



## PAYG instalments

Pay as you go (PAYG) instalments are regular prepayments of the expected tax on your business and investment income.

### Starting PAYG instalments

You may be required to make pay as you go (PAYG) instalments when you earn business and investment income.

### Calculate your PAYG instalments

You can pay an instalment amount we calculate for you, or calculate your payment using an instalment rate we give you.

### When are PAYG instalments due

Due dates for pay as you go (PAYG) instalments are generally 28 days after the end of each quarter.

### Lodging and paying PAYG instalments

How to lodge and pay your pay as you go (PAYG) instalments, complete your activity statement and make a correction.

### How to vary your PAYG instalments

You can vary your pay as you go (PAYG) instalments if they are too high or low.

## Stopping PAYG instalments



If you are no longer earning business or investment income, you may be able to exit PAYG instalments.

## PAYG instalments for consolidated groups



The head company of a consolidated group pays PAYG instalments for the group and its members as one entity.

QC 16874

# Starting PAYG instalments

You may be required to make pay as you go (PAYG) instalments when you earn business and investment income.

**Last updated** 17 December 2024

## Using PAYG instalments to manage your tax

Whether you run your own business or earn investment income, planning ahead for your income tax is important to help you keep a healthy cash flow.

PAYG instalments help you do this, this is how it works.

1. You enter the PAYG instalments system. We may enter you automatically, or you can voluntarily enter.
2. You make regular payments (instalments) during the year, usually once every 3 months. The amount you pay is based on your business and investment income.

3. When you lodge your tax return, the PAYG instalments you have paid during the year are offset against your tax, leaving you with little or no tax to pay.

PAYG instalments are different to **PAYG withholding**. With PAYG withholding, employers collect tax from the payments they make to their employees, and send it to the ATO, so employees don't have a big tax bill at the end of the year.

This video explains the difference between PAYG withholding and PAYG instalments. It also explains how PAYG instalments can help you avoid a large tax bill when you lodge your tax return.

Media:Entry thresholds

<http://tv.ato.gov.au/ato-tv/media?v=bi9or7odswuq4c>

## Automatic entry to PAYG instalments

If you lodge a tax return with instalment income above the entry threshold, you may be required to pay PAYG instalments.

### Entry thresholds

We work out whether you need to pay PAYG instalments based on information you reported in your latest tax return.

One of the things we look at is your **instalment income**. This is your gross business and investment income, excluding GST and any capital gains.

If you are an **individual (including a sole trader) or trust**, you will automatically enter the PAYG instalments system if you have all of the following:

- instalment income from your latest tax return of \$4,000 or more
- tax payable on your latest notice of assessment of \$1,000 or more
- estimated (notional) tax of \$500 or more.

A **company or super fund** will automatically enter the PAYG instalments system if any of the following apply; it:

- has instalment income from its latest tax return of \$2 million or more
- has estimated (notional) tax of \$500 or more
- is the head company of a consolidated group.

## How you start paying instalments

We will let you know when you have entered the PAYG instalments system.

- If you are registered for myGov with a linked ATO account, you will receive a letter in your myGov Inbox.
- If you have Online services for business, or Standard Business Reporting software, you will receive your instalment information 21 days before the due date.
- If none of the above applies, you will receive a paper letter in the mail.

If we have your mobile phone number we will also remind you via SMS.

When we contact you, we will let you know:

- when to pay
- how often to pay – this depends on your circumstances, but most people pay quarterly
- how much to pay, including your options for calculating your instalments.

You will start making payments once we send you an activity statement or instalment notice.

## Voluntary entry to PAYG instalments

If you are new to business, or you think you will earn business and investment income over the [threshold](#), it's a good idea to voluntarily

enter PAYG instalments.

Prepaying your tax through PAYG instalments will help you smooth out your cashflow and avoid a large tax bill when you lodge your tax return.

## How to start voluntary PAYG instalments

To get started with voluntary PAYG instalments:

1. [Estimate the amount of tax to pay](#)
2. [Make a request to enter the PAYG instalments system](#)
3. [Pay your instalments](#)

### Step 1: Estimate the amount of tax to pay

You need to estimate your annual business and investment income, and your allowable tax deductions, so you can work out the amount of tax to pay by instalments.

To do this you can use the PAYG instalments calculator.

**PAYG instalments calculator**

If you prefer, you can manually estimate the tax on your instalment income.

Once you have worked out your PAYG instalment amount, you can work out how much money to put aside to cover your tax instalments.

How often you pay depends on your circumstances.

#### **Example 1: voluntary entry for individuals with investment income – estimating PAYG instalments**

Rob owns 3 investment properties. He estimates this financial year, he will earn gross investment income of \$55,000 from the rent he receives. He doesn't earn income from any other sources. He also has allowable deductions for repairs to the properties, real estate fees and gardening totalling \$5,500.

Rob uses the PAYG instalments individuals calculator to see if he is eligible to voluntarily enter the system. He enters his:

- total investment income of \$55,000

- taxable income of \$49,500 (investment income less tax deductions for his investment properties).

The calculator estimates Rob needs to pay \$7,544 tax this financial year on his investment income. He is eligible to voluntarily enter PAYG instalments. If he chooses not to enter, he will receive a tax bill when he lodges his next tax return and will automatically be entered into the system for the following financial year.

Rob wants to plan ahead so he doesn't end up with a large tax bill. To work out how much he needs to pay in instalments each quarter, Rob divides his total estimated tax liability from the calculator by 4 to calculate quarterly instalments:

- $\$7,544 \div 4 = \$1,886$ .

He will pay this when he receives his quarterly instalment activity statement if he chooses to voluntarily enter the PAYG instalment system.

### **Example 2: estimating PAYG instalments**

Danielle runs a business as a sole trader. She estimates she will earn business income of \$100,000 for the financial year, with allowable business tax deductions of \$10,000.

Danielle uses the **PAYG instalments individuals calculator** and enters her:

- estimated business income of \$100,000
- estimated taxable income of \$90,000 (business income less business tax deductions).

The calculator estimates her PAYG instalment amount to be \$20,437 per year.

Danielle divides her estimated instalment amount by 52 to work out how much to put aside each week for PAYG instalments:  
 $\$20,437 \div 52 \text{ weeks} = \$393.02$

When she receives her quarterly business activity statement (BAS), Danielle has enough money put aside to pay her PAYG instalment for the quarter.

When Danielle lodges her tax return, the PAYG instalments she has paid throughout the year will be offset against her tax liability, meaning she has little or no extra tax to pay.

## Step 2: Make a request to enter the PAYG instalments system

### Individuals, including sole traders

If you are an individual taxpayer or sole trader, you can make a request to start PAYG instalments using your myGov account linked to the ATO's Online services.

**Sign in to myGov (individuals and sole traders)**

Select **Tax > Manage > Tax Registrations > Add New Registration**, then select PAYG instalments from the drop down menu.

You can also request voluntary entry through your registered tax agent or you can phone us on **13 28 61**.

### All businesses

You can request voluntary entry using Online services for business.

**Log in to Online services for business**

You can also request voluntary entry through your registered tax agent or you can phone us on **13 28 66**.

If you or your agent phones us, we will ask a few questions about your circumstances.

## Step 3: Pay your instalments

Once you have entered the PAYG instalments system, you will receive activity statements or instalment notices showing your instalment rate or amount.

You can view, manage and pay your instalments online.

[Sign in to myGov \(individuals and sole traders\)](#)

[Log in to Online services for business](#)

Make sure you pay your instalments by the due date.

If you think you might end up paying too much (or too little) for the year you can vary your PAYG instalments.

QC 45456

## Calculate your PAYG instalments

You can pay an instalment amount we calculate for you, or calculate your payment using an instalment rate we give you.

**Last updated** 9 March 2022

When you prepay your income tax using pay as you go (PAYG) instalments, you may have a choice between:

- paying an amount we calculate for you
- calculating your instalment yourself.

## Choose your payment option

You may have a choice between 2 options:

- Option 1: instalment amount
  - We calculate the instalment amount you pay.
  - You do not need to calculate anything.
- Option 2: instalment rate



- This option is best if your business or investment income changes a lot, and you want to manage your cashflow. The amounts you pay will go up and down in line with your income.
- You calculate the amount to pay by multiplying your instalment rate by your business and investment income. Your instalment rate is a percentage. We tell you what rate to use.

