



ATO reminder on interest deductibility changes from 1 July

ATO reminder for the upcoming changes to the deductibility of interest.

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The Australian Taxation Office (ATO) is reminding taxpayers, from 1 July 2025 interest charged by the ATO for late payments or underpayments will no longer be tax deductible.

The Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025 is now law. This means any general interest charge (GIC) incurred on and after 1 July 2025, regardless of whether the debt relates to an earlier income year, will no longer be tax deductible.

Like any other commercial loan, interest is applied if an amount of tax or other liability remains unpaid after its due date, or if there is a shortfall of payment due to an amendment or correction. This is designed to encourage timely payment of tax and compensate the community for the cost of late payments.

The change is designed to ensure that taxpayers who do the right thing and pay their tax in full and on time are not disadvantaged relative to those who do delay payment.

ATO Assistant Commissioner Anita Challen reminded taxpayers to pay in full and on time to avoid general interest charge accruing on overdue debts.

‘These changes will mean it will cost more to carry a tax debt and, while taxpayers won’t feel this change until next tax time, ATO general interest charge is currently charged at 11.17% and compounds daily making it so important to get on top of your tax obligations,’ Ms Challen said.

'If you have a tax debt you've been putting off paying – now is the time to pay.'

'Setting aside your GST, Pay as you go (PAYG) withholding and super from your business's cash flow in a separate bank account can help ensure you have the funds available when it's time to pay.'

'If you're unable to pay on time and in full, you may be able to set up a payment plan with the ATO using our online services, or you can contact your registered tax professional. While debts are under active management in an agreed payment plan with the ATO, you will avoid debt recovery actions.'

'Interest will continue to accrue if you are paying your ATO debt off through a payment plan, but as you make payments, the amount of interest you are charged will also decrease.'

'If you cannot pay on time and in full, you should also discuss your financial position with your accountant or finance provider to understand if there are alternative methods of funding payment of tax debts that might have a lower interest rate. If you are considering obtaining third party financing to pay your tax debt, you should discuss the tax implications with your registered tax agent or adviser,' Ms Challen said.


The **ATO website** has a range of helpful tools and free resources to help taxpayers and business owners to plan ahead and manage their cash flow to prevent a tax debt.

Interest charged by the ATO that was incurred before 1 July 2025 can still be claimed as a deduction this tax time. The interest that can be deducted is pre-filled in tax returns if taxpayers lodge online using myTax. Taxpayers can also verify the accuracy of the pre-filled data by checking it against their account in ATO online services before lodging.

There has been no change to the laws about remission of GIC and taxpayers will still be able to request the ATO to remit interest charges. Taxpayers should be aware that remission requests are carefully assessed to ensure a level playing field for those taxpayers who pay on time.

Taxpayers who need support or are experiencing serious financial hardship should reach out early to their registered tax professional or visit the **ATO website** to see what support options are available.

Notes for journalists

- These changes will also apply to taxpayers (commonly companies) that do not have a 30 June year end from their next income year.
- More information is available on the [ATO website](#).
- A high-resolution headshot of [ATO Assistant Commissioner Anita Challen](#)  is available for download from our media centre.
- [ATO stock footage and images](#) are available for use in news bulletins from our media centre.

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