



 [Print whole section](#)

Interest and penalties

Learn about interest and penalties we charge and interest we pay on early or overpaid amounts.

Interest we pay



We pay you interest on certain tax liabilities when you pay early, overpay or there's a delay in us paying your refund.

Interest we charge



Find out about the interest we charge on outstanding, underpaid and incorrect reports of tax amounts.

Penalties



Penalties we impose and how we calculate it using a statutory formula or in multiples of a 'penalty unit'.

QC 33412

Interest we pay

We pay you interest on certain tax liabilities when you pay early, overpay or there's a delay in us paying your refund.

Last updated 11 June 2024

Interest on early payments >

When we pay interest on early payments you make 14 days or more before the due date and how we calculate the interest.

Interest on overpayments >

Check which overpayments we pay interest on and how to calculate the interest amount.

Delayed refund interest >

Check what refund amounts we pay interest on if they are not paid within 14 days.

QC 67744

Interest on early payments

When we pay interest on early payments you make 14 days or more before the due date and how we calculate the interest.

Last updated 11 June 2024

Payments eligible for IEP

Interest on early payments (IEP) is interest we pay when you make a payment towards any of the following tax liabilities **more than 14 days before the due date**:

- income tax (including Medicare levy and Medicare levy surcharge)
- compulsory Higher Education Loan Program (HELP) repayments
- compulsory Vocational Education and Training Student Loan (VETSL) repayments
- Student Financial Supplement Scheme (SFSS) assessment debts

- compulsory Student Start-up Loan (SSL) repayments
- compulsory ABSTUDY Student Start-up Loan (SSL) repayments
- compulsory Australian Apprenticeship Support Loans (AASL) (formerly Trade Support Loan [TSL]) debt repayments
- interest on distributions from non-resident trust estates
- shortfall interest charge (SIC).

Payments not eligible for IEP

The following payments are **not eligible** for IEP:

- pay as you go (PAYG) withholding amounts including
 - amounts withheld from interest, dividends and royalties
 - amounts withheld by payers (including those withheld for the purpose of repaying contributions or debts for HELP, VETSL SFSS, TSL, SSL or ABSTUDY SSL)
- PAYG instalments
- self-managed super fund (SMSF) supervisory levy payments
- any part of a payment that exceeds the amount that is due and payable.

Payment of IEP

From March 2022, we have automated the calculation and payment of IEP entitlements for eligible early payments. This process applies to amounts you have paid us since **1 July 2021**.

We calculate and pay IEP after the due date of the tax debt has passed. We only pay IEP if your interest amount is \$0.50 or more and it may be used to offset income tax and other debts.

IEP is paid directly to your nominated bank account, so make sure your financial institution account details are up to date.

If your financial institution account details are not up to date, we will pay you by cheque for IEP entitlements over \$9.99. Lesser amounts will remain on your account for a maximum of 12 months provided the amount has not been offset against an outstanding tax debt or paid

with another credit. If your financial institution account details are not up to date after 12 months, then the IEP credit will issue by cheque.

If you update your financial institution account details within the 12-month period, then the IEP credit will be paid directly to your nominated bank account after the 12 months have passed.

Payment of an IEP credit retained on an account can be requested:

- through practice mail in **Online services for agents**
- through secure mail in **Online services for business**
- in writing.

Registered agents

IEP amounts will be paid to a client's nominated bank account, that can be either their:

- personal bank account
- tax agent's trust account.


Clients should check their bank account details are up to date. This is to ensure they receive their IEP entitlements as soon as possible.

If your client has nominated your practice trust account for refunds, we'll pay IEP to that account. You will need to forward or transfer the amount to your client.

You can access an **EFT Reconciliation Report** to view any IEP entitlements paid to your trust account on behalf of your client.

Statement of Account

A Statement of Account (SoA) will be sent when the IEP credit is refunded or offset against an existing debt. For:

- individuals – use [myGov](#)  to view your SoA
- businesses – use **Online services for business (OSB)** to view your SoA
- tax professionals – use **Online services for agents** to view your clients SoA.

How IEP is calculated

Interest is payable on the amount of the early payments you make. The period for which the interest is payable is calculated according to your circumstances.

For individuals and trusts, interest is payable:

- from the later of
 - the date of issue on your notice setting out the amount of tax, debt or interest you need to pay
 - the date you make the payment
- until and including the payment due date.

Individuals and taxable trusts can use the **interest on early payment calculator** to calculate the amount of your entitlement.

For companies and super funds, interest is payable from the date you make the payment up to and including the due date for payment.

