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Payroll compliance updates in the 2026-27 budget of Australia

The Australian Federal Budget 2026–27, delivered on 12 May 2026, introduced significant changes to employer payroll mandates, including superannuation, PAYG withholding, statutory reporting, and payroll tax. From 1 July 2026, several regulatory, wage, and tax changes will come into effect, aimed at providing cost-of-living relief and supporting employees' financial security.

Following are the key updates relevant for employers becoming effective from 1 July 2026: -

Award and minimum wage rise

- Award wages increased by 4.75%.
- National Minimum Wage increased to AUD 1,004.90 per week or AUD 26.44 per hour.

Payday super starts

- Superannuation must be paid with every payroll cycle along with wages.
- Contributions shall be deposited within 7 business days of payday.

Parental leave expanded

- Government-funded Paid Parental Leave (PPL) will increase from 22 weeks to 24 weeks on 1 July 2026, and then to 26 weeks on 1 July 2027.
- Unpaid flexible parental leave is increased up to 130 days for a child who is born or placed for adoption on or after 1 July 2026.

Income tax reductions

The tax rate for income between AUD 18,201 and AUD 45,000 will reduce from 16% to 15% on 1 July 2026, and then it will reduce to 14% on 1 July 2027.

Superannuation cap increased

- The concessional superannuation cap increased to AUD 32,500
- The non-concessional superannuation cap increased to AUD 130,000
- The annual maximum contribution base of AUD 270,830 was introduced which will now apply for full year (earlier it was per quarter)

Redundancy tax-free threshold increased

The tax-free limit for redundancy and early retirement scheme is increased to AUD 13,598 + AUD 6,801 for each completed year of service.

Our Comments

Australian businesses have always adapted to regulatory change, and these reforms are no different. These regulatory changes across multiple areas simultaneously will affect payroll systems, workflows, and the teams responsible for managing them. System updates, policy revisions, workforce planning adjustments, and employee communications may all be required as part of a compliant response.

About Nexdigm

Nexdigm is a privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise, enables us to deliver customized solutions tailored for our clients.

We provide integrated, digitally-driven solutions encompassing Business and Professional Services across industries, helping companies address challenges at all stages of their business lifecycle. Through our direct operations in the USA, Poland, the UAE, and India, we serve a diverse range of client base, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries. By combining strategic insight with hands-on execution, we help businesses not only develop and optimize strategies but also implement them effectively. Our collaborative approach ensures that we work alongside our clients as partners, translating plans into tangible outcomes that drive growth and efficiency.

At Nexdigm, quality, data privacy, and confidentiality are fundamental to everything we do. We are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management. Additionally, we comply with GDPR and uphold stringent data protection standards through our Personal Information Management System, implemented under the ISO/IEC 27701:2019 Standard.

We have been recognized over the years by global organizations, including the Everest Group Peak Matrix® Assessment, International Tax Review, World Commerce and Contracting, ISG Provider Lens™ Quadrant Report, International Accounting Bulletin, Avasant RadarView™ Market Assessment, and Global Sourcing Association (GSA) UK.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to ***Think Next.***

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