



Australian Government
Australian Taxation Office

Pay as you go (PAYG) instalments



If you earn income from investments such as interest, dividends, rent or royalties, it's important to plan ahead. Use PAYG instalments to help reduce any potential tax bill when you lodge your tax return.



How PAYG instalments work

Pay as you go (PAYG) instalments allow you to make regular payments during the income year towards your expected end of year tax liability. By making regular payments, you will reduce any potential amount you may have to pay when you lodge your tax return at the end of the income year.

Automatic entry

We will enter you into PAYG instalments if you meet all of the following criteria:

- your instalment income – including investment income – from your latest tax return is \$4,000 or more
- the tax payable on your latest notice of assessment is \$1,000 or more
- your estimated (notional) tax is \$500 or more (your estimated or notional tax is the amount payable after applying current income tax rates to your instalment income, excluding capital gains, in your most recent tax return).

We will send you a letter explaining how PAYG instalments work and what you have to do.

Voluntary entry

If you're expecting to make a profit from your investments, it's a good idea to voluntarily enter PAYG instalments.

You will need to estimate your annual instalment income and your allowable tax deductions so you can work out how much to pay.

You can voluntarily enter using your myGov account linked to the ATO:

- ✓ go to **Tax**
- ✓ select **Manage**
- ✓ then **Enter PAYG instalments**.

You can also enter through your registered tax agent by phoning us on **13 28 61**.

For more information on how to start paying PAYG instalments voluntarily, visit ato.gov.au/paygentry or speak to a registered tax agent.

Calculating your PAYG instalments

You can choose from two options to work out how to pay:

- **instalment amount** is the simplest option as you pay the amount we calculate for you
- **instalment rate** is when you work out the amount you pay using your investment income and allowable tax deductions and the rate we provide.

Calculating by **instalment rate** is best if your instalment income changes regularly. You will need to apply the rate to your income for each period.

Varying PAYG instalments

You can vary your PAYG instalments on your instalment notice if you think using the current amount or rate will result in you paying too much or too little in instalments for the year. This may happen if your investment income reduces or increases compared to the prior tax year.

Your variations must be lodged:

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

Review your tax position regularly as you can vary your instalments multiple times throughout the year. The varied amount or rate will apply for the remaining instalments for the income year or until you make another variation.

For more information on varying PAYG instalments, visit ato.gov.au/varypaygi or speak to a registered tax agent.



Note: Use the PAYG instalment calculator at ato.gov.au/paygicalc to help you work out your new instalment amount or rate.



Example: PAYG instalment system

Fiona sells her home in 2018–19 and decides to rent while she invests her profits from the sale, rather than buying a new home straight away.

Fiona lodges her 2019–20 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 entered into the PAYG instalments system and starts paying her instalments quarterly. In April 2021, Fiona makes the decision to buy a new home with the money she invested. She can either use myGov or phone the ATO to advise that she no longer has her investments (and therefore no longer has instalment income). Fiona logs onto her myGov account and exits the system.

The exit will be effective from 1 April 2021 because she continued to receive instalment income for the January–March 2021 quarter. She lodges her March 2021 quarter instalment notice on the due date of 28 April 2021.

For more information, visit ato.gov.au/paygi or speak to a registered tax agent.

This is a general summary only

For more information on PAYG instalments go to ato.gov.au/paygi

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