to check whether they have appropriate insurance.

- However, it is ASFA's understanding that the ATO's current system/data arrangements cannot facilitate this functionality, and that the ATO will require additional funding to develop such functionality.

More broadly, ASFA considers that disclosure of additional product-specific information (such as investment performance and fees) would assist members to make an informed choice about their superannuation.

TRANSITION AND IMPLEMENTATION

9. Required changes to data and payments systems

Payday Super will increase significantly the number of contributions events and thereby the volumes of contributions. It will shorten time periods for processing/reconciling information within the superannuation ecosystem.

To accommodate this, data and payment systems within the superannuation ecosystem must be fit for purpose, and utilised. If not, a key risk is a sharp increase in the volume and frequency of errors (in processing/reconciling information), and a sharp increase on contribution rejections.

Employers will be under increased pressure to provide member and payment data within shorter timeframes. This could lead to a deterioration in data quality from employers – for example, no/incomplete/ incorrect information on new employees (which employers are required to provide).

For matching and reconciliation functions within the system (whether these are outsourced by superannuation funds or not), a deterioration in data quality from employers would lead to an increase in the number of errors in matching/reconciliation, an increase in manual handling for service provider intermediaries and funds, and where errors cannot be resolved, an increase in contribution rejections.

- Indeed, service providers/funds may become stricter about rejecting erroneous data from employers – where, in order meet compliance requirements, a consequence could be either straight-through processing or refund without question.

Ultimately, could lead to an increase of instances of contribution rejections and unpaid superannuation, which is at odds with the policy intent.

New Payments Platform

Ensuring ecosystem-wide compliance (by employers and funds) with a 7-day period would necessitate the blanket transition of payments activity from the BECS to the NPP, by 1 July 2026.

- While the NPP supports near real-time processing, there are currently no suitable real-time bulk payment solutions for payroll and superannuation transactions that offer the same or superior functionally as BECS, that will be needed to transact the expected 500 million contributions payments each year made for 12 million employees.

There are legitimate concerns whether this can be accomplished (by the proposed start date for the Payday Super regime).

- Indeed, a recent risk assessment undertaken by the RBA highlighted a range of issues that must be addressed before any decisions can be made regarding the future of the payment landscape in Australia – including superannuation transactions.[2]

With respect to the transition of superannuation payments to the NPP;

- all banks will need to enable real time bulk payments – currently, not all financial institutions and accounts are enabled for the NPP, though this is expected to change over time
- across the banking system, a standardised approach to payment reconciliation on the NPP will be required
- employers must have confidence that payments will be received by the fund within a standardised timeframe to ensure compliance – participation by employers is currently opt-in.

A critical issue highlighted by the RBA is that the NPP has not been tested with the volume of transactions currently processed through BECS – around 90 per cent of account-to-account transactions still run through the BECS platform.

This lends weight to the need for transitional arrangements (as outlined above) to facilitate an orderly transition to the new regime: for employers, superannuation funds and intermediaries.

SuperStream

Given the sharp rise in the volume and frequency of contributions under Payday Super, and shorter time period for compliance it is critical that SuperStream is utilised by employers on masse. This particularly relates to SuperStream's new Member Verification Request (MVR) function and the Fund Validation Service (FVS).

The MVR will allow employers to confirm with a superannuation fund that they can accept a contribution for a specific employee, and so ensure the fund is able to allocate the contribution. This is particularly important when an employee has chosen a specific superannuation fund (not the employer's default fund).

- The employer will initiate the MVR process, likely through their superannuation software or the ATO's Standard Business Reporting (SBR) system.
- The MVR will be sent to the superannuation fund, which then will confirm whether it can accept contributions for that employee.
- The fund's confirmation will allow the employer to proceed with making the superannuation contribution.

The FVS is a service that is designed to assist fast and reliable processing of electronic rollovers and contributions, by identifying the necessary details for a fund to allocate contributions. The FVS collects information from funds – such as fund, product identification details and electronic destination – and makes this information available to other funds and employers.

- For funds, it is mandatory to both provide updated information to FVS (fund/product details), and to access to the service prior to any rollover or contribution.