If you are **eligible to choose between these options**, they will both be shown on your activity statement or instalment notice.

- Choose your preferred option when you lodge. You will then keep using that option for the rest of the financial year.
- If you want to change options, you can do it on your first activity statement of the next financial year.

Whichever option you choose, it will not change how much income tax you pay for the year. When you lodge your tax return, your PAYG instalments are credited against your income tax liability. We refund any excess, and you pay any shortfall.

## Use the instalment amount (option 1)

You do not need to calculate anything. You simply pay the instalment amount shown on your activity statement or instalment notice.

We calculate your instalment amount from the information you reported in your latest tax return.

You can vary the amount [if you think it is too high or low](#).

## Use the instalment rate (option 2)

1. Enter your instalment income for the period (usually a quarter) at **T1** on your activity statement.
  - Generally, your **instalment income** is your gross business and investment income, excluding GST.
  - If you pay instalments monthly, you can use the **additional method to estimate income for monthly instalments**.
2. Your instalment rate is pre-filled at **T2 on your activity statement**.

- We calculate your instalment rate from the information you reported in your latest tax return. If you varied the rate in a previous quarter, the varied rate is shown at **T2**.

3. Multiply **T1** by **T2** to work out the amount to pay.

4. Enter this amount at **5A** on your activity statement.

You can vary your instalment rate [if you think it is too high or low](#).

If we provide you with an instalment rate of nil, you still need to report your instalment income (even if that is also nil) on your activity statement.

### Example: calculating instalments

Julie Co's instalment income for the quarter is \$106,000. The instalment rate provided by us is 11%.

Julie Co's PAYG instalment amount for the quarter is:

- $T1 \times T2 = 5A$
- $\$106,000 \times 11\% = \$11,660$ .

## If you think your payment amount is too high or too low

At times you may think your PAYG instalments will add up to more, or less, than your expected income tax liability for the year.

If so, you can either:

- pay the instalments anyway
- vary your instalment amount or instalment rate.

Either way, it won't change how much income tax you pay for the year. When you lodge your tax return, your PAYG instalments are credited against your income tax liability. We refund any excess, and you pay any shortfall.

However, if you vary your instalments downwards, and it turns out you have a significant tax shortfall at the end of the year (15% or more), you may be charged interest.

## **Instalment income**



Instalment income is your gross business and investment income, excluding GST. You use it to calculate pay as you go (PAYG) instalments.

## **Who can pay using the instalment amount**



If you are eligible to use the PAYG instalment amount, it will be shown on your activity statement or instalment notice.

## **How we calculate your PAYG instalment amount or rate**



We calculate your instalment amount or rate based on information in your most recent tax return.

## **Additional method for monthly PAYG instalments**



Monthly PAYG instalment payers can use a shortcut method to calculate their instalments.

QC 45458

## **Instalment income**

Instalment income is your gross business and investment income, excluding GST. You use it to calculate pay as you go (PAYG) instalments.

**Last updated** 9 March 2022

## Income you include

Your instalment income is all the ordinary income you earned from your business and investment activities for the quarter (excluding GST).

Make sure you include your gross income. Do not use your net income, taxable income, or income reduced by any deductions.

Instalment income includes:

- gross rent
- dividends received or reinvested on your behalf (do not include imputation credits)
- royalties
- foreign pensions that are assessable in Australia
- your share of the income from a **partnership** or trust
- foreign income
- interest received or credited to an account
- gross sales (excluding GST)
- gross fees for services (excluding GST)
- income earned from the sale of goods or services you sell or supply
- gross amount of income if tax was withheld because you did not provide your tax file number (TFN) or Australian business number (ABN)
- withdrawals from farm management deposits – if you make a farm management deposit, this reduces your instalment income for that period
- fuel tax credits
- net capital gains or net losses if you are a super fund or self-managed super fund
- JobKeeper payments.

If you receive any of the above **payments in cryptocurrency**, you need to include the value of the cryptocurrency in Australian dollars as part of your ordinary income.

## Income you do not include

Instalment income does not include:

- GST, wine equalisation tax or luxury car tax that you charge your customers, clients or tenants
- income such as salary and wages, where amounts were withheld or should have been withheld under the PAYG withholding system. However, if amounts were withheld because you did not provide your TFN or ABN, the income is included in instalment income
- any franking credit recorded on a dividend statement
- any amount deemed to be a dividend under income tax laws
- capital gains, unless you are a super fund or self-managed super fund
- exempt income, such as the family tax benefit or child care benefit payments
- payments made and non-cash benefits provided under the National Rental Affordability Scheme
- grants under the energy grants credits scheme, including the product stewardship (oil) benefit.

### Instalment income from a partnership



If you are a partner in a partnership, to work out your PAYG instalments you may need to calculate how much instalment income you receive from the partnership.

QC 68096

## Instalment income from a partnership

If you are a partner in a partnership, to work out your PAYG instalments you may need to calculate how much instalment income you receive from the partnership.

**Last updated** 9 March 2022

If you are a partner in a partnership, to work out your pay as you go (PAYG) instalments you may need to calculate how much instalment income you receive from the partnership.

## Do you need to calculate your instalment income?

You need to calculate your share of a partnership's instalment income if all the following apply:

- you are a partner in a partnership
- you receive income from the partnership
- you pay PAYG instalments using the instalment rate (option 2 on your activity statement).

You do not need to calculate your instalment income if you pay PAYG instalments using the instalment amount we give you (option 1 on your activity statement or instalment notice). You can simply pay the amount we have calculated for you.

## Calculating your share of partnership instalment income

Instalment income is gross ordinary income, excluding GST.

You can calculate your share of the partnership's instalment income using the formula **(A ÷ B) × C**, where:

- **A** is [your assessable income from the partnership for the last income year](#)
- **B** is [partnership's instalment income for the last income year](#)
- **C** is [partnership's instalment income for the current period](#).

You can find **A** and **B** in the partnership's most recently lodged tax return. These amounts need to be updated when either:

- a future tax return is lodged for the partnership
- the most recent partnership tax return is amended.

There may be times when the result of the formula is zero. For example, this would happen if the partnership incurred a loss in an earlier year. In these cases, you must estimate a fair and reasonable amount of your current instalment income from the partnership.

If you are a partner in more than one partnership, you need to include amounts for each partnership.

## Your assessable income from the partnership for the last income year

This amount is shown on the partnership's tax return at item **53** (labels **A + B**).

## Partnership's instalment income for the last income year

This is generally the partnership's gross ordinary income. It is the total of the amounts shown on the partnership's tax return at:

- Item **5**: Total business income (labels **G** and **H**)
- Item **8**: Distribution from partnerships (labels **A** and **B** only) and Distribution from trusts (labels **Z**, **R** and **F** only)
- Item **9**: Gross rent (label **F** only)
- Item **10**: Forestry managed investment scheme income (label **Q**)
- Item **11**: Gross interest (label **J** only)
- Item **12**: Dividends received (labels **K** and **L** only)
- Item **14**: Other Australian income (label **O**)
- Item **23**: Other assessable foreign source income (label **B** only)
- Item **31**: Taxation of financial arrangements (TOFA). If the partnership is a TOFA entity, then:
  - if TOFA gains (label **M**) are greater than TOFA losses (label **N**), subtract the TOFA losses (label **N**) from the sum of the labels
  - if TOFA losses (label **N**) are greater than TOFA gains (label **M**), subtract TOFA gains (label **M**) from the sum of the labels.

## Partnership's instalment income for the current period

You can get this amount from the partnership's records for the current period.

The 'current period' is the quarter or other period for which you are paying the PAYG instalment.

### Example: working out a share of a partnership's instalment income

Bob earns income from investments. He is also a partner (with his wife) in a farming business that is registered for GST.

Bob is required to pay PAYG instalments. He has chosen to pay using option 2 (instalment rate  $\times$  instalment income) and we have notified him of an instalment rate.

Bob needs to work out his share of instalment income from the partnership.

To use the formula  $(A \div B) \times C$ , Bob needs to know:

- **A:** his assessable income from the partnership for the last income year
- **B:** the partnership's instalment income for the last income year
- **C:** the partnership's instalment income for the current period.

**Bob's assessable income from the partnership** is shown at item **53** of the partnership's tax return for the last income year. Bob records the sum of labels **A** + **B**. In Bob's case this is \$8,900.

