

IMPORTANT INFORMATION \*

# Pay As You Go (PAYG) Instalments

PAYG instalments let you pre-pay tax on your business and investment income — such as rent, interest or dividends — through the year, so there is less to pay when you lodge your tax return. This factsheet covers how they work, how you are entered, the two ways to pay, and how to vary them.

📄 Rent · interest · dividends

📅 Pre-pay your tax

🛡️ Regulated by the ATO

\* General information only. Kristy Pan & Co. provides this material for general knowledge; it does not constitute tax or financial advice and does not take account of your specific circumstances. Please speak with us before acting.

## 1 How PAYG instalments work

PAYG instalments let you make regular payments during the income year towards your expected end-of-year tax liability. Paying throughout the year reduces the amount you may have to pay when you lodge — they most often apply when you earn income from investments such as rent, interest or dividends.

### ★ WHY IT HELPS

Less to pay at tax time.

Instead of one large bill after you lodge, you spread the tax across the year — which also makes cash flow easier to plan.

## 2 How you're entered

You can come into the system two ways: the ATO enters you automatically once you cross certain thresholds, or you opt in voluntarily.

### Automatic entry

The ATO will enter you if **all** of the following apply, based on your latest tax return and notice of assessment:



### **\$4,000+ instalment income**

Instalment income (including investment and business income) of \$4,000 or more.



### **\$1,000+ tax payable**

Tax payable on your latest notice of assessment of \$1,000 or more.



### **\$500+ notional tax**

Estimated (notional) tax of \$500 or more.

If the ATO enters you, they will let you know — through your myGov Inbox, Online services for business, or SBR software. Otherwise, you or your registered tax agent will receive a letter.

## **Quick self-check: are you likely to be entered?**

Tick the ones that apply — nothing here is saved or sent.

My latest tax return shows instalment income of **\$4,000 or more**.

Tax payable on my latest notice of assessment is **\$1,000 or more**.

My estimated (notional) tax is **\$500 or more**.

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**0 of 3 apply.**

If all three apply, the ATO generally enters you automatically.

## **Voluntary entry**

Expecting business or investment income over the threshold? You can opt in early — via your myGov account (*Tax → Manage → Tax Registrations → Register → PAYG instalments*), through your registered tax agent, or by phoning the ATO. We can set this up for you.

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## **Paying & varying**

When it is time to pay, you choose one of two methods — and you can vary your instalments if your income changes.

## Two ways to pay



### Instalment amount

The simplest option: you pay the amount the ATO calculates for you.



### Instalment rate

You work out the amount using your investment income and allowable deductions, applying the rate the ATO provides to each period's income.



#### TIP

Instalment rate suits variable income.

If your instalment income changes a lot and you want to manage cash flow, calculating by instalment rate is usually best — you apply the rate to your actual income each period.

## Varying your instalments

If your business or investment income falls or rises compared with the prior year, you can vary your instalments. Variations must be lodged **on or before the day your instalment is due**, and your varied amount or rate then applies for the rest of the income year (or until you vary again). The ATO's PAYG instalment calculator helps you work out the new figure.



#### WORKED EXAMPLE

Pedro — income from interest

Pedro expects about **\$25,000** of interest for the year (taxable income \$24,800 after \$200 of bank fees). The ATO calculator estimates **\$1,306** of tax for the year, so his quarterly instalments are  $\$1,306 \div 4 = \$326.50$ , payable each quarter on his instalment activity statement.

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## How we help

We can check whether PAYG instalments apply to you, set up voluntary entry, choose the method that suits your cash flow, prepare and lodge your instalment activity statements, and vary your instalments when your income changes.

[Download the ATO flyer \(PDF\)](#)

[Talk to us](#) →

[Read the ATO's PAYG instalments guidance](#)



## Glossary of terms

### **PAYG Instalments**

Regular pre-payments of tax on business and investment income during the year, credited against your end-of-year tax.

### **Notice of Assessment**

The ATO's statement of your tax position issued after you lodge a tax return.

### **Instalment amount**

A set dollar amount the ATO calculates for you to pay each period.

### **Instalment income**

Your gross business and investment income (such as rent, interest and dividends) that the instalments are based on.

### **Notional tax**

The ATO's estimate of the tax on your instalment income, used to work out your instalments.

### **Instalment rate**

A percentage the ATO gives you to apply to your instalment income each period.

#### **DISCLAIMER**

This factsheet contains general information only, summarised from the ATO's PAYG instalments guidance. It does not take into account your circumstances and is not a substitute for advice. Please consult Kristy Pan & Co. about your situation before acting.

**Kristy Pan & Co.**

CPA AUSTRALIA

CONTACT

(03) 9910 5205

NOTICE

General information only.