---

[2] RBA 2025, *Decommissioning of the Bulk Electronic Clearing System: RBA Risk Assessment*.
https://www.rba.gov.au/payments-and-infrastructure/new-payments-platform/intended-decommissioning-of-the-becs/index.html

- All APRA-regulated super funds must provide and update particular fund details to the ATO on a regular basis to ensure the integrity of the service.
- The FVS also provides access for funds, employers and intermediaries to this information when making rollovers or contributions.

While FVS and MVR are mandatory for funds to build/access, this is not the case for employers.

ASFA considers that employer use of FVS and MVR should be mandated, along with appropriate risk controls to mitigate potential fraudulent intent.

SMSF Verification Service

ASFA considers that the SMSF Verification Service, currently utilised by APRA funds for rollovers, should be rolled out to employers for contributions, to enable the verification of SMSF Membership/Electronic destination and Bank Accounts.

- The FVS does not include details of SMSF funds, and without the service available to employers, they have no way to verify the details provided – which causes major issues, and rejections for employers.
- This may also be exacerbated where the employer is using portals/clearinghouse services offered by superannuation funds that could be facilitating fraud, without the ability to confirm the integrity of the SMSF.

10. The transition to Payday Super

The successful implementation of Payday Super will require careful sequencing across all parts of the superannuation and payroll ecosystem. If not properly coordinated, sequencing issues may result in data discrepancies, processing errors, or unintended disruptions to contributions and member accounts.

Given the interconnected roles of employers, payroll providers, clearing houses, superannuation funds, and regulators, a clear implementation plan with close monitoring and aligned timeframes is essential. Careful oversight will help manage system-wide risks and support a smooth transition for all stakeholders.

Ensuring an orderly and controlled transition

To avoid unnecessary disruption, risk and cost, the transition to Payday Super should be managed in a staged and controlled manner. A phased approach – rather than a single, system-wide activation date – will allow stakeholders to progressively implement changes, test new processes, and address issues as they arise.

This will reduce the risk of systemic failures, support industry readiness, and ultimately safeguard member outcomes. A coordinated turn-on strategy also will provide an opportunity for targeted education and engagement to assist employers, particularly small businesses, in meeting their new obligations.

Coordinated stakeholder communication

To ensure clarity and consistency, the ATO should lead the development of standardised messaging and guidance that all stakeholders – including employers, payroll providers, superannuation funds, and software developers – can adapt for their respective audiences.

A coordinated communication strategy will help reduce confusion, support compliance, and foster confidence in the reform. Tailored materials should also be made available to address the needs of different cohorts, including small businesses, not-for-profits, and workers in casual or insecure employment.

Capacity testing and system readiness

The transition to Payday Super will significantly increase the volume of contribution-related data traffic across the ecosystem – from approximately 160 million contribution messages annually to over 500 million messages, excluding the corresponding increase in error and response messaging. This represents a substantial uplift in system load for all participants, including payroll providers, gateway operators, superannuation funds, and the ATO.

It is therefore essential that comprehensive capacity testing be undertaken to ensure the entire network can manage this increase without degradation of service or data integrity. The ATO should clearly outline how it will assess and validate system readiness across the network, including gateway performance, error-handling capabilities, and support arrangements for smaller entities.

Scams, fraud and cybersecurity

As the SuperStream framework evolves to support Payday Super, it is critical that a holistic approach is taken to protect against scams, fraud and cyber threats. Increasing the frequency and volume of superannuation transactions heightens the risk of exploitation by malicious actors and places additional pressure on system security and data integrity.

All changes to SuperStream – both technical standards and operational processes – should be assessed through a fraud and cybersecurity lens to ensure they are resilient, secure and future-proof. A coordinated approach involving government, industry and technology partners is essential to maintain trust and confidence in the system, and to protect the retirement savings of Australians.

Transition planning for Small Business Superannuation Clearing House closure

The ATO has announced that the Small Business Superannuation Clearing House (SBSCH) will be retired from 1 July 2026 as part of the Payday Super reforms "as it will not be fit for purpose to operate alongside this new law." (*Exposure Draft Explanatory Materials, paragraph 1.137*). The ATO has advised that currently, approximately 270,000 small businesses and their representatives regularly use the SBSCH to meet their superannuation obligations.

