



A GUIDE TO PAYG INSTALMENTS

What are PAYG Instalments?

PAYG Instalments are payments you make to the ATO each quarter that are offset against any income tax you owe for the **current** financial year.

Do they reduce my tax owing from last year?

No, PAYG Instalments are not applied to any previous or current amounts you owe the ATO. You will still need to pay any amounts owing for your most recent tax return along with any other tax debt you have.

Why do I need to pay them?

You will only be asked to pay instalments when you have submitted a tax return showing that you have income from business or investments that is over \$4000.

You will receive a letter from the ATO outlining the PAYG Instalment system and your expected instalment amounts.

The PAYG instalment system was set up by the Government to help manage your taxes on a more regular basis rather than receiving a large or unexpected bill when you lodge your tax return.

Can I opt-out of paying them? I only want to pay my tax once a year.

PAYG Instalments are **not** optional, you must pay the amounts calculated by the ATO unless your income has changed since you last submitted a tax return in which case you may be entitled to **vary** your instalment amount.

The ATO will let you know if you are eligible to pay only one annual instalment.

When do I start paying them?

The ATO will ask you to pay instalments once you have submitted a tax return that shows you are earning income from operating a business as a sole trader and/or if you earn money from investments such as shares, partnerships, trusts.

The instalments are due every 3 months as follows:

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

You will receive an activity statement by post, via MyGOV or through the ATO Online Services depending on which of these systems you use. Your activity statement will show you the amount payable, the due date and payment options.

If you are already paying other taxes quarterly such as GST or PAYG Withholding, your instalment amount will be included on your regular activity statement.

How do the ATO calculate the instalment amounts they are asking for?

The ATO calculate the instalment amounts based on the income and expenses you reported in your most recent tax return.

How do I change (vary) the amount the ATO have calculated?

If your business and/or investment income is lower than it was in your last tax return, you can change the amount each quarter based on your current situation*. You can use the online calculator to help you work out the right amount to pay <https://www.ato.gov.au/calculators-and-tools/payg-instalments-calculator/>

**You need to lodge your activity statement by the above due dates to be able to change your instalment amount.*

If you reduce the instalment amount and subsequently have a tax bill when you lodge your tax return, you may be liable for penalties and interest.

You can lodge your activity statement online <https://www.ato.gov.au/Business/PAYG-instalments/Lodging-and-paying-PAYG-instalments/How-to-lodge-and-pay-PAYG-instalments/> or please contact us and we can assist you.

What if I pay too much?

If your instalments turn out to be more than your tax liability for the year, you will receive a refund of any amounts you have overpaid when your tax return is lodged at the end of the year.

If your situation changes as the year progresses and your income decreases, you may also be eligible to apply for a refund of amounts you have already paid without needing to wait for your tax return to be lodged – speak to the ATO or us about applying for a PAYGI credit.

When will I stop paying them?

If you lodge a tax return that shows your business or investment income is less than \$4000 you will receive a letter from the ATO letting you know that you no longer need to pay PAYG instalments.

I need more information!

- You can visit the ATO website for comprehensive information on PAYG Instalments

<https://www.ato.gov.au/Business/PAYG-instalments/>

- You can call the ATO for assistance on 132 866
- You can make an appointment with us to discuss your situation, either online or in-person

<https://www.lmhaccountants.com.au/book-online>

Disclaimer

Information provided in this document is general in nature and intended as a guide. You should seek advice from the ATO, or a registered tax practitioner for more detailed guidance specific to your situation and to confirm that this information is still relevant. Tax laws and policies change from time to time and the information provided here may no longer be applicable. We accept no responsibility for any reliance on this material or any action you take in response to this information.