**The partnership's instalment income for the last income year** is also shown in its tax return. Bob totals the amounts shown at:

- Item **5** Business income: For Bob, the amount at label **G** (Other business income) is \$50,000.
- Item **8** Partnerships and trusts, labels **A** and **B** (partnerships) and **Z**, **R** and **F** (trusts): zero.
- Item **9** Rent, label **F** (Gross rent): \$11,000.
- Item **10** Forestry managed investment scheme income, label **Q**: zero.



- Item **11** Gross interest including Commonwealth Government loan interest, label **J**: \$163.
- Item **12** Dividends, labels **K** and **L**: zero.
- Item **14** Other Australian income, label **O**: zero.
- Item **23** Other assessable foreign source income, label **B**: zero.
- Item **31**: TOFA: zero.

Therefore, the total partnership instalment income for the last income year is:

- $\$50,000 + \$11,000 + \$163 = \$61,163$

**The partnership's instalment income for the current period** is \$47,500. This includes the sale of livestock and contract income.

Bob's proportion of the partnership's instalment income for the quarter is:

- $(\$8,900 \div \$61,163) \times \$47,500 = \$6,911$

Bob adds this amount to his investment income to work out his total instalment income for the period.

Once you have calculated your share of the partnership's instalment income:

- add any other instalment income you have from your investments or other businesses
- calculate your PAYG instalment payment by multiplying your total instalment income by your instalment rate.

QC 16275

## Who can pay using the instalment amount

If you are eligible to use the PAYG instalment amount, it will be shown on your activity statement or instalment notice.

**Last updated** 9 March 2022

If you are eligible to use the pay as you go (PAYG) instalment amount, it will be shown on your activity statement or instalment notice.

## Who is eligible to pay using the instalment amount

Based on the information in your tax return, we determine whether you are eligible to pay your PAYG instalments using the instalment amount option. We will show this on your activity statement or instalment notice.

You can use the instalment amount if you are:

- an individual (including sole traders)
- a trust
- a super fund that
  - is an annual payer
  - has business and investment income of \$2 million or less
- a company that
  - is an annual payer
  - has business and investment income of \$2 million or less
  - is a **small business entity** with an aggregated turnover of less than \$10 million

From 1 July 2021, a business entity with an aggregated turnover of less than \$50 million can use the instalment amount option.

If you are eligible to pay using the instalment amount, the amount will be shown at **Option 1** on your activity statement.

If your only reporting obligation is PAYG instalments, we will send you an instalment notice instead of an activity statement.

## How to pay using the instalment amount

To pay using the instalment amount, complete the details under option 1 on your first activity statement or instalment notice for the income year. You will then pay using an instalment amount for the rest of the year.

If you want to change to **Option 2** (instalment rate), you will need to wait until the first quarter of the next income year.

You need to pay your instalment amount by the date shown on your activity statement or instalment notice.

If you think your PAYG instalment amount will result in you paying too much or too little tax for the current income year, you can **vary the amount**.

QC 68097

## How we calculate your PAYG instalment amount or rate

We calculate your instalment amount or rate based on information in your most recent tax return.

**Last updated** 20 May 2025

### How we calculate your instalment amount

We calculate your PAYG instalment amount using information from your most recent tax return.

We adjust this amount to reflect any likely growth in your income. The adjustment is based on changes in Australia's gross domestic product (GDP).

Your PAYG instalment amount is intended to reflect your expected tax liability for the year. If you vary your instalment amount or lodge a tax return, the instalment amount on your next activity statement will change, because it will be based on this new information.

### How we calculate the GDP adjustment

We update the GDP adjustment factor at the start of each income year using data from the Australian Bureau of Statistics or a percentage set by law. The adjustment is based on GDP changes over the previous 2 calendar years.

The GDP adjustment for the 2025–26 income year is 4%.

If your instalment amount was solely based on your previous tax situation, with no adjustment, it might not cover your actual tax liability. This means you might have to pay extra tax when you lodge your tax return.

The GDP adjustment factor:

- applies to PAYG instalments for the 2025–26 income year for taxpayers whose quarter starts on or after 1 April 2025
- is used to calculate your PAYG instalments if you pay quarterly (or twice yearly) using the instalment amount
- does not affect you if you work out your own instalments (using the rate method) or pay annually.

## How we calculate your instalment rate

We calculate your PAYG instalment rate using information from your most recently lodged tax return.

The instalment rate calculation is:

$$(\text{Estimated (notional) tax} \div \text{instalment income}) \times 100.$$

## Reasonable instalment rates

If the calculated rate is more than the highest income tax rate for your entity type, we will automatically reduce it to a more reasonable rate (see [Reasonable instalment rates table](#)). The adjusted rate will appear on your activity statement.

Your instalment rate may be high before our adjustment if:

- you received income from an employee share scheme
- you had a compulsory repayment for a Higher Education Contribution Scheme (HECS)/ Higher Education Loan Program (HELP) debt, Student Financial Supplement Scheme (SFSS), Australian Apprenticeship Support Loan (AASL), Student Start-up

Loan (SSL), ABSTUDY Student Start-up Loan (ABSTUDY SSL), or VET Student Loan (VSL) in your last tax return

- you reported income at the wrong label in your last tax return
- your return is amended to include excess superannuation contributions.

### Reasonable instalment rates by entity type

Entity type	Reasonable rate
Individuals (including sole traders)	55%
Trusts	55%
Superannuation funds and self-managed superannuation funds	45%
Corporate tax entities	30%

## Carried-forward losses for companies

If you are a company and carry forward a tax loss in your most recent tax return, we will adjust your taxable income (for the purpose of calculating your instalment rate) by excluding the lesser of the:

- tax loss deducted in the return
- amount of any tax loss carried forward to the next income year.

### If the carried-forward loss is more than the tax loss deducted

We will use the loss you claimed when we work out the adjusted taxable income from which we calculate your instalment rate.

#### Example: remaining carried forward loss is more than the tax loss deducted

AJ Pty Ltd has assessable income of \$100,000, deductions of \$30,000 and a carried-forward loss of \$10,000. AJ has chosen to

deduct \$4,000 of the loss in its current tax return and carry forward the balance of \$6,000 to the next year (\$10,000 minus \$4,000).

The company's tax loss deduction in the current tax return (\$4,000) is less than the carried-forward tax loss (\$6,000).

Therefore, its adjusted taxable income (which is used to calculate AJ's PAYG instalment rate) is:

Assessable income	\$100,000
minus deductions	\$30,000
minus amount of deduction for tax loss	\$4,000
Equals taxable income (adjusted)	\$66,000

## If the carried-forward loss is less than the tax loss deducted

If the loss you carried forward to the next income year is less than the loss deducted in your most recent tax return, we will use the carried forward loss amount when we work out the adjusted taxable income from which we calculate your instalment rate.

### Example: remaining carried forward loss is less than the loss deducted

AJ Pty Ltd has assessable income of \$100,000, deductions of \$30,000, and a carried forward loss of \$10,000. AJ claims \$7,000 of this loss as a deduction in its current tax return.

The amount of the tax loss to be carried forward (\$3,000) is less than the loss deducted in this tax return (\$7,000).

Therefore, the adjusted taxable income used to calculate AJ's PAYG instalment rate) is:

Assessable income	\$100,000
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minus deductions	\$30,000
minus amount of tax loss carried forward to the next year	\$3,000
Equals taxable income (adjusted)	\$67,000

QC 68098

## Additional method of calculating monthly PAYG instalments

Monthly PAYG instalment payers can use a shortcut method to calculate their instalments.

**Last updated** 9 March 2022

The additional method is a shortcut for calculating monthly pay as you go (PAYG) instalments.

It is available only to monthly PAYG instalment payers. We will notify you if you need to pay instalments monthly.

### Should you use the additional method?

Monthly PAYG instalments are calculated by multiplying instalment rate × instalment income. Normally this requires you to work out your instalment income each month.

The additional method is designed to save you time because you:

1. estimate your instalment income for the first 2 months of each quarter
2. work out your instalment income for the quarter in the 3rd month, and pay the balance owing.

The additional method may not be suitable for entities that receive large, infrequent but cyclical amounts of instalment income. For example, it may not suit life insurance companies that receive large distributions from resident unit trusts. These entities can modify the approach to account for these unusual distributions of their income.

## **When you can start using the additional method**

The point at which you can start to use the additional method depends on whether you are:

- a new monthly instalment payer
- an existing monthly instalment payer
- leaving a consolidated group.