With only five Super Guarantee payment compliance dates remaining before the proposed closure, there is limited time for these employers to transition to alternative solutions. The shift from a free, government-operated service to commercial clearing houses or payroll software represents a significant technological and procedural change for many small businesses.

The ATO has indicated plans to provide sufficient notice and information to assist in this transition. However, further details on the ATO's research into suitable software options and strategies to support this cohort are necessary to ensure a smooth transition and maintain compliance.

11. Governance

Robust and transparent governance will be critical to the successful implementation of Payday Super, given the number of stakeholders and the many interdependencies involved. This will require clearly defined roles, strong leadership, structured decision making, and open communication to ensure alignment and accountability. Effective governance will support risk management, timely issue resolution, and adaptability in the face of significant change.

Establishment of a Payday Super Advisory Council

ASFA recommends the establishment of a Payday Super Advisory Council, drawing on the successful model of the SuperStream Advisory Council.

To ensure effective co-design, implementation, and oversight of the $1.6 billion SuperStream program, the then Minister for Financial Services and Superannuation established the SuperStream Advisory Council. Its purpose was to provide expert, independent advice to government with a strong focus on industry readiness for the superannuation data and payment standards. The Council was chaired by a Ministerial appointee, included senior industry leaders, and had ex-officio representation from the Treasury, the ATO, and APRA. It was well respected for delivering practical and timely advice that contributed significantly to the successful rollout of SuperStream reforms and, ultimately, improved outcomes for superannuation members.

ASFA recommends a similar structure to support the implementation of the Payday Super reforms. Specifically, ASFA proposes the establishment of a steering committee or reference group composed of senior representatives from major industry stakeholders. This group would provide strategic and technical advice to Government and the ATO on matters of operational significance and architectural design.

A collaborative approach between government and industry will be essential to ensure the smooth implementation of Payday Super and deliver lasting benefits for superannuation fund members.

APPENDIX A

New employees: Invalid initial registration information

For the initial registration of a new employee, where the fund receives employee information from the employer, and the fund is the default fund and the information was given in accordance with the standards, then the fund is required to validate the information with the ATO.

- Under the draft legislation, the timeframe shortens from 3 business days to 2 business days (*sub-regulation 7.07B(4)*).

If the ATO is unable to validate the employee information, then the fund must request the employer to confirm the information.

- Under the draft legislation, the timeframe shortens from 5 business days to 2 business days (*sub-regulation 7.07D(2)*).

In combination, this shortens the allowable maximum timeframe from 8 business days to 4 business days.

Utilising BECS, given the number of interactions in this process, and that for the majority of cases manual handling of at least one leg will be required, the proposed timeframe could lead to an increase in the incidence of errors.

- Note that the employer must make all reasonable efforts to provide the fund with complete/correct employee information no later than 10 business days after receiving the request (*sub-regulation 7.07D(3)*).

New employees: Incomplete contribution information

Where the fund receives a first contribution for an employee, and the employee information has not been provided to the fund, or the contribution is not accompanied by the employee information, then the fund must request the relevant information from the employer.

- Under current legislation, funds have 5 business days to make the request (*sub-regulation 7.07G(2)*), and the employer has 10 business days to respond (*sub-regulation 7.07G(3)*). If the fund is unable to allocate the contribution within 20 days of receiving the contribution, it must refund the contribution to the employer (*sub-regulation 7.07G(4)*).

- Under the draft legislation, this will be replaced by a single obligation on funds to refund the contribution within 3 business days of receiving the contribution if the contribution is not able to be allocated within this time (*sub-regulation 7.07G(4)*)).

For such cases, given the number of interactions in this process, and that manual handling of at least one leg may be required, the proposed timeframe could lead to an increase in the incidence of rejections (utilising BECS).

ASFA considers that this could be addressed by retaining the existing 20 business day rule in 7.07G(4).

Note that similar concerns also apply to the prospects of an employer recontributing in time where:

- a contribution is made near the end of the new employee contribution time s18C(1)(c)(iii)
- stapling information in s18C(1)(c)(vii) applies.