Interest on early payments is **not payable**:

- on amounts that exceed the value of your tax debt
- for any period after we refund your early payment.

You can also check the **formula we use to calculate credit interest and the rates**.

Claiming IEP

To claim IEP for payments made before 1 July 2021, you can either:

- use practice mail in **Online Services for Agents**
- use secure mail in **Online Services for Business**
- **write to us**.

You will need to provide details of your entitlement including:

- payment amounts
- payment dates
- the specific debt (including income year) the payments were made towards.

Alternatively, you can include it as a **Credit for early payments** in your tax return for the income year in which the interest entitlement arises. If you've already lodged that tax return, you'll need to calculate your entitlement and lodge an amendment.

Tax treatment of IEP

Interest on early payments is assessable income. Include any IEP in your tax return in either the:

- income year you receive the interest payment
- income year it is offset against another tax debt you had with us.

QC 67821

Interest on overpayments

Check which overpayments we pay interest on and how to calculate the interest amount.

Last updated 11 June 2024

When we pay interest on overpayments

We will pay interest on overpayments (IOP) if any of the following occurs:

- We take 30 days or more after you lodge your tax return to issue a notice of assessment if that assessment results in a refund of tax – the 30 day period starts from the date we receive all the required information.
- You claim certain credits after an assessment has been made because the assessable amount should be reported in a different income year.
- Your assessment is amended after you paid it and the amendment reduces your tax liability.
- You request a refund of all or part of a payment you made to

- an income tax account
- certain income tax penalties such as those we impose for making a false or misleading statement
- a compulsory Higher Education Loan Program (HELP), VET Student Loan (VSL), Student Start-up Loan (SSL) or Australian Apprenticeship Support Loans (AASL) (formerly Trade Support Loan) repayment amount
- a Student Financial Supplement Scheme assessment debt.
- You request a remission of certain interest amounts you have paid and we refund it to you 30 days or more after you made the request, such as
 - general interest charge (GIC)
 - shortfall interest charge (SIC).

How we calculate IOP

We automatically calculate IOP amounts for you and pay you the interest amount with your overpayment. If you have outstanding tax or super debts, we may offset these credits against those debts.

The IOP will go directly to the bank account you nominate, make sure your financial institution details are up to date.

You can check the rates we use to calculate credit interest for overpayments.

How we treat IOP

Interest on overpayments is assessable income. Include any IOP in your tax return in the income year you receive it or the income year it offsets against another tax debt you had with us. Report the amount at **Gross Interest**.

Delayed refund interest

Check what refund amounts we pay interest on if they are not paid within 14 days.

Last updated 11 June 2024

When we pay delayed refund interest

We will pay delayed refund interest (DRI) if we do not pay the following types of refunds within 14 days:

- a surplus on a running balance account (RBA) reflecting the allocation of a business activity statement amount to the RBA (a BAS amount is any credit or debt that arises directly under the BAS provisions, which include goods and services tax (GST), wine equalisation tax, luxury car tax, PAYG withholding, PAYG instalments, and instalments of fringe benefits tax.)
- a surplus on a RBA arising from the remission of a penalty that relates to a BAS amount, that you requested to be remitted
- a surplus on a RBA that you requested to be refunded that reflects a voluntary payment made for an anticipated tax debt under a BAS provision.

DRI will start accruing 14 days after you:

- lodge all outstanding activity statements with all required information
- give us all the information necessary for your activity statements to be processed
- give us the financial institution account details where we can pay the refund.

How we calculate DRI

We will automatically calculate DRI amounts for you and pay you the DRI with your delayed refund. The interest can be used to offset another tax debt you have with us.

You can check the rates we use to calculate your DRI.

How we treat DRI

DRI is assessable income. Include any DRI in your tax return in the income year you receive it or the income year it offsets against another tax debt you had with us. Report the amount at **Gross Interest**.

QC 68010

Interest we charge

Find out about the interest we charge on outstanding, underpaid and incorrect reports of tax amounts.

Last updated 15 June 2023

Calculate and report ATO interest

How to adjust pre-fill amounts, or manually calculate and report ATO interest when preparing your tax return.

General interest charge

General interest charge (GIC) is applied to unpaid tax liabilities and is worked out daily on a compounding basis.

Shortfall interest charge

Shortfall interest charge may apply if your tax return is amended and your tax liability increases.

Calculate and report ATO interest



How to adjust pre-fill amounts, or manually calculate and report ATO interest when preparing your tax return.

General interest charge



General interest charge (GIC) is applied to unpaid tax liabilities and is worked out daily on a compounding basis.