### **New monthly instalment payers**

As a new monthly payer, you can start using the additional method in either:

- the first month of the *first* instalment quarter in which you start paying monthly
- the first month of the *second* instalment quarter after you start paying monthly.

This allows you time to change to the new method if you begin paying monthly instalments part way through a quarter.

### **Existing monthly payers**

If you already pay your instalments monthly, you can start using the additional method from the first month of your income year.

You must then continue to use this method for the rest of the income year.

### **Leaving a consolidated group**

After you leave a consolidated group, the point at which you can start using the additional method depends on when you become a monthly payer.



- If you become a monthly payer from the beginning of the first month in a quarter, you can use the additional method immediately.
- If you become a monthly payer from the beginning of the second month in a quarter, you must calculate your actual instalment income for the 2 months remaining in the quarter. You can then use the additional method from the beginning of the next quarter.

### **Example: using the additional method after leaving a consolidated group**

Company EFG is a subsidiary member of a consolidated group. The company:

- ceases to be a subsidiary member of the consolidated group at the end of January 2021
- becomes a monthly payer from the beginning of February 2021
- has a 30 June balancing date.

For February and March 2021, Company EFG must calculate its actual instalment income to determine its PAYG instalments.

From April 2021, company EFG can use the additional method to determine its instalments. It does not need to wait until the start of the new income year.

## **How to use the additional method**

### **Record your use of the additional method**

If you use the additional method, you don't need to formally notify us – just keep a record of:

- your decision
- how you applied the additional method to obtain your estimated instalments.

### **Calculate your instalments using the additional method**

You do not need to calculate your actual instalment income every month. Instead:

1. For the first 2 months of each instalment quarter

- make a reasonable estimate of your instalment income
- multiply this by your instalment rate to work out your monthly instalment.

2. In the 3rd month of each instalment quarter

- work out your total instalment income for the quarter
- subtract the instalment income amounts you estimated in the first 2 months
- multiply the balance by your instalment rate to calculate your monthly instalment.

## Reasonable estimate

We don't specify how you should estimate your monthly instalment income. However, if you use one-third of the actual instalment income for the previous quarter we accept this as a reasonable estimate, provided you use it consistently within an income year.

### Example: calculating instalments using the additional method

Company ABC is required to pay monthly PAYG instalments. It became a monthly payer in January 2021.

The company decides to use the additional method to calculate its monthly instalments and has recorded that decision.

Using the steps above, ABC calculates its monthly instalments as follows.

#### 1. Estimate instalment income for first 2 months of quarter

In December 2020, the company's:

- quarterly instalment income is \$300 million
- instalment rate is 14%.

ABC estimates its monthly instalment income as \$100 million (one-third of \$300 million). Therefore, its PAYG instalment for January will be \$14 million ( $\$100 \text{ million} \times 14\%$ ).

For February, ABC's estimated monthly instalment income is again \$100 million. Its instalment rate has not changed, so the monthly PAYG instalment will again be \$14 million.

## **2. Calculate instalment income for quarter and balancing payment**

At the end of the quarter, ABC works out its actual instalment income for the quarter was \$270 million. To calculate its March 2021 instalment, the company:

- takes its actual instalment income for the quarter (\$270 million)
- subtracts the estimated instalment income used in the previous 2 months (\$200 million)
- multiplies the balance (\$70 million) by the instalment rate of 14%
- pays this amount (\$9.8 million) as its PAYG instalment for the third month.

## **If the instalment for the 3rd month is negative**

You cannot apply for a refund if the instalment you work out for the third month of a quarter is negative. Instead, you need to revise your instalment income for the previous month or months, starting with the most recent month.

You can do this by lodging a revised activity statement for the applicable month or months.

### **Example: calculating instalments when the third month is negative**

Take the same facts set out in the previous example, except that company ABC's actual instalment income for the January to March 2021 quarter was \$170 million.

In both January and February the company estimated \$100 million in instalment income (\$200 million in total). This means ABC overstated its instalment income by \$30 million.

The company should:

- report its instalment income for March 2021 as zero
- lodge a revised activity statement for February 2021, in which it records its instalment income for the month as \$70 million (down from \$100 million).

## **Varying your instalment rate under the additional method**

If you choose to use the additional method you can still vary your instalment rate in any month.

## **What happens if you use the method incorrectly**

We can require you to calculate your actual instalment income if you:

- fail to make a reasonable estimate
- use the additional method for periods in which you are not eligible.

If you use the additional method and consistently report lower instalment income in the first 2 months of the instalment quarter compared with the third month, we may review your estimates and request information to check you have applied the method correctly.

QC 38237

## **When are PAYG instalments due?**

Due dates for pay as you go (PAYG) instalments are generally 28 days after the end of each quarter.

**Last updated** 25 March 2025

## Which lodgment cycle applies to you

When you first enter PAYG instalments, we will send you a letter by post or through myGov. It will tell you how often you need to lodge and pay:

- Most taxpayers pay quarterly instalments.
- Depending on your circumstances, the letter may offer you the option to pay 2 instalments per year or one annual instalment.
- Businesses with instalment income of more than \$20 million are required to lodge and pay **monthly PAYG instalments**.

The due date for your next PAYG instalment will be on your activity statement or instalment notice.

Make sure you lodge all your activity statements and pay your instalments before you lodge your tax return. The instalments you pay throughout the year will then be taken into account in your tax assessment.

## Quarterly instalments

We will issue your activity statement or instalment notice at the end of each quarter. It will show the due date.

### Due dates for quarterly instalments (standard income year)

Quarter	Period	Due date
1	July–September	28 October
2	October–December	28 February
3	January–March	28 April
4	April–June	28 July

If you receive an activity statement and you:

- lodge online, you may be eligible to lodge and pay 2 weeks later than the usual due dates
- pay GST monthly, your due date is the 21st of each month. You are not eligible for the 2 week extension for lodging electronically.

If you receive an instalment notice and pay the instalment amount shown on the notice, you don't need to lodge it – just pay the instalment amount by the due date.

## Two instalments

You need to pay:

- 75% of your total yearly PAYG instalments by **28 April**
- the remainder by **28 July**.

You must pay using the instalment amount if you are a 2-instalment payer.

Your instalment amounts will be shown on your activity statement. We work out your instalment amounts using information from your latest tax return.

## Eligibility

You are eligible to pay in 2 instalments if both the following apply:

- You are a quarterly PAYG instalment payer and pay using the instalment amount.
- You are either
  - an individual carrying on a primary production business
  - a special professional, such as an author, inventor, performing artist, production associate or sportsperson.

We will offer you the choice of paying by 2 instalments if your most recent tax return showed that your gross primary production income or special professional income was more than your deductions from these sources of income.

If you also have a GST obligation, you may be eligible to pay GST in 2 instalments.

## Changing to quarterly instalments

You can change your instalments:

- [from biannual to quarterly instalments](#)
- [from annual to quarterly instalments](#)

### From biannual to quarterly instalments

To change from paying 2 instalments to paying quarterly instalments, you need to:

- lodge your activity statement by the date your first instalment would be due
- change your activity statement to using the instalment rate and work out your instalments yourself using this rate.

If you don't lodge your activity statement by the due date of the first instalment, you will continue to pay 2 instalments for the income year.

### From annual to quarterly instalments

When lodging your tax return, if you no longer meet the threshold to pay instalments annually you will receive a letter with your new instalment details. If the letter is issued in the income year where you are paying annually, it will:

- display your new estimated (notional) tax
- show that you're still eligible to make annual payments instead of quarterly for this year
- provide information about your new payments under the heading 'What happens next'.

To confirm your details, check your ATO online services account or create an account.

#### **Example: from annual to quarterly instalments**

John lodged his 2024 tax return on 25 October 2024. At the time of lodgment, John paid his PAYG instalments annually.

John receives a letter to advise that his PAYG instalments have changed based on the business and investment income he reported in his 2024 tax return.

The letter shows his estimated (notional) tax as \$26,000 and that he continues to pay by annual instalments. This is because John was paying his PAYG instalment by an annual instalment at the time the letter issued.

John will change to quarterly instalments at the start of the next income year – from 1 July 2025.

## Annual instalment

We will send you an instalment notice when it is time to make your annual payment.

## Self-preparers

If you prepare and lodge your own tax return:

- you don't need to lodge the instalment notice or pay the annual instalment
- simply lodge your tax return by **31 October**.

