



Varying your PAYG instalments

Advice if you need to vary your PAYG instalments as a result of COVID-19



What PAYG instalments are

PAYG instalments is a system that helps you manage your expected tax liability on income from your business or investments for the current income year by making regular payments.

Why vary your instalments

You can vary your instalments if you think using the current amount or rate will result in you paying too much by instalments when compared to your estimated tax for the year.

If you are a PAYG instalment payer, you can vary your PAYG instalments on your activity statement.

We will not apply penalties or charge interest to varied instalments that relate to the 2020-21 income year, when you made your best attempt to estimate your end of year tax liability.

This applies to 30 June ordinary balancers for the 2021 income year and entities that have been granted a substituted accounting period (SAP). For an entity with a SAP, any variation must relate to instalments made during your 2021 income year.

We encourage you to review your tax position regularly. You can vary your PAYG

instalments as your situation changes.

You can vary your instalments multiple times throughout the year. Your varied amount or rate will apply for all your remaining instalments for the income year, or until you make another variation.

If you realise you've made a mistake working out your PAYG instalment, you can correct it by lodging a revised activity statement or varying a subsequent instalment.

You can lodge your variation on your business activity statement (BAS) or instalment notice

If you are an amount payer

As an amount payer, the amount on your BAS is set as a dollar amount.

You can vary your instalment amounts to zero for the remainder of the year if either:

- ✔ you expect to have significantly less business or investment income than expected; or
- ✔ you expect your deductions against your business or investment income to be more than the income itself for the full year.

How to vary your instalment amount

On your activity statement, enter at:

- ✔ **T8** – the estimated tax for the year. If this is nil, enter 0.
- ✔ **T9** – the varied instalment amount for the quarter. If this is nil, enter 0.
- ✔ **T4** – the variation reason code (use reason code 23 – significant change in trading conditions).
- ✔ **5A** – PAYG income tax instalment amount. If you're filling in a paper form, enter the amount from T9.

If you are a rate payer

The instalment rate is a percentage applied against the income you received for the period. The amount you pay may go up or down with your income received.

You can vary your instalment rate to zero if you either expect:

- ✔ to have significantly less income than expected
- ✔ your deductions against your business or investment income (or both) to be more than the income itself for the full year.

How to vary your instalment rate

To calculate your varied instalment rate:

Step 1: Estimate your instalment income for the year. Your instalment income is generally your gross business or investment income (or both), excluding any capital gains.

See [PAYG instalment income](#) – T1 for a list of what it includes.

Step 2: Estimate the tax on your instalment income for the year. You can use the [PAYG instalments calculator](#) or our instructions to [estimate the tax on your instalment income](#).

Step 3: Work out your varied instalment rate. You can work out your varied instalment rate by dividing your estimated tax by your estimated instalment income then multiplying by 100.

On your activity statement, enter at:

- ✔ **T1** (PAYG instalment income) your instalment income.
- ✔ **T3** (varied instalment rate) your varied instalment rate, or if varying to nil enter 0.
- ✔ **T11** the sum of your instalment amount (multiply T1 x T3).
- ✔ **T4** (Reason code for variation) reason code 23 (significant change in trading conditions).
- ✔ **5A** PAYG instalment income amount. If you're filling in a paper form, enter the amount from T11.

Step 4: Complete any other questions on your activity statement as required.

How to claim a credit on PAYG instalments already paid

Once you have varied down your rate or amount, you can also claim back a credit from the PAYG instalments you have already paid in your current financial year. To do this, complete the amount at label **5B** on your activity statement. If you choose to not claim back your credits on your activity statement and you overpay your PAYG instalments, you will be credited with them after your tax return is processed.

This is a general summary only

For more information, visit ato.gov.au or speak to a registered tax professional.