



PAYG instalments – how to complete your activity statement

You report and pay your PAYG instalments through your BAS or instalment notice.

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If you receive an:

- activity statement, complete and lodge it to report your pay as you go (PAYG) instalment
- instalment notice, you do not need to complete or lodge it, unless you wish to vary the amount. You can simply pay the amount shown on the notice.

Choose your option for calculating instalments

On your first activity statement of the income year, you may have the choice between 2 options:

- Option 1: Pay a PAYG instalment amount
- Option 2: Calculate PAYG instalment using income \times rate.

You can find out how these options work, and which might suit you best, in [Calculate your PAYG instalments](#).

If you have this choice, indicate your preferred option and complete the section you have chosen.

Completing the instalment amount (option 1)

With this option you pay the amount we have calculated for you.

Instalment amount – T7

T7 (ATO instalment amount) shows either:

- the amount we have calculated for you
- the amount you calculated in your most recent variation (if you varied a previous instalment).

If you do not need to vary the amount, and do not have any other obligations (such as GST) that require a business activity statement, you can just pay the amount. You do not need to lodge your activity statement or instalment notice.

Vary the instalment amount

If you think your instalment amount will result in you paying more, or less, than your expected income tax for the year, you can vary it.

You do not have to vary your PAYG instalments. When you lodge your tax return, your PAYG instalments are credited against your income tax liability. We refund any excess, and you pay any shortfall.

Estimated tax for the year – T8

Enter the tax you expect to pay on your business and investment income for the year.

Varied amount – T9

Enter your varied amount. If this is nil or a negative amount, **enter 0**.

If it is a negative amount, you can claim a credit at **5B**.

Reason code for variation – T4

Choose the variation reason code that best describes why you varied your PAYG instalment amount.

PAYG income tax instalment – 5A

The amount of your PAYG instalment for the period is shown at **5A** (PAYG income tax instalment).

If you are lodging a paper statement, you will need to fill in this field. Enter the amount from either:

- **T7** (instalment amount)
- **T9** (if you are varying the amount).

Credit from PAYG income tax instalment variation – 5B

If your varied amount for the period (entered at **T9**) is negative, you may be refunded any excess from previous instalments in the same income year.

To claim a credit, enter your varied instalment amount at **5B** (credit from PAYG income tax instalment variation).

You do not have to claim a credit in your activity statement. You can wait until you lodge your tax return and we will take any credit into account when we work out any tax shortfall or refund for the year.

Completing the instalment rate (option 2)

With this option you calculate the amount to pay by multiplying your instalment rate by your business and investment income. We tell you what rate to use.

PAYG instalment income – T1

Work out your instalment income for the period and enter this at **T1** (PAYG instalment income). If you do not have any instalment income for the period, enter '0'.

Generally, your instalment income is your gross business and investment income, excluding GST.

If we provide you with an instalment rate of nil, you still need to report your instalment income on your activity statement.

Instalment rate – T2

The rate at **T2** (instalment rate) will be either:

- the instalment rate worked out by us
- your most recent varied rate, if you have varied the instalment rate in a previous quarter in the same income year.

If you do not need to vary the instalment rate, skip to [Instalment \(T11\)](#).

Vary the instalment rate

If you think your instalment rate will result in you paying more, or less, than your expected income tax for the year, you can vary it.

You do not need to vary simply because your income has changed – the payment you calculate will go up and down in line with your income.

Varying your PAYG instalments will not change how much income tax you pay for the year. When you lodge your tax return, your PAYG instalments are credited against your income tax liability. We refund any excess, and you pay any shortfall.

If you want to vary your instalment rate, see [How to vary your instalment rate \(option 2\)](#) to calculate your variation. Enter **T3** (new varied rate) and **T4** (reason code for variation) on your activity statement.

New varied rate – T3

Calculate your varied rate and enter it at **T3**.

Reason code for variation – T4

Choose the variation reason code that best describes why you varied your PAYG instalment amount.

Instalment – T11

To work out your instalment for the period (**T11**):

- multiply your instalment income (**T1**) by your instalment rate (**T2** or **T3**).

PAYG income tax instalment – 5A

The amount of your PAYG instalment for the period is shown at **5A** (PAYG income tax instalment).

- If you are lodging a paper statement, you will need to fill in this field. Enter the amount from **T11**.

Example: calculating an instalment using the instalment rate

Sophia is a sole trader.

- We have offered her a choice of reporting options in the first quarter (1 July to 30 September).
- Sophia chooses to pay using the instalment rate (option 2).

Sophia's income for the quarter is:

- total sales of \$22,000 (including \$2,000 GST)
- interest and dividends received of \$100.

Sophia's *instalment* income is \$20,100, made up of:

- \$22,000 (total sales) – \$2,000 (GST) + plus \$100 (other income).

At **T1** she enters the instalment income of 20,100.

The instalment rate on her activity statement shown at **T2** is 1.7%.

She calculates the instalment amount as follows:

$$\mathbf{T1} \times \mathbf{T2} = \$20,100 \times 1.7\% = \$341.70$$

She enters 341 at both **T11** and **5A**.

Sophia lodges her activity statement and pays \$341 by 28 October (the due date for the first quarter).

Credit from PAYG income tax instalment variation – 5B

If your varied instalment rate (entered at **T3**) is less than the instalment rate at **T2**, you may be entitled to a credit from earlier instalments in the same income year.

To claim a credit, enter the amount at **5B**.

You do not have to claim a credit in your activity statement. You can wait until you lodge your tax return and we will take any credit into account when we work out any tax shortfall for you to pay or refund you are due.

Use the following table to calculate the amount of credit you can claim at **5B**.

Table: Calculate the amount of credit you can claim

Step	Calculation
1	Add up your earlier instalments (the amounts reported at 5A), even if you have not paid all of them
2	Add up any credits claimed in previous quarters of the income year (amounts reported at 5B on previous activity statements)
3	Subtract the amount at step 2 from step 1
4	Add up instalment income for all earlier quarters of the income year
5	Multiply the amount at step 4 by the varied instalment rate
6	Subtract the amount at step 5 from the amount at step 3
7	If the result is a positive amount, this is the amount of credit you can claim at 5B

Example: claiming a credit

Bill's instalment rate is 10% for the first quarter (1 July to 30 September) of the current income year.

He multiplies this rate by his instalment income of \$10,000:

- $(\$10,000 \times 10\%) =$ instalment payment of \$1,000.

For the second quarter (1 October to 31 December), Bill varies the instalment rate to 5%.

Bill multiplies his instalment income of \$10,000 by the varied rate.

- $(\$10,000 \times 5\%) =$ instalment payment of \$500.

He then chooses to claim a credit as if his instalment rate had always been 5%.

- Using the table below to work it out, Bill's claim at **5B** would be \$500.

Table: Bill's calculation of the amount of credit he can claim

Step	Calculation	Amount
1	Bill adds up his earlier instalments (the amounts reported at 5A) including the instalments he hasn't paid for	\$1,000
2	He adds up any credits claimed in previous quarters (amounts reported at 5B on a previous activity statement)	\$0
3	He subtracts the amount at step 2 from step 1	\$1,000
4	He adds up his instalment income for all earlier quarters of the income year	\$10,000
5	He multiplies the amount at step 4 by the varied instalment rate	$\$10,000 \times 5\%$ = \$500
6	He subtracts the amount at step 5 from the amount at step 3	$\$1,000 - \500 = \$500
7	Bill's amount of credit he can claim at 5B	\$500

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