## If you use a tax agent

If you lodge your tax return through a tax agent, you need to:

- pay your annual instalment by **21 October**
- ensure you pay your annual instalment before your tax return is lodged.

It is important to pay your annual instalment before lodging your return so we can credit the correct amount in your income tax assessment.

However, if your tax agent lodges your return before 21 October:

- you should pay the amount on your PAYG instalment notice by 21 October
- don't lodge the instalment notice or vary your instalment amount.

## How to choose to pay annually

We will let you know if you are eligible to pay an annual PAYG instalment.

If you want to pay annually, you must confirm your choice by the:



- 28th day of the month after the end of your first instalment reporting quarter, or
- next 28th February where December is the last month of that quarter.

Otherwise, you will continue to pay quarterly instalments until the next year.

You can elect to make annual PAYG instalments in ATO online services through the **Tax registrations** function, via the:

- **Tax** tab for Individuals (including sole traders)
- **Profile** tab for Businesses and Registered agents.

Tax professionals can use the **annual PAYG instalment** form (for up to 20 of your clients at a time) in Online services for agents.

## Eligibility

You are eligible to pay PAYG instalments annually if, at the end of the first PAYG instalments reporting quarter of the income year, all of the following apply:

- Your most recent estimated (notional) tax notified by us was less than \$8,000.
- You have not lodged your first PAYG instalments reporting quarter.
- You either
  - are not required to be registered for GST as either an individual or a partner in a partnership
  - voluntarily registered for GST and have chosen to remit GST annually, either as an individual or a partner in a partnership.
- You are not a company that is part of an instalment group, a head company of a consolidated group or a participant in a GST joint venture.

## Monthly PAYG instalments



QC 45463

## Monthly PAYG instalments

Monthly PAYG instalments are due by the 21st day of the following month. Generally, only taxpayers with income of \$20 million or more pay monthly instalments.

**Last updated** 9 March 2022

Monthly pay as you go (PAYG) instalments are due by the 21st day of the following month. We will tell you if you have to pay instalments monthly.

### Who needs to pay monthly instalments

You need to pay PAYG instalments monthly if the total instalment income from your most recently lodged tax return is \$20 million or more.

If you report GST on a quarterly or annual basis, you will only need to pay PAYG instalments monthly if your business and investment income from your most recently lodged tax return is \$100 million or more.

You cannot:

- object to paying PAYG instalments on a monthly basis
- choose to pay PAYG instalments on a monthly basis.

### Monthly payer requirement test

We conduct a monthly payer requirement (MPR) test to identify entities that must pay PAYG instalments monthly. We will notify you if you are required to pay monthly.

The test is conducted on the first day of the third-last month of the previous income year. For example, for a company that has an income year ending 30 June, the MPR test is done on 1 April.

### Threshold when TOFA applies

If you apply the rules for **taxation of financial arrangements (TOFA)**, we use an adjusted instalment income amount from your most recently lodged tax return to work out if you need to pay instalments monthly. We use the gross amount of ordinary income from TOFA transactions. We do not use the net gain or loss amount calculated under the rules.

If your adjusted instalment income amount is \$20 million or more, you need to pay your PAYG instalments monthly.

However, most TOFA entities will need to calculate their adjusted instalment income themselves to determine if they are required to make monthly instalments. You need to tell us before the end of your income year if you are required to pay monthly.

## **When you will receive your activity statement**

If you need to start paying your PAYG instalments monthly, but you currently receive your activity statements quarterly, you will continue to do so up to and including the final quarter of your income year.

From the beginning of the following income year, you will start receiving your activity statements monthly.

The change to monthly PAYG instalments will not affect your payment cycle for other obligations. For example, if you pay quarterly instalments for fringe benefits tax, you will continue to do so once you have started making monthly PAYG instalments.

## **When and how to pay**

You must report and pay monthly PAYG instalments electronically. They are due on or before the 21st day of the following month. If you are a deferred business activity statement (BAS) payer, your payment is due on the 28th day of the following month.

You must calculate your monthly instalments using either the:

- instalment rate  $\times$  instalment income method
- additional method for monthly PAYG instalments.

## **Stopping monthly instalments**

Once you start reporting monthly, you will continue to do so until:

- at the MPR test date your instalment income from your most recently lodged tax return is either
  - less than \$20 million
  - less than \$100 million and you are a GST quarterly or annual payer
- you have contacted us before the start of your next income year to let us know you will stop paying monthly instalments
- we have accepted your request to stop paying monthly instalments.

If we accept your request to stop paying monthly instalments, you will return to your previous payment cycle (for example, quarterly) at the beginning of your next income year.

QC 68099

## How to vary your PAYG instalments

You can vary your pay as you go (PAYG) instalments if they are too high or low.

**Last updated** 24 September 2025

### Should you vary

Pay as you go (PAYG) instalments are prepayments of your expected income tax for the year. If your total **PAYG instalments** will be more, or less, than your expected tax for the year, you can change the amount you pay.

If your financial situation has changed, your expected tax may also change. This means your current PAYG instalments may add up to more, or less, than your tax at the end of the year.

You can vary your instalments so the amount you prepay is closer to your expected tax for the year.

You don't have to vary your PAYG instalments at all. It will not change how much income tax you pay for the year. After you lodge your tax return, if your instalments were:

- too high, the excess is refunded to you
- too low, you pay the shortfall.

If you pay PAYG instalments using the instalment amount (option 1 on your activity statement), you may want to vary if there has been a significant change in your instalment income this year. For more information see [example of varying the instalment amount](#).

If you calculate your PAYG instalments using the instalment rate (option 2 on your activity statement):

- you don't need to vary simply because your income has changed – the payment you calculate will go up and down in line with your income
- you would usually only vary if the taxable *proportion* of your income has changed – for example, if your income has fallen significantly but your deductions for running costs have stayed the same.

You may want to get advice from a tax agent on whether you should vary your instalments.

## What happens if you underestimate

When you vary your PAYG instalments, it's important to not underestimate your instalment amount or rate.

If you underestimate, you could be left with a substantial tax bill when you lodge your tax return at the end of the year.

Also, when we receive your tax return, we compare your actual instalments to the total tax payable on your instalment income for the income year.

If your varied instalments are less than 85% of your total tax payable, you may have to pay a **general interest charge** on the difference, in addition to paying the shortfall. Depending on the circumstances there may also be **penalties**.

If you're not sure, it is best to not vary your instalments. Any overpaid instalments will be refunded to you after you lodge your tax return.

## **Varying your instalments due to floods or other disasters**

You may need to vary your PAYG instalments due to being impacted by floods or other disasters.

We won't apply penalties or charge interest on variations if you have taken reasonable care to estimate your end of year tax liability. This means making a reasonable and genuine attempt to determine your liability. When considering if a genuine attempt has been made, we consider what a reasonable person would have done in your circumstances.

If you're unable to pay your instalment amount you should still lodge your instalment notice and discuss a **payment arrangement** with us.

## **If you have a study loan**

If you have a study or training support loan, the PAYG instalments calculator hasn't been updated with the reduced compulsory repayments changes, see **Study and training loans – what's new**. Using the calculator for your variation may provide estimates higher than your actual tax for the 2025–26 income year. You may prefer to **manually estimate the tax on your instalment income** for the 2025–26 income year.

The calculator will be updated with the compulsory repayment changes from 1 July 2026.

## **When to vary your PAYG instalments**

You make your variation when you lodge your activity statement or instalment notice. You must lodge:

- on or before the day your PAYG instalment is due
- before you lodge your tax return for the year.

Your varied amount or rate will apply for the remaining instalments for the income year, or until you make another variation.

## **How to vary your PAYG instalment amount (option 1)**

You vary your PAYG instalment amount on your activity statement or instalment notice.

Use the following steps to calculate your varied instalment amount.

## 1. Check that you use the instalment amount option

Check that there is an instalment amount at **T7** on your activity statement or instalment notice.

If there is not, you need to [vary your instalment rate \(option 2\)](#) instead.

If you varied your instalment amount in a previous quarter of the income year, the amount shown at **T7** will be your previously varied amount.

## 2. Estimate your instalment income for the year

Your instalment income is your gross business and investment income, excluding GST.

## 3. Estimate the tax on your instalment income for the year

You need to estimate the tax on your instalment income for the full income year. This is the amount you will prepay in your instalments.

