

Tax Facts - PAYG Instalments

[Pay As You Go \(PAYG\) Instalments](#) is a system for paying instalments during the income year towards an entity's or individual's expected tax liability on business and investment income. The actual tax liability is worked out at the end of the income year when the annual income tax return is assessed. PAYG instalments paid during the year are credited against the assessment to determine whether the entity or individual owes more tax, or is owed a refund.

The Australian Taxation Office (ATO) will contact entities and individuals who are required to pay PAYG instalments, notifying them of their instalment rate. This is calculated according to information in the last assessed income tax return. PAYG instalments may be included as part of an activity statement, or a separate instalment notice may be issued.

The default option is for the instalment to be calculated as the instalment rate multiplied by business and investment income for the instalment period. The main advantage of this method is that instalments are based on income as the entity or individual earns it, instead of a projection based on the previous tax situation. Some entities, and all individuals, may however choose to pay an instalment amount calculated by the ATO, which is based on the most recent tax assessment plus an uplift factor. This decision needs to be made before the due date for payment of the first instalment for each income year, and then applies for the remainder of that year.

Entities and individuals can vary an instalment if they believe the instalment rate, or the ATO calculated instalment, will result in paying more or less than the expected tax liability for the year.

Individuals

PAYG instalments for individuals are generally paid quarterly. Where the most recent annual tax liability on business and investment income is less than \$8,000 and certain other conditions are met, individuals can choose to pay an annual instalment. For more information see [Introduction to annual PAYG instalments](#). A special [two instalment](#) option is available to some primary producers and special professionals (e.g. sportspersons, artists, inventors and authors).

Partnerships and trusts

Partnerships and trusts are generally not required to pay PAYG instalments. However, special rules apply to [partners](#) and [beneficiaries](#) when calculating their own PAYG instalments.

Companies

Corporate tax entities with annual turnover above a threshold are required to pay monthly PAYG instalments. The threshold is \$1 billion from 1 January 2014 and \$100 million from 1 January 2015. Other corporate tax entities are required to pay quarterly instalments. Companies can choose to pay an annual instalment if they meet the criteria that apply to individuals noted above, plus some additional conditions.

Superannuation funds

PAYG instalments for superannuation funds are generally paid quarterly. Superannuation funds can choose to pay an annual instalment if they meet the criteria that apply to individuals noted above.