



Australian Government  
Australian Taxation Office

# Pay as you go (PAYG) instalments



If you earn income from investments such as interest, dividends, rent or royalties, using PAYG instalments will help reduce a 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 paying regular instalments throughout the income year, you will reduce any potential amount you may have to pay when you lodge your tax return.

## Automatic entry

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

- instalment income, including investment and business income – from your latest tax return of \$4,000 or more
- tax payable on your latest notice of assessment of \$1,000 or more
- estimated (notional) tax of \$500 or more.

If we automatically enter you into PAYG instalments, we will notify you explaining how they work and what you need to do.

You will hear from us through:

- a letter in your myGov Inbox
- Online services for business, or
- Standard Business Reporting (SBR) software.

If none of these apply, you or your registered tax agent will receive a letter in the mail.

## Voluntary entry

If you're expecting to earn business and investment income over the threshold, it's a good idea to [voluntarily enter PAYG instalments](#).

You can voluntarily enter using your myGov account linked to the ATO's online services:

- select **Tax**
- select **Manage**
- then enter **PAYG instalments**.

You can also enter through your registered tax agent or by phoning us.

## Calculating your PAYG instalments

You can choose from 2 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 a lot and you want to manage your cashflow. You will need to apply the rate to your income for each period.

## Varying PAYG instalments

You can [vary your PAYG instalments](#) if your investment or business income reduces or increases compared to the prior income year.

Your variations must be lodged on or before the day your instalment is due.

Your varied amount or rate applies for the remaining instalments for the income year or until you make another variation. Use the [PAYG instalment calculator](#) to help you work out your new instalment amount or rate.

### Example 1: PAYG instalments for investment income

Fiona sells her home in 2021–22 and decides to rent while she invests her profits from the sale, rather than buying a new home straight away.

Fiona lodges her 2022–23 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 now required to make PAYG instalments and starts paying her instalments quarterly.

In April 2024, Fiona buys a new home with the money she invested. She can either use myGov or phone the ATO to advise that she no longer has an investment. Fiona logs onto her myGov account and exits the system.

The exit is effective from 1 April 2024 because she continued to receive instalment income for the January to March 2024 quarter. She lodges her March 2024 quarter instalment notice on the due date of 28 April 2024.

### Example 2: income from interest

Pedro has \$500,000 deposited in a high interest savings bank account, which pays 5% p.a. He estimates that he will earn \$25,000 in interest on the account for the income year. Pedro pays \$200 in bank fees on his account.

Pedro uses the [PAYG instalments individuals calculator](#) to see if he's eligible to voluntarily enter PAYG instalments. He enters his:

- total investment income of \$25,000
- taxable income of \$24,800 (\$25,000 (investment income) – \$200 (bank fees)).

The calculator estimates Pedro needs to pay \$1,306 tax this income year. He is eligible to voluntarily enter PAYG instalments. If he doesn't enter, he will receive a tax bill when he lodges his next tax return and will automatically be entered into the system for the following income year.

To work out how much he needs to pay in instalments each quarter, Pedro divides his total estimated tax liability from the calculator by 4 to calculate quarterly instalments:

$$\text{\$1,306} \div 4 = \text{\$326.50}$$

He needs to pay this when he receives his quarterly instalment activity statement if he chooses to voluntarily enter PAYG instalments.



**This is a general summary only.**

For more information on PAYG instalments go to [ato.gov.au/paygi](https://ato.gov.au/paygi)