**PAYG instalments calculator**

You can use the calculator to:

- estimate your tax for the year
- work out your varied instalment amount
- work out your entitlement to credits for previous PAYG instalments.

If you prefer, you can manually estimate the tax on your instalment income.

If your estimated instalment income (step 2) is zero, you can vary your instalment amount to zero. You don't need to calculate your estimated tax.

## 4. Work out how much to pay for each instalment

The amount you pay depends on how much you have paid in previous instalments this year. After each instalment you should have paid a certain proportion of your total estimated tax.

Work out how much to pay in each instalment for:

- [quarterly instalments](#)
- [2 instalments per year](#).

If you have already paid more than your total estimated tax for the year, you can claim a credit for the overpayment. You don't have to claim a credit. When you lodge your tax return, your PAYG instalments are credited against your income tax and any excess is refunded.

### **If you pay quarterly instalments**

You can use the **PAYG instalments calculator** to work out your quarterly instalment amounts. Or you can manually work out your quarterly instalment amounts as follows with the:

- first quarter
  - 25% of your estimated tax for the income year
- second quarter
  - 50% of your estimated tax for the income year
  - minus the amount of your first quarter instalment
- third quarter
  - 75% of your estimated tax for the income year
  - minus the amount of your first and second quarter instalments
  - plus any PAYG instalment credits you claimed for the second quarter
- fourth quarter
  - 100% of your estimated tax for the income year
  - minus the amount of your first, second and third quarter instalments
  - plus any PAYG instalment credits you claimed for the second and third quarters.



## If you start paying instalments in the second, third or fourth quarters

If you are new to PAYG instalments this year, you calculate your varied instalment amount as though the first quarter for which you pay instalments is the first quarter of the year.

For example, if you start paying instalments in the second quarter, you would treat this as your first quarter and pay 25% of your estimated tax in that quarter.

As you won't pay all 4 quarterly instalments in your first year, at the end of the year your total instalments will be less than 100% of your estimated tax.

### Example 1: varying the instalment amount

Cari receives income from her investments. Her quarterly PAYG instalment amount is \$5,000.

Cari pays this amount in her first quarter (1 July to 30 September) and second quarter (1 October to 31 December).

In January, Cari sells a portion of her investments and decides to vary her PAYG instalment amount on her third quarterly activity statement (1 January to 31 March) to take account of her new situation.

Cari uses the PAYG instalment calculator and estimates the tax on her instalment income for the financial year will be \$14,000. Cari works out her varied PAYG instalment as follows:

Estimated tax - \$14,000

Multiplied by 75% (how much to pay for the third quarter) -  
 $\$14,000 \times 75\% = \$10,500$

Minus amounts paid for the first and second quarters  
 $\$10,500 - (\$5,000 + \$5,000) = \$500$

The varied amount Cari needs to pay in the third quarter is \$500.

In the fourth quarter Cari will pay her total estimated tax minus the amounts paid in the first 3 quarters:

$\$14,000 - (\$5,000 + \$5,000 + \$500) = \$3,500$

In the second half of the year, Cari's investment income increases. After she lodges her tax return at the end of the year, her notice of assessment shows her income tax is \$15,500.

As Cari has paid \$14,000 in PAYG instalments, she will pay the income tax shortfall of \$1,500 (income tax of \$15,500 – \$14,000 instalments already paid.)

Cari's varied instalments were more than 85% of her actual tax liability, so the ATO does not charge any interest on the shortfall.

## If you pay 2 instalments per year

Your instalments are due in April and July. You pay:

- April
  - 75% of your estimated tax for the income year
- July
  - 100% of your estimated tax for the income year
  - minus the amount of the instalment you paid in April.

## 5. Complete your activity statement or instalment notice

On your activity statement or instalment notice, enter:

- your estimated tax for the year (from step 3) at **T8** – if this is nil, enter 0
- your varied instalment amount for the period (from step 4) at **T9**. – if the amount is nil or negative, enter 0
- the [reason you have varied](#) your instalment at **T4**
- your varied instalment amount at **5A** – if you are filling in a paper form, enter the amount from **T9**.

If the varied instalment amount that you worked out at step 4 is negative, you can claim a credit for your earlier PAYG instalments made within the same financial year.

To claim a credit, enter your varied instalment amount at **5B** (credit from PAYG income tax instalment variation). Enter the amount as a positive number (don't show the minus sign).

You don't have to claim a credit. When you lodge your tax return, your PAYG instalments are credited against your income tax and any excess is refunded.

## 6. Lodge and pay

Lodge and pay by the due date on your activity statement or instalment notice.

## How to vary your PAYG instalment rate (option 2)

You vary your PAYG instalment rate on your activity statement.

Use the following steps to calculate your new varied rate.

### 1. Check that you use the instalment rate option

Check that there is an instalment rate at **T2** on your activity statement or instalment notice.

If there's not, you need to [vary your instalment amount \(option 1\)](#) instead.

If you varied your instalment rate in a previous quarter of the income year, the amount shown at **T2** will be your previously varied amount.

### 2. Estimate your instalment income for the year

Your instalment income is your gross business and investment income, excluding GST.

### 3. Estimate the tax on your instalment income for the year

**PAYG instalments calculator**

The calculator will help you:

- estimate your tax for the year
- work out your varied instalment rate
- work out your entitlement to credits for previous PAYG instalments.

If you prefer, you can manually estimate the tax on your instalment income.

If your estimated instalment income (step 2) is zero, you can also vary your instalment rate to zero. You don't need to calculate your estimated tax.

## 4. Work out your varied instalment rate

Your varied instalment rate is:

$\text{your estimated tax} \div \text{your estimated instalment income} \times 100.$

### Example 2: varying instalment rate

Harmander is a sole trader.

We have calculated his instalment rate as 16.84%, based on the information in his latest tax return.

He uses this instalment rate in the first quarter (1 July to 30 September) and second quarter (1 October to 31 December) to work out his instalment payments.

Harmander decides to vary his instalment rate for the third quarter (1 January to 31 March) because increased competition has reduced the profit margin on his sales.

He uses the PAYG instalment calculator to estimate:

- his instalment income for the year, which will be \$82,480
- his tax for the year, which will be \$10,125.

Harmander works out his varied instalment rate as follows:

$$(\$10,125 \div \$82,480) \times 100 = 12.27\%$$

## 5. Work out credits from previous instalments in the current income year

If your varied instalment rate is less than the rate you used for earlier quarters in the current income year, you may be entitled to a credit for PAYG instalments paid so far.

You can calculate your credit using the:

- PAYG instalments calculator
- steps to manually calculate a credit.

You don't have to claim your credit. When you lodge your tax return, your PAYG instalments are credited against your income tax and any excess is refunded.

You need to complete your activity statement as usual even if you are due a credit.

## 6. Complete your activity statement

On your activity statement or instalment notice, enter:

- your quarterly instalment income at **T1**
- your varied instalment rate at **T3**.

Multiply **T1** by **T3** and enter:

- your instalment amount at **T11** and **5A**
- the [reason you have varied](#) your instalment at **T4**.
- any credits you wish to claim for previous instalments at **5B**.

## 7. Lodge and pay

Lodge and pay by the due date on your activity statement or instalment notice.

## Variation reason codes

When you vary a PAYG instalment on an activity statement or instalment notice, you must enter a reason code at **T4** on your activity statement.

Use the reason code that best matches your situation.

### 21 – Change in investments

Your investment strategy or policy has changed and this will significantly affect your annual tax liability. For example, you sold shares.

### 22 – Current business structure not continuing

Your current business has stopped trading or has changed its structure. For example, you have permanently closed your business.

### **23 – Significant change in trading conditions**

Abnormal transactions relating to your business income or expenses will significantly affect your annual tax liability. For example, you have bought a major piece of machinery.

### **24 – Internal business restructure**

You have restructured your business. For example, it has expanded or contracted and this will significantly affect your annual tax liability.

### **25 – Change in legislation or product mix**

A change in legislation or the product mix of your business will significantly change your annual tax liability.

### **26 – Financial market changes**

Your business has been affected by domestic or foreign financial market changes. This reason code is for businesses involved in financial market trading, including those whose income is affected by changes in financial products. These include banks, and finance and insurance businesses.

### **27 – Use of income tax losses**

You will be using income tax losses, including capital losses transferred from another entity, that will significantly affect your annual tax liability.

### **33 – Consolidations**

You are a head company varying your consolidated instalments based on your estimate of expected consolidation outcomes for the year. Use this code on your consolidated activity statement.