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Shortfall interest charge may apply if your tax return is amended and your tax liability increases.

QC 67988

Calculate and report ATO interest

How to adjust pre-fill amounts, or manually calculate and report ATO interest when preparing your tax return.

Last updated 11 June 2024

Why we charge or impose interest

We charge or impose interest in specific situations, including:

- late payment of taxes and penalties
- an increase in your tax liability as a result of an amendment to your assessment
- an increase in other tax liabilities, such as goods and services tax or pay as you go amounts.

If we charge you interest, or pay you interest, you report the amounts in your tax return.

- You can claim a deduction for some types of interest we charge you.
- You must declare some types of interest paid or remitted by the Commissioner as assessable income.

We pre-fill interest information in your tax return.

For more information, see [Interest charged by the ATO](#).

Pre-fill interest data

The amount of interest you have been charged is pre-filled in your tax return, if you lodge online using myTax. The ATO interest pre-fill data is information we provide to help you to work out the amount of ATO interest that is assessable or deductible.

Before you lodge your tax return, check your statement of account to ensure the pre-fill data is accurate. If not, you may want to manually calculate your interest.

If you're a Tax agent, don't use the *Year to date interest summary report* to complete the tax return as there are **Recurring data issues – calculating ATO interest**.

Reporting ATO interest

We provide ATO interest data to individual taxpayers for the 2014 and later income years.

We also give this data to tax agents through the *Pre-filling report* and the practitioner lodgment service. We display a message in the *Pre-filling report* to advise if a client has ATO interest for 2013 and earlier income years.

From 2021, pre-fill interest data will now be sourced from all client accounts held by the individual taxpayers in the main accounting system, including the income tax account and integrated client account.

We report the following interest types:

- General interest charge (GIC)
- Shortfall interest charge (SIC)
- Late payment interest (LPI)
- Interest on early payment (IEP)
- Interest on overpayment (IOP)
- Delayed refund interest (DRI).

We report on interest that you:

- may be able to claim as a deduction (GIC, SIC, LPI)
- must declare as assessable income (GIC, SIC or LPI remissions or recoupments)

- must claim as interest paid by the ATO (IOP, IEP, DRI).

Individual taxpayers can choose to report ATO interest deductions and income using either:

- [ATO interest – calculation](#)
- [Manually calculating ATO interest.](#)

Completing ATO interest in your tax return

We changed the individual tax return labels you use to report ATO interest as follows:

- For 2018 and later income years you report
 - interest deductions at **question D10 – label N** *Cost of managing tax affairs – Interest charged by the ATO*
 - assessable interest at **question 24 – label X** *Other income – Category 2 (ATO interest)*
 - interest paid by the ATO at **question 10** *Gross interest.*
- For 2017 and prior income years you report
 - interest deductions at **question D10** *Cost of managing affairs*
 - assessable interest at **question 24 – label Y** *Other income*
 - interest paid by the ATO (that is, IOP, IEP, DRI) at **question 10** *Gross interest.*

Recurring data issues

Before you lodge your tax return, you should check your pre-fill data against your:

- ATO statements of account
- other source documents.

Interest calculations will not capture your specific circumstances in the following situations:

- Recoupments of interest charged
When we report interest remission and credit adjustments as assessable income, we assume you have claimed a deduction for interest that we imposed. If you have not claimed a deduction and

the period for requesting an amendment of your return to claim the deduction has lapsed, you don't include that interest income. (You may need to adjust the interest totals we have provided to remove the amount you are not claiming.)

- Change in residency status

We report interest paid by the ATO on the basis of your residency status when the interest data is extracted from your account at the end of the income year. If you were a non-resident at the date of extraction, no interest paid data will be provided. If you were a non-resident when we paid you interest, then we should have withheld tax from that payment. If this is the case you don't have to declare this interest in your tax return. If tax was not withheld, you must declare the interest as income at **question 10 Gross interest**.

You may need to adjust the interest totals we have provided to remove or add the interest paid by the ATO. See [Examples 5 and 6](#)

- Movement of transactions across ICA

We move transactions across accounts. For example, to isolate pre and post-bankruptcy transactions; to isolate amounts that are in dispute. When we move a transaction between accounts, the process date is reported as the date the transaction was moved. This means interest previously reported may be reported again in a later pre-fill report. We have revised our business rules to prevent this duplication in the report for 2018 and later years. You may need to adjust the interest totals we provide for the 2017 and prior years if your accounts contain moved transactions.

Calculating ATO interest

For the 2015 and prior income years, we use the [effective date](#) and [processed date](#) to capture separate interest totals for:

- interest deductions
- assessable interest
- interest paid by the ATO.

