



Changes to deductibility of interest on ATO debts

General interest charge incurred from 1 July will no longer be deductible, increasing the cost of carrying a tax debt.

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Now is a good time to talk to your clients about paying their overdue ATO debt, with changes to the deductibility of general interest charge (GIC) coming into effect from 1 July 2025.

We apply GIC if an amount of tax or another liability remains unpaid after the due date. The rate is currently 11.17% and it compounds daily.

Previously, this could be claimed as a deduction on tax returns. However, GIC incurred in income years starting on or after 1 July 2025 will no longer be deductible, regardless of whether the debt relates to an earlier income year. This means your clients will pay more overall to carry forward an unpaid tax debt.

GIC that was incurred before 1 July 2025 can still be claimed as a deduction this tax time.

How your clients can prepare for the changes

With these changes starting 1 July, it's more important than ever for your clients to keep on top of their ATO obligations. Talk to your clients and encourage them to:

- **Make a payment** – If they have an ATO debt, paying it as soon as they will reduce the amount of interest they'll pay. If they can't pay it in full, they may be able to set up a payment plan. As GIC still

accrues, the payment plan should be over the shortest possible timeframe, which will decrease the amount of interest charged.

- **Get advice** – They should talk to you for personalised advice based on their circumstances.
- **Plan ahead** – Businesses could set aside GST, pay as you go withholding and super from their cash flow, so that they have the funds available when it's next time to pay.

If your clients are experiencing difficult circumstances there are always support options available.

Shortfall interest charge

This change also applies to shortfall interest charge (SIC) incurred on or after 1 July 2025.

You can learn more about the **changes to GIC and SIC** on our website.

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If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

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