## **Estimating tax on your instalment income**



Check how to estimate tax on your instalment income.

# Estimating tax on your instalment income

Check how to estimate tax on your instalment income.

**Last updated** 20 January 2025

## Use the calculator

If you vary your pay as you go (PAYG) instalments, you will need to estimate the tax on your instalment income to work out your varied amount.

You can use the calculator to:

- estimate your tax for the year
- work out your varied instalment amount
- work out your entitlement to credits for previous PAYG instalments.

**PAYG instalments calculator**

## Manually calculate estimated tax on instalment income

Use this method to calculate the estimated tax on your instalment income:

[1. Work out your estimated taxable income](#)

[2. Work out the tax on your estimated taxable income](#)

[3. Subtract tax offsets \(other than refundable tax offsets\)](#)

[4. Review your estimated net tax payable](#)

[5. Add your estimated Medicare levy](#)

[6. Review your net tax payable after applying Medicare levy and any foreign income tax offset](#)

[7. Add any compulsory study loan or Australian Apprenticeship Support Loan previously known as Trade Support Loan repayments](#)

[8. Subtract any refundable tax offset](#)

[9. Subtract any estimated tax credits](#)

[Result: estimated tax on instalment income](#)

If your instalment income for the year will be zero, you can vary your instalment rate to zero. You don't need to estimate your tax to do this.

## 1. Work out your estimated taxable income

Your estimated taxable income is your estimated income minus your estimated allowable deductions.

### Estimated income

When you're estimating your income, include all your estimated **gross** income for the year, such as:

- salary, wages or allowances
- payments made under a labour hire arrangement
- payments subject to voluntary withholding agreements
- personal services income attributed to you
- income from a business (not subject to voluntary agreements)
- Australian government allowances
- Australian government pensions
- assessable foreign income including pensions and annuities
- interest
- dividends
- franking credits
- partnership distributions
- trust distributions
- other assessable income.

**Don't** include:



- Net capital gains – these are not included as they are generally one-off payments that you won't receive in the next income year. However, if you are a super fund or self-managed super fund these do need to be included.
- Exempt income – such as the family tax benefit or child care benefit payments.

## **Estimated allowable deductions**

When you are estimating your allowable deductions, include:

- work-related expenses
- business expenses
- interest and dividend deductions
- gifts or donations
- the deductible amount of an un-deducted purchase price of an Australian pension or annuity
- the cost of managing tax affairs
- tax losses of earlier income years
- other allowable deductions.

## **2. Work out the tax on your estimated taxable income**

Apply the current individual income tax rates or company tax rates to your estimated taxable income to calculate the full year's tax on your estimated taxable income.

## **3. Subtract tax offsets (other than refundable tax offsets)**

Tax offsets are different to tax deductions in the way you apply them.

Deductions are subtracted from your income to work out your taxable income.

The tax on that taxable income is then reduced by the tax offsets for which you are eligible.

If your tax offsets are greater than the tax on your assessed taxable income, you can generally only use them to reduce the amount of tax on your taxable income to zero (unless they are [refundable tax offsets](#)).

Tax offsets you **can** include in this calculation are:

- super contributions, annuity and pension (except contributions made on behalf of your spouse)
- zone or overseas forces
- low and middle income
- seniors and pensioners
- invalid and invalid carer
- beneficiary
- employment termination payment
- life assurance bonus
- other tax offsets.

Tax offsets you **can't** include:

- franking deficit tax offset
- private health insurance tax offset
- child care tax offset
- low income earners tax offset
- early stage investors tax offset
- exploration development incentive tax offset
- offset for Medicare levy surcharge (lump sum payment in arrears)
- the super tax offset for contributions made on behalf of your spouse.

## 4. Review your estimated net tax payable

Your estimated net tax payable is the tax on your estimated taxable income minus your estimated tax offsets.

If this is a negative amount, your estimated net tax payable will be zero.

## 5. Add your estimated Medicare levy

Your estimated Medicare levy can be worked out by multiplying your estimated taxable income (amount from step 1) by 2%.

Don't include extra amounts payable under the Medicare levy surcharge.

You may be exempt from paying the Medicare levy or be eligible to pay a reduced amount of Medicare levy. Contact us if you think you may be exempt or eligible to pay a reduced amount.

## 6. Review your net tax payable after applying Medicare levy and any foreign income tax offset

This is your estimated net tax payable **after** applying all your non-refundable tax offsets and the Medicare levy.

If this is a negative amount, your estimated net tax payable will be zero.

If you are entitled to claim an amount of foreign income tax offset, you can use that offset to reduce any net tax payable remaining after applying all your other non-refundable tax offsets, and also reduce your liability to pay the Medicare levy.

You won't be able to work out your foreign income tax offset if you estimate either a capital gain or exempt foreign employment income. If you expect to receive any of these, contact us for assistance.

## 7. Add any compulsory study loan or Australian Apprenticeship Support Loan

If your estimated repayment income is above the minimum repayment threshold, your estimated tax may include an amount for you to pay toward your Higher Education Loan Program (HELP), Student Startup loan (SSL), ABSTUDY SSL, Student Financial Supplement Scheme (SFSS), VET Student loan (VETSL) or Australian Apprenticeship Support Loan (AASL) previously known as Trade Support Loan (TSL) liability.

Repayment income is calculated using your:

- taxable income
- reportable fringe benefits amounts (as shown on your payment summary)

- total net investment loss (which includes net rental losses)
- reportable super contributions
- any exempt foreign employment income amounts.

We will only calculate one compulsory repayment for HELP, SSL, VETSL, SFSS or AASL based on your accumulated debt at the time we make the assessment.

You won't have to make a compulsory repayment for HELP, SSL, VETSL, SFSS or AASL if you have a spouse or dependants and if, due to low family income, you either:

- are entitled to a reduction of your Medicare levy
- do not have to pay the Medicare levy.

You can calculate your estimated compulsory repayment using the study and training loan repayment **thresholds and rates**.

## **8. Subtract any refundable tax offset**

If you have refundable tax offsets, they can be applied against your Medicare levy, and your study and training loan repayment liabilities.

Refundable tax offsets include the franking credit tax offset.

**Don't** include the private health insurance rebate tax offset.

## **9. Subtract any estimated tax credits**

These items include amounts that you estimate will be withheld from payments made to you, such as:

- salary or wages
- payments subject to voluntary agreements
- payments made under a labour hire arrangement
- personal services income attributed to you
- investments where you haven't supplied a TFN
- sales or services you have provided where you haven't quoted an ABN.

## **Result: estimated tax on instalment income**

The result of these steps is the tax on your instalment income.

If this amount is a negative figure, your estimated tax is zero.

QC 52879

## Stopping PAYG instalments

If you are no longer earning business or investment income, you may be able to exit PAYG instalments.

**Last updated** 18 December 2024

You may be able to exit pay as you go (PAYG) instalments if you are no longer earning business or investment income.

## Automatic exit

### Individuals

We will automatically remove you from PAYG instalments if you:

- are eligible to claim the senior and pensioners tax offset in your tax return
- report business and investment income of less than \$4,000 (for residents, or \$1 for non-residents) in your tax return
- have a tax debt of less than \$1,000 (after adjustments for PAYG instalments and voluntary payments) in your tax assessment
- have a calculated PAYG instalment rate of 0.0%
- have an estimated (notional) tax liability of less than \$500
- are under 18 and your tax return shows Division 6AA income less than the lowest marginal threshold, or
- lodge a final tax return or non-lodgment advice, or your tax agent lodges a 'further return not necessary'.

We will also remove a taxpayer from PAYG instalments if we are advised they are deceased.

## Trusts

We will automatically remove a trust from PAYG instalments if it:

- has an estimated (notional) tax liability of less than \$500
- reports instalment income of less than \$4,000 in its tax return
- has a tax debt of less than \$1,000 (after adjustments for PAYG instalments and voluntary payments) in its tax assessment, or
- has a calculated PAYG instalment rate of 0.0%.

## Companies and super funds

We will automatically remove a company or super fund from PAYG instalments if all of the following apply:

- it has a calculated PAYG instalment rate of zero or an estimated (notional) tax liability of less than \$500
- it has instalment income (excluding capital gains) in its most recent income tax assessment of less than \$2 million
- it is not the head company of a consolidated group.

