



Australian Government
Australian Taxation Office

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

To assist taxpayers experiencing financial difficulty as a result of COVID-19, we are providing added flexibility to manage your instalments to suit your circumstances.

You can vary your instalments (including varying to zero) 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.

Your varied amount or rate will apply for all your remaining instalments for the income year, or until you make another variation.

Also, if you vary your instalment amount or rate, you can claim a credit for instalments you have already paid this year.

If you choose to vary your PAYG instalment amounts due to the effects of COVID-19, we will not apply penalties for excessive variation or charge interest on these instalments.



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:

- ✓ 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, so the amount you pay will 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 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 and/or investment income, 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 PAYG instalments previously paid for the 2019–20 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.