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Take control before interest on ATO debt costs you more

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

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Changes to the deductibility of general interest charge (GIC) are coming on 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.

Before, this could be claimed as a deduction on tax returns. You can no longer claim a tax deduction for any GIC incurred on or after 1 July 2025. This means your small business will pay more to carry a tax debt.

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

How you can prepare for the changes

With these changes starting 1 July 2025, it's more important than ever to keep on top of your small business's ATO obligations.

To prepare, you can:

- **Make a payment** – If your small business has an ATO debt, paying it as soon as you can will reduce the amount of interest you'll pay. If you can't pay it in full, you 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** – Talk to your registered tax professional for personalised advice based on your circumstances. Their advice may include a business loan, as some interest on loans connected with running a business may be eligible for a tax deduction.
- **Plan ahead** – Consider setting aside GST, pay as you go withholding and super from your small business's cash flow, so you have the funds available when it's time to pay.

Take control of your finances and plan ahead to avoid unnecessary costs.

If your small business is experiencing difficult circumstances there's always **support options** available.

Learn more about the changes to GIC by visiting 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.

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.

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