

Varying PAYG instalments because of COVID-19

PAYG instalment 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 smaller regular payments.

To assist taxpayers experiencing financial difficulty as a result of COVID-19, the ATO is 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 present 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.

Furthermore, if you vary your instalment amount or rate it can also be possible to claim a credit for instalments you have already paid for the current income year (more below).

In an added element to the PAYG withholding regime, the ATO has stated that where you choose to vary your PAYG instalment amounts due to the effects of COVID-19, it will not apply penalties for excessive variation or charge interest on those instalments.

You can lodge a variation of PAYG instalments on your business activity statement (BAS) or in-stalment notice, and of course, we can help you do this or provide guidance.

Also note that the government has announced that it will suspend the indexation of tax instalments for the 2020-21 income year. Both income tax (PAYG) and GST instalments are included.

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 and 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.

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. Again, you can vary your instalment rate to zero if:

- you expect to have significantly less 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 claim a credit on PAYG instalments already paid

Once you have varied down your rate or amount, the ATO states that it is possible to 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 (and of course ask for help or advice if you need it).

If you choose to not claim back credits on your activity statement and it ends up that you have over-paid your PAYG instalments, you will be credited with them after your tax return is processed.