Non-individual taxpayers will need to continue using these calculation rules for all income years.

For the 2016 and later income years, we capture all interest transactions in the pre-fill totals for individual taxpayers using the processed date. We also report either a net deduction or a net

assessable interest amount instead of a separate total for these interest categories. Interest is reported as follows:

- net interest deductions at **question D10** or **question D10 – label N** (where the interest imposed exceeds the interest income)
- net assessable interest at **question 24 – label Y** or **question 24 – label X** (where the interest income exceeds the interest imposed), and
- interest paid by the ATO at **question 10**.

Where the net balance of interest calculations is nil, no interest will be reported. Nor will we provide a message that there is any interest.

Individual taxpayers don't have to rely on the pre-fill interest amounts. They can use the previous method of calculation. See [Manually calculating ATO interest](#).

2016 income year adjustments

This only impacts the calculation of pre-fill interest for the **2016** income tax year.

The 2015 *Pre-filling report* was changed to a static report on 9 November 2015 to cater for the new reporting method. This means:

- the debit interest transactions processed on or after 9 November 2015 with an effective date of 30 June 2015 or earlier will be included in the interest totals for the 2016 pre-fill report
- the debit interest transactions processed on or after 1 July 2015 but before 9 November 2015 with an effective date of 30 June 2015 or earlier may be captured in the interest totals in several pre-fill reports – the 2016 and earlier year reports – depending on when interest was incurred.

If you lodged your 2015 tax return before 9 November 2015 using ATO pre-fill data, you may need to adjust the 2016 pre-fill interest figures (see [Example 4](#)).

The following may help you to work out if adjustments will be needed:

- Did you have ATO interest in 2015?
 - If no, no adjustment to 2016 data is needed.

- Did you lodge your 2014–15 return using pre-fill data before 9 November 2015?
 - Adjust 2016 pre-fill data (see [note 1](#)) by any debit interest transaction with
 - process date between 1 July 2015 and the date you lodged, and
 - effective date between 1 July 2014 and 30 June 2015.
- Did you lodge your 2014–15 return using pre-filled figures after 9 November 2015?
 - Adjust 2016 pre-fill data (see [note 1](#)) by any debit interest transaction with
 - process date between 1 July 2015 and 9 November
 - effective date between 1 July 2014 and 30 June 2015.
- Did you lodge your 2014–15 return using non-prefilled figures?
 - Manual calculation method required.

Note 1. An adjustment will be needed if the same debit interest transaction is captured in the 2015 and 2016 interest totals. This is done by reducing the 2016 deductions claimed. That is, increase 24Y or decrease D10 by the amount of the duplicated transaction. Adjustments to credit transactions are not needed.

How the new reporting process works – examples

Example 1: Net amount of ATO interest is nil

Chris has an outstanding debt with us and was charged \$1,200 GIC in the period 1 July 2015 to 31 January 2016. Chris paid his debt and requested leniency with the charges. A full remission was granted on 31 January 2016. In this case, Chris has a:

- \$1,200 deductible interest expense
- \$1,200 assessable interest income (due to the GIC remission).

Under the new approach, we will not provide pre-fill information as the net balance of the interest deductions and interest income is nil.

Under the legislative rules, Chris would claim a deduction expense of \$1,200 at label D10 and include interest income of \$1,200 at label 24Y in the supplementary return. Under the new reporting approach, he will not declare ATO interest at these labels.

Example 2: Net amount of deductible interest

Jenny has an outstanding debt with us and was charged \$2,300 GIC in the period 1 July 2015 to 30 June 2016. There were GIC remissions of \$56 in this period. Jenny lodged a credit amendment for the 2014 income year in the same period and this reduced the debt payable. The GIC debt was also reduced by \$505. In this case, Jenny has a \$2,300 deductible interest expense and \$561 assessable interest income (due to the GIC remission and credit reduction). Under the new approach, we will report a \$1,739 net deductible interest expense.

Under the legislative rules, Jenny would claim a deduction expense of \$2,300 at label D10 and include interest income of \$561 at label 24Y in the supplementary return. Under the new reporting approach, Jenny will declare \$1,739 at label D10.

Example 3: Net amount of assessable interest income

John has an outstanding debt with us relating to the 2014 income year and was charged:

- \$1,265 GIC in the period 1 July 2015 to 30 June 2016
- \$981 GIC for the period 1 July 2014 to 30 June 2015.