## Exiting yourself

You can exit PAYG instalments if you are no longer earning business or investment income.

You can't exit PAYG instalments if you have:

- become bankrupt and are in a debt agreement (under Part IX of the *Bankruptcy Act 1966*) or personal insolvency agreement (under Part X of the Act)
- a tax debt of less than \$500 that would have been more than \$500 after including PAYG instalments for the year
- received a refund that would have been a debt of more than \$500 after including PAYG instalments for the year.

## Individuals, including sole traders

You can make a request to exit PAYG instalments using your myGov account linked to the ATO's Online services.

[Sign in to myGov \(individuals and sole traders\)](#)

Select **Tax > Manage > Tax registrations > Cancel**. This option will only be available when you become eligible to exit PAYG instalments.

You can also ask to exit through your registered tax agent or you can phone us on **13 28 61**.

## All businesses

You can request to exit PAYG instalments using Online services for business.

[Log in to Online services for business](#)

You can also ask to exit through your registered tax agent, or you can phone us on **13 28 66**.

## Re-entering PAYG instalments

If you lodge a tax return with income or tax above the **entry thresholds**, we will contact you about re-entering PAYG instalments.

You can re-enter PAYG instalments voluntarily if your circumstances change or you want to plan ahead for your income tax.

QC 45470

## PAYG instalments for consolidated groups

The head company of a consolidated group pays PAYG instalments for the group and its members as one entity.

**Last updated** 9 March 2022

## **How a consolidated group pays PAYG instalments**

When a group consolidates, the income, expenses and other income tax attributes (such as PAYG instalments) of members are treated as belonging to the head company of the group.

After the head company lodges its first consolidated tax return, we will advise it of its consolidated PAYG instalment rate. The group is then a 'mature' consolidated group. The head company will lodge activity statements and pay instalments for the consolidated group and its members as one entity.

The head company and subsidiary members will continue to report and pay all other activity statement obligations (such as GST, FBT instalments and PAYG withholding) on their own activity statements, according to their usual lodgment cycle.

## **When to lodge and pay**

As the head company of a mature consolidated group, you will pay instalments quarterly or monthly. We will let you know if you are required to pay monthly (you cannot make this choice yourself).

You will receive a separate activity statement for the PAYG instalments of the consolidated group.

Payments are due within 21 days of the end of the month or quarter.

If you pay quarterly, your payment due date will be based on your balancing date for the income year. For example, if your income year ends on 30 June, payments are due within 21 days of the end of the September, December, March and June quarters.

If a subsidiary member has a different quarterly cycle to you, it may need to adjust its systems so it can provide quarterly instalment income information to match your quarterly cycle.

## **Taxation of financial arrangements**

If you apply the rules for taxation of financial arrangements (TOFA), you need to determine if you are required to pay **monthly instalments**.



## How much to pay

Head companies are usually required to calculate instalments using the instalment rate (option 2).

Some head companies may be able to choose to pay using an instalment amount we calculate (option 1). If you have this choice, it will be shown on your first activity statement for the year.

### Instalment rate (option 2)

To work out instalments for the group, the head company multiplies the consolidated instalment rate (that we provide) by the group's instalment income for the period.

### Working out the group's instalment income

Your consolidated group's instalment income is the business and investment income of the group's members for the instalment period, excluding:

- GST
- intragroup transactions.

Intragroup transactions are ignored for income tax purposes because they amount to accounting entries between parts of the same company. As such, they are not income and not assessable to the head company.

Your consolidated group's instalment income includes:

- ordinary income assessable to you as the head company of the group
- the assessable income for all members.

There is an exception if a member is a life insurance company. In this case, your group's instalment income also includes any statutory income included in any group member's complying superannuation taxable income.

Subsidiary members should report their contribution to the group's instalment income to you as soon as possible after the end of the instalment period, so that the group's monthly or quarterly PAYG instalments are paid on time.

### How we calculate the consolidated instalment rate

We calculate your consolidated instalment rate using information from your most recently lodged tax return.

If you have had tax losses transferred to you from other group members or former group members, we will include in your taxable income the lesser of any tax loss that has been either carried forward or deducted in your most recent tax return.

We may give you a new instalment rate after you lodge a tax return, or if there is a change in your group membership.

## Instalment amount (option 1)

If you are eligible to pay using the instalment amount, this option will be available on your consolidated activity statement.

You can pay using the instalment amount (option 1) if your group either:

- has business and investment income of \$2 million or less
- is a small business entity.

The main advantages of this option are that:

- subsidiary members do not need to provide quarterly income information to you as the head company
- you do not need to work out how much to pay.

We work out your instalment amount based on the group's previous tax situation.

## Varying the amount to pay

If you think your consolidated instalment rate or amount will result in you paying more, or less, than your expected tax for the group for the year, you can vary it.

When varying as a result of consolidation, use the special variation reason code **33** (consolidations) on the consolidated activity statement.

When you vary it is important not to underestimate. We compare the group's instalments to its total tax payable on instalment income for the financial year. If the group's varied instalments are less than 85%

of that total, you may be subject to general interest charge on the difference, as well as penalties.

## **Instalments for entities joining a group**

The head company must notify us within 28 days of an entity joining the group. Failure to notify may result in penalties and processing delays.

### **Joining a mature group**

When an entity joins a mature group as a subsidiary member, the entity's PAYG instalment obligations end on the date it joins the group.

However, if this date is before the end of the subsidiary member's instalment period, it must pay an instalment to cover the period up until it joined the group.

If the subsidiary member calculates its instalments using the:

- instalment rate – the member calculates and reports its instalment income for its instalment period up to the date it joined the group, and pays its instalment based on this income
- instalment amount – the member pays the instalment amount for the whole period. If this will result in paying too much (or too little) tax for the year, the member can **vary it**.

If an entity joins a mature consolidated group immediately after leaving another consolidated group, the head company of the new group will:

- report the joining member's instalment income
- pay the joining member's instalments from the date the entity joined the group.

### **Joining a group during formation**

A group is in its formation period when the head company has not:

- lodged a consolidated tax return
- received a consolidated instalment rate
- reported and paid PAYG instalments for the group.

If an entity joins a group during this period, it must continue paying its own PAYG instalments until the head company of the new group is

given a consolidated instalment rate.

## **When the member's balancing date is different to the head company's**

When a joining member has a different reporting cycle to the head company, the joining member will pay their last instalment for the period that includes the balancing date of the head company.

### **Example: different balancing date for joining member**

A subsidiary member is a July balancer. The head company is a June balancer, and starts paying instalments for the consolidated group from 1 July.

The subsidiary member will pay an instalment for the 1 May to 31 July quarter, and will then exit the PAYG instalments system.

## **Instalments for members leaving a group**

A subsidiary member begins paying its own PAYG instalments from the day after it leaves a mature group.

The head company must notify us within 28 days of a subsidiary member leaving a group. Failure to notify may result in penalties and processing delays.

## **Payment cycle and method**

We will:

- let the former member know its instalment rate and how often to pay (these will be the same as for its former head company)
- include a PAYG instalments obligation in the former member's activity statements.

The former member must:

- use the instalment rate (option 2) to calculate its PAYG instalments
  - the rate can be varied if needed
- calculate its first instalment based on its instalment income from the date it left the group to the end of the instalment period.

When the former member lodges its first tax return after leaving the group, we will update its payment cycle and options.

If the entity left a mature consolidated group that was paying monthly instalments, and it wants to stop paying monthly, it needs to contact us before the start of the next income year.

If the former member immediately joins another mature consolidated group, the new head company will report the joining member's instalment income from the date of joining.

## **Working out instalment income**

After an entity leaves a mature consolidated group, any income it receives from transactions with the group's members is included in its instalment income.

## **Leaving a group during formation**

If an entity leaves a consolidated group during the formation period, the entity's existing PAYG instalment obligations and activity statements continue without interruption.

## **Deregistered member**

If a subsidiary member of a consolidated group is deregistered by the Australian Securities & Investments Commission:

- it ceases to exist as an entity (section 9 of the *Corporations Act 2001*)
- it can no longer be part of a consolidated group
- the head company is required to tell us that the subsidiary member has left the group, effective on the date it was deregistered.

We will then remove the subsidiary member from the PAYG instalments system.

Before the company is **deregistered**, the liquidator must ensure all relevant activity statements and tax returns are lodged, and any amount owing to us is paid.

## **Our commitment to you**

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

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.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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