

7 November 2025

Scott Sargent
Australian Taxation Office

Via email: PAGSPR@ato.gov.au.

Re: Draft Practical Compliance Guideline Payday Super - First Year ATO Compliance Approach

Dear Mr Sargent,

The Association of Digital Service Providers Australia New Zealand (DSPANZ) welcomes the opportunity to make this submission on behalf of our members and the broader business software industry.

About DSPANZ

Digital Service Providers Australia New Zealand is the gateway for the government into the dynamic, world-class business software sector in Australia and Aotearoa New Zealand. Our members range from large, well-established companies to new and nimble innovators working at the cutting edge of business software and app development on both sides of the Tasman.

DSPANZ supports the proposed first-year compliance approach outlined in the draft Practical Compliance Guidelines (the Guideline) and the use of risk zones to explain how the ATO will allocate its compliance resources.

We particularly support the ATO's recognition that employers will not have had sufficient time to deploy, test and embed changes within their payroll systems and business processes before the 1 July 2026 commencement date.

DSPANZ has consistently highlighted that delivering the required changes across the super ecosystem will take time and cannot be finalised by 1 July 2026. While some changes (such as Single Touch Payroll (STP) reporting) must be in place by 1 July 2026, the majority of SuperStream-related changes will be progressively rolled out through the 2026-27 financial year.

It is not until July 2027 that the superannuation ecosystem will have deployed all the changes across SuperStream gateways, clearing houses, payroll software, super funds, and employers, and a fully functional system will be in place.

Our feedback highlights how the software industry is expected to implement the changes required across the superannuation guarantee (SG) contribution process to support Payday Super. We recommend that the ATO consider this feedback when updating the Guideline and its application in practice.

Supporting functionality to be made available through the 2026-27 financial year

The key supporting changes that will help reduce errors in the system will be progressively implemented by payroll software providers, SuperStream gateways, clearing houses and super funds over 2026 and 2027. These changes include:

- **Improved error messaging:** the number of errors has been reduced, and the messaging has been simplified to support the sending of actionable errors to employers. Improved error messaging will be made available by SuperStream gateways and super funds from March-April 2026, allowing payroll software providers to then consider how they deliver better error messaging for employers.
- **Member Verification Request:** a new service to support employers with checking that an employee is a member of a super fund before sending the first contribution. The implementation of the Member Verification Request is to be finalised by March 2027 and relies on all super funds being ready to provide employers with an effective solution.

The Guideline should provide additional information on the steps employers can take to address errors “as soon as is reasonably practicable” in the first year of Payday Super, as supporting system changes are progressively implemented across the super ecosystem.

Changes to STP reporting require significant change management for employers

The changes employers will need to make to support updates to STP reporting will require them to review their current payroll settings and make the necessary adjustments to relabel payments that must be reported as Qualifying Earnings (QE).

DSPANZ anticipates that the effort required of employers to make these changes is comparable to the introduction of disaggregation of gross under STP Phase 2, which required employers to review their payments and ensure they were correctly classified. Based on the ATO’s experience supporting the STP Phase 2 transition, employers took time to adapt to labelling payments differently, leading to the introduction of deferrals to support the transition.

For Payday Super, however, there is much less time for employers to complete this change and a defined transition period for DSPs to undertake a change management process across many hundreds of thousands of employers.

While DSPs will support their customers with education and transition, it is anticipated that employers will take time to adjust to reporting QE correctly over the first year.

The STP changes are dependent on the introduction of the law, meaning that the final technical documents and supporting guidance cannot be widely shared until the legislation receives Royal Assent. Consequently, payroll software providers have not been able to begin implementing the necessary STP changes or communicate with their customers about the expected change management process.

The Guideline will need to be supported by comprehensive ATO communications and guidance on the changes to STP and reporting QE. These resources should include detailed examples to help employers with the change and reporting QE correctly.

The Guideline would benefit from examples of employers identifying and correcting errors.

The Guideline could add an example similar to example 6, where some payments are misclassified, but consider that the employer ensures they have no SG shortfalls 28 days after the end of the relevant quarter in which QE was paid.

In this scenario, the employer has rectified any issues and paid outstanding SG amounts. Providing an example that incorporates this outcome would give employers confidence that they would be in a lower-risk zone.

Education and communication

The Guideline must be supported by clear and comprehensive guidance from the ATO to employers about what they are expected to do during the 2026-27 financial year.

For example:

- When is an employer required to lodge a Voluntary Disclosure Statement?
- What happens if employers do not report QE?
- What is the practical impact of an employer moving from low risk to medium risk?

DSPs will rely on these materials to educate customers and provide clear guidance about what they should do.

The ATO must communicate early and consistently about the compliance expectations after 1 July 2027, so employers can prepare for the transition from this first-year compliance approach and fully understand their obligations.

DSPANZ welcomes the opportunity to provide further feedback on our submission. Please contact Maggie Leese at maggie@dspanz.org for more information.

Yours faithfully,

Signed by:

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Chris Denney,
President & Director
DSPANZ.

