



# A guide to annual PAYG income tax instalments

This fact sheet explains how taxpayers who have chosen to pay an annual pay as you go (PAYG) instalment can meet their obligation.

**!** The dates given in this fact sheet are based on a balancing date of 30 June (which is when the majority of taxpayers in Australia balance their accounts) except where otherwise indicated.

## WHEN ARE ANNUAL PAYG INSTALMENTS DUE?

You need to pay your annual PAYG instalment by 21 October.

**!** You can expect to receive your annual PAYG instalment notice by early July. This gives you an opportunity to pay your annual instalment before you lodge your income tax return.

## CREDIT FOR ANNUAL PAYG INSTALMENT

Your annual PAYG instalment will be credited against your income tax return to determine whether you owe more tax or are owed a refund.

If you pay your annual PAYG instalment before you lodge your income tax return, you will receive the correct amount of PAYG instalment credit when your income tax return is assessed. This will minimise the need for us to contact you about your tax affairs.

If your annual PAYG instalment is outstanding when you lodge your income tax return, you will receive credit for the amount notified at label T5 on your annual PAYG instalment notice. However, in most circumstances you will still be required to pay your annual PAYG instalment amount by 21 October.

**!** If you have already lodged your income tax return see 'What if I have already lodged my income tax return before finalising my annual instalment?'

## ANNUAL PAYG INSTALMENT OPTIONS

You have three options for paying your annual instalment:

- pay an amount calculated by us
- vary the amount calculated by us, or
- work out an instalment based on your instalment rate multiplied by your instalment income for the year.

## PAY AN AMOUNT CALCULATED BY US

The PAYG instalment amount calculated by us is shown at label T5 on your annual PAYG instalment notice. This amount is based on the income tax payable on your business and investment income shown in your most recent income tax return.

If you choose this option, simply pay the amount using one of the payment options described on your annual PAYG instalment notice. You do not need to lodge your instalment notice – keep it with your records.

## VARY THE AMOUNT CALCULATED BY US

You can vary your PAYG instalment amount if your situation has changed since your last income tax return and you believe that paying the amount calculated by us will result in you paying more or less than your actual income tax liability for the year.

To use this option you need to be able to reliably estimate or determine the tax payable on your business and investment income for the year.

If you choose this option, you will need to complete the information on the back of your annual PAYG instalment notice and return it to us before you lodge your income tax return or by 21 October, whichever is earlier. You will also need to pay your varied amount by 21 October.

**!** You may be liable to the general interest charge if you vary your PAYG instalment amount down, and end up paying less than 85% of the actual tax payable on your business and investment income.

## WORK OUT AN INSTALMENT BASED ON YOUR INSTALMENT RATE MULTIPLIED BY YOUR INSTALMENT INCOME FOR THE YEAR

You can pay an amount based on your actual business and investment income by calculating your annual liability using the instalment rate provided.

The instalment rate is calculated from your last assessed income tax return and is an accurate approximation of the income tax payable on your business and investment income for this assessment period.

If you choose this option, you will need to complete the information on the back of your annual PAYG instalment notice and return it to us before you lodge your annual income tax return or by 21 October, whichever is earlier. You will need to pay the instalment amount you worked out by 21 October.

## WHAT IF I HAVE ALREADY LODGED MY INCOME TAX RETURN BEFORE FINALISING MY ANNUAL PAYG INSTALMENT?

As the due date for the annual instalment is almost four months after the end of the income year, you may have already lodged your income tax return before finalising your annual PAYG instalment.

You are entitled to credit for your annual PAYG instalment with your income tax return – regardless of whether or not you have paid the amount owing. If you lodge your income tax return before finalising your annual PAYG instalment, you will receive credit for the PAYG instalment amount at label T5 on your annual PAYG instalment. This credit appears at label F on your notice of assessment. The obligation to pay the annual PAYG instalment liability by the due date still remains. A general interest charge will apply to any amount not paid by the due date.

**!** If you have already lodged your income tax return, you should not vary your annual PAYG instalment amount to equal your assessed tax.

## UPDATING YOUR ADDRESS

You can elect to have different postal addresses for some of your dealings with the Tax Office, for example, your postal address for income tax purposes may be different to that for activity statement purposes.

Lodging your income tax return will automatically keep your income tax address up to date but will not automatically update other addresses.

To update your address for receiving activity statements, you can phone the business help line on **13 28 66**.

### ➤ MORE INFORMATION

If you need more information about annual PAYG instalments, you can:

- speak to your tax adviser
- visit **www.ato.gov.au**
- phone **13 28 66** between 8.00am and 6.00pm, Monday to Friday
- obtain a fax by phoning **13 28 60**, or
- write to us at **GPO Box 9990 in your capital city**.

If you do not speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

## OUR COMMITMENT TO YOU

We are committed to providing you with advice and information you can rely on.

If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional adviser.

**The information in this publication is current at April 2007.**

We regularly revise our publications to take account of any changes to the law, so make sure that you have the latest information. If you are unsure, you can check for a more recent version on our website at **www.ato.gov.au** or contact us.