

## PAYG instalments for primary producers and special professionals

Pay as you go (PAYG) instalments is a system for paying instalments towards your *expected* tax liability on your business and investment income for the current income year.

Your *actual* tax liability is worked out when your annual income tax return is assessed. Your PAYG instalments for the year are credited against your assessment to determine whether you owe more tax or are owed a refund.

This fact sheet explains the payment options available to primary producers and special professionals.

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.

Please get help from us or a professional tax practitioner if you feel this fact sheet does not fully cover your circumstances.

### What are the payment options available for primary producers and special professionals?

If you are a primary producer or a special professional, PAYG instalments has flexible options that allow your instalment amounts to better reflect fluctuations in your income.

Depending on your circumstances, you can pay:

- two quarterly instalments per year (for eligible primary producers and special professionals)
- quarterly (everyone in the PAYG instalments system can pay quarterly), and
- annually (if you are eligible).

We will write to you and tell you which options are available to you.

### Two quarterly instalments

You pay two instalments in an income year if:

- you are a quarterly PAYG instalment payer who is eligible and has decided to pay an amount worked out for you by us
- you are an individual carrying on a primary production business or you are a special professional, such as an author, inventor, performing artist, production associate or sports person, and



- your gross primary production income or special professional income exceeded the deductions for that income in your most recent income tax return—that is, your net income from the business in your most recently assessed income year was at least \$1. For the purpose of working out your net income:
  - any carried forward losses are ignored, and
  - net farm management deposits and withdrawals are included if withdrawals exceeded deposits.

In this arrangement we work out your instalment amount using your GDP adjusted notional tax. You pay 75 per cent of your GDP adjusted tax by 28 April and the remainder by 28 July.

## Four quarterly instalments

If you are eligible to pay two instalments and choose to pay the amount worked out for you by us, you can not choose to pay four quarterly instalments. If you prefer to pay four instalments per year, you will have to work out your own PAYG instalments based on your income and instalment rate.

To do this you pay a proportion of your business and investment income for the quarter. You work out the amount to pay using your instalment rate, which is shown on your activity statement. If you pay quarterly and your circumstances change you may vary your instalment rate.

It works like this:

$$\text{instalment income (\$)} \times \text{instalment rate (\%)} = \text{Instalment amount (\$)}$$

## Annual instalment

You are eligible to pay PAYG annually if you are an individual and:

- your notional tax is less than \$8,000
- you (or a partnership you are a partner in) are not registered or required to be registered for GST, and
- you choose to pay annually.

For further information on payment options, see *Need more information*.

## Can I change the amount I pay?

Yes. You can vary your instalments if you believe the amount or rate notified by us will result in you paying more (or less) than your expected tax liability.

If you pay an amount worked out for you by us, you vary your instalment amount by estimating the tax on your business and investment income.

If you're a quarterly payer using the *instalment income x instalment rate* method, you vary your instalment amount by varying your instalment rate.

You may be liable to pay interest if your varied instalment amount or rate is less than 85 per cent of the amount or rate that would have covered your actual tax liability for the year.

## Do I still need to lodge an annual income tax return?

Yes. PAYG instalments is a system for paying instalments of your *expected* end-of-year income tax liability. Your *actual* tax liability is worked out when your annual income tax return is assessed. Your PAYG instalments for the year are credited against your assessment to determine whether you owe more tax or are owed a refund.

To ensure you receive the correct amount of credit in your assessment, you must finalise your PAYG instalments before you lodge your tax return.

## Instalment income – special rules for primary producers

### Farm management deposits

If you make a farm management deposit your instalment income for that period is reduced. Withdrawals from farm management deposits must be included in your instalment income.

### Forced disposals of livestock

If you are forced to dispose of livestock in circumstances that entitle you to choose to return the proceeds of the sale over five years, only the amount assessable in the income year you are forced to dispose of the livestock is included in instalment income.

### Income averaging

PAYG does not affect your entitlement to income averaging. If your income is subject to the income tax averaging provisions, the instalment rate or amount that we calculate for you will take your entitlement to income averaging into account.

## Need more information

There is a range of fact sheets and other publications available, including:

- *PAYG – working out your proportion of partnership instalment income* (NAT 3494)
- *Varying your PAYG instalments – individuals* (NAT 4159)
- *PAYG – instalments for individuals* (NAT 4269), and
- *GST reporting and payment options for primary producers and special professionals* (NAT 4238).

You can get publications about PAYG instalments, and other tax information by:

- phoning **13 28 66**
- obtaining a fax by phoning **13 28 60**, or
- writing to PO Box 1130 Penrith NSW 2751.

If you do not speak English and need help from the Tax Office, phone the Translating and Interpreting Service on **13 14 50**.

People with a hearing or speech impairment with access to TTY or modem equipment can phone **13 36 77**. People without TTY or modem equipment can phone the Speech to Speech Relay Service on **1300 555 727**.

## Our commitment to you

The information in this publication is current at November 2003 and we have made every effort to ensure it is accurate. However, if something in the publication is wrong or misleading and you make a mistake as a result, you will not be charged a penalty. You may have to pay interest, depending on the circumstances of your case.

You are protected under GST law if you have acted on any GST information in this publication. If you have relied on GST advice in this Tax Office publication and that advice has later changed, you will not have to pay any extra GST for the period up to the date of this change. Similarly, you will not have to pay any penalties or interest.

If you feel this publication does not fully cover your circumstances, please seek help from the Tax Office or a professional tax adviser. Since we regularly revise our publications to take account of any changes to the law, you should make sure this edition is the latest. The easiest way to do this is by checking for a more recent version on our website at [www.ato.gov.au](http://www.ato.gov.au)

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