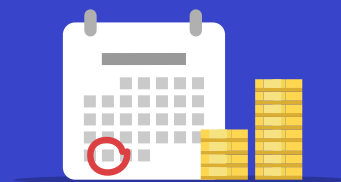




Australian Government
Australian Taxation Office

Pay as you go (PAYG) instalments



PAYG instalments can reduce a potential tax bill when earning income from investments like rent, interest or dividends.

What are PAYG instalments?

Pay as you go (PAYG) instalments allow you to make regular payments throughout the income year towards your end of year tax liability.

By spreading your payments across the year, you can avoid having to pay a large lump sum after lodging your tax return. This can help you manage your cash flow smoothly and reduce the risk of an unexpected tax bill.

You can either:

- use the instalment amount that we calculate for you
- calculate your own amount using an instalment rate we provide you.

Entry into PAYG instalments

You can enter into PAYG instalments by either automatic entry or voluntary entry.

Automatic entry

You will be automatically entered into PAYG instalments if **all** of the following apply:

- Your instalment income (including gross investment and business income before tax) from your latest tax return was \$4,000 or more.
- The tax payable on your latest notice of assessment was \$1,000 or more.
- Your estimated (notional) tax was \$500 or more.

If you are entered automatically, we will notify you and explain how PAYG instalments work and what you need to do. Notification may be sent via:

- a letter in your myGov Inbox
- a letter in the mail to you or your registered tax agent
- Online services for business
- Standard Business Reporting (SBR) software.

Voluntary entry

If you expect to earn over \$4,000 in gross business and investment income, it's a good idea to [voluntarily enter PAYG instalments](#).

You can voluntarily enter online through your myGov account linked to ATO's online services, as follows:

- log into [myGov](#)
- go to **Australian Taxation Office** under linked services, then
- select **Tax**
- select **Manage**
- select **Tax Registrations**
- in the Add new registration box, select **Register**
- select **PAYG instalments** from the drop-down box.

You can also enter PAYG instalments through your registered tax agent or by phoning our [Individuals enquiries](#) line.

Varying PAYG instalments

You can [vary your PAYG instalments](#) if your investment or business income changes compared to the prior income year.

Your variations must be lodged on or before the day your instalment is due.

Your varied amount or rate applies for the remaining instalments for the income year or until you make another variation. Use the [PAYG instalments calculator](#) to help you work out your new instalment amount or rate.

Example 1: PAYG instalments for investment income

Fiona sells her home in 2023–24 and decides to rent while she invests her profits from the sale, rather than buying a new home straight away.

Fiona lodges her 2024–25 tax return and reports \$10,000 of interest and dividends earned on her investments. She receives her notice of assessment with a tax debt of \$1,200.

Fiona is now required to make PAYG instalments and starts paying her instalments quarterly.

In April 2026, Fiona buys a new home with the money she invested. She can either use myGov or phone the ATO to advise that she no longer has investments. Fiona logs onto her myGov account and exits PAYG instalments.

The exit is effective from 1 April 2026 because she continued to receive instalment income for the January to March 2026 quarter. She lodges her March 2026 quarter instalment notice on the due date of 28 April 2026.

Example 2: income from interest

Pedro has \$500,000 deposited in a high interest savings bank account, which pays 5% per year. He estimates that he will earn \$25,000 in interest on the account for the income year. Pedro pays \$200 in bank fees on his account.

Pedro uses the PAYG instalments individuals calculator to see if he's eligible to voluntarily enter PAYG instalments. He enters his:

- total investment income of \$25,000
- taxable income of \$24,800 (\$25,000 investment income – \$200 bank fees).

The calculator estimates Pedro needs to pay \$1,306 tax this income year. He is eligible to voluntarily enter PAYG instalments. If he doesn't enter, he will:

- receive a tax bill when he lodges his next tax return
- be automatically entered into PAYG instalments for the following income year.

To work out how much he needs to pay in instalments each quarter, Pedro divides his total estimated tax liability from the calculator by 4 to calculate quarterly instalments:

$$\$1,306 \div 4 = \$326.50$$

If he chooses to voluntarily enter PAYG instalments, Pedro needs to pay this when he receives his quarterly instalment activity statement.

 This is a general summary only.

For more information, see ato.gov.au/PAYGI

