

Your Guide to Navigating PAYG Instalments



Understanding the Pay As You Go (PAYG) System



Let's start with the basics: The ATO introduced the Pay As You Go (PAYG) system to help those taxpayers who are required, or who opt-in, to manage their cash flow and lighten their tax load at the end of the financial year. It's a straightforward concept – you prepay your expected tax obligations. The confusion comes regarding how much, and when, you are expected to pay.



Getting to Know PAYG Instalments

PAYG Instalments, at the core of this system, are those regular tax payments you make throughout the fiscal year. They're designed to gradually reduce your overall income tax burden when it's time to file your annual tax return. Think of them as breaking down a financial mountain into manageable hills.



Calculating Your PAYG Instalments

The ATO will give you the lowdown on your PAYG Instalments. The calculation hinges on a formula that takes data from your most recent tax return. Alternatively, the ATO might hand you an instalment rate to simplify things. If you anticipate financial changes, you can tweak your PAYG Instalments. But here's a tip: chat with us before making adjustments to avoid potential interest charges and penalties.



When and How to Make Payments

In general, PAYG Instalments are due quarterly, creating a steady financial rhythm. But there are exceptions – businesses with incomes exceeding \$20 million may be required to pay monthly.

Some taxpayers, like those in primary production or specific professions, can choose between two annual instalments or a single annual payment. Keep an eye on your Business Activity Statement (BAS) or Instalment Activity Statement (IAS), which arrives at the end of each financial quarter with due dates usually set 28 days later.



Support for You

At Smith Shearer, we're all about smoothing your path through the PAYG Instalments process. When we provide you with your annual tax completion, we'll also provide a detailed PAYG. We also ensure your payslips reach you promptly when they're due. If you have questions or need assistance with your PAYG Instalments, reach out to us anytime; we're here to guide you every step of the way.



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BUSINESS ADVISORS AND TAXATION ACCOUNTANTS