John lodged a credit amendment for the 2014 income year on 30 September 2015 which resulted in a refund. The GIC charged in the 2015 and 2016 income years was subsequently reduced to nil. In this case, John has a \$1,265 deductible interest expense

and \$2,246 assessable interest income (due to the GIC adjustments in the 2016 income year). Under the new approach, we will report \$981 net assessable interest (John would have claimed a \$981 deduction in his 2015 tax return.)

Under the legislative rules, John would claim a deduction expense of \$1,265 at label D10 and include interest income of \$2,246 at label 24Y in the supplementary return. Under the new reporting approach, John will declare \$981 at label 24Y.

Example 4: Transitional year calculations – 2016 tax return only

Eva has an outstanding debt with us relating to the 2014 income year:

- \$435 GIC was processed in the period 1 July 2015 to 30 June 2016 (this includes the \$45 and \$53 mentioned below)
- \$550 GIC was incurred in the period 1 July 2014 to 30 June 2015 (this includes the \$45 mentioned below)
 - \$45 processed 7 July 2015 with effective date of 30 June 2015 (end of year GIC calculation)
 - \$53 processed 10 November 2015 with effective date prior to 30 June 2015 (this amount will be included in the calculation of interest in 2016 only).

Eva lodged her 2015 tax return on 30 August 2015 using ATO pre-fill data and declared a deductible expense of \$505 (\$550 – \$45). She will need to consider whether to amend this return to declare the \$53 imposed on her account after lodging the 2015 return, if she uses the legislative rules to calculate her entitlements.

Under the new 2016 approach we will report \$435 net deductible interest. Eva will need to adjust this total for the \$45 claimed as a deduction in the 2015 return.

Under the legislative rules, Eva can claim a deduction expense of \$337 (\$435 – \$45 – \$53) at label D10 in her 2016 tax return. Under the new reporting approach, Eva will declare \$390 at label

D10. She will not need to amend her 2015 tax return to claim the \$53 processed in November 2016 as the new process results in the deduction being claimed in the later year.

Example 5: part year residency – taxpayer resides in Australia

Steven returned to Australia on 30 October 2018 and updated his address with the ATO.

The 2019 income year pre-fill interest data included \$125 IOP paid to Steven by the ATO on 10 August 2018 from which we withheld tax. This means Steven does not have to declare this IOP. When Steven lodged his return on 21 September 2019, he removed \$125 from the IOP interest total pre-filled at item 10 *Gross interest*, so that he is not taxed again on this interest.

Example 6: part year residency – taxpayer resides overseas

Susan left Australia to reside overseas on 20 May 2019. She notified the ATO of her change of address before her departure. As we recorded Susan as a non-resident we will not report the interest paid by us the pre-fill interest totals for 2019.

When Susan checked her ATO records she realised we had paid her IOP of \$120 on 15 November 2018. As she was a resident when this was paid, we did not withhold tax from the payment. When Susan prepares her 2019 income tax return she must adjust the pre-fill data at item 10 *Gross interest* to include the \$120 so that she is correctly declaring the interest income she has received.

Manually calculating ATO interest

You must calculate the ATO interest you want to claim as a deduction or must declare as assessable income, if:

- we do not provide you pre-fill interest data but:
 - your statement of account shows you have ATO interest
 - we told your agent in the *Pre-filling report* that you have ATO interest on your account
- we paid interest to you in the period 1 July 2015 to 9 November 2015 and:
 - the transactions have an effective date prior to 1 July 2015, and
 - you included the interest in an earlier tax return – see [Transitional year adjustments](#).

You may wish to manually calculate the ATO interest where:

- you prefer to declare interest deductions and income separately at the relevant labels in your tax return, instead of reporting a net balance of interest
- you don't wish to rely on ATO pre-fill data
- you want to assess which reporting method provides the best outcome for you.

General rules for assessing ATO interest transactions

- Effective date – the date a transaction affects the account for determining the daily balance and calculating GIC.
- Processed date – the date we process a transaction on your account.

Question 10 Gross interest

This label includes the interest we've paid or credited to you (IOP, IEP, DRI).

The same rules apply for both the legislative process and the new reporting process.

For the calculation:

- the processed date is when we paid you interest

- declare any new credit balance.

Question D10 or D10N Cost of managing tax affairs– Interest charged by the ATO

This label includes an interest charge we imposed on you (GIC, SIC, LPI).

For the calculation under the legislative rules:

- use the processed date and effective date of the interest transaction to determine when it was incurred (Noting that GIC with an effective date of 1 July that relates to interest imposed in the period prior to 1 July will be reported in that prior year)
- claim the net debit interest balance.

For the calculation under the business rules for the new reporting process:

- use the processed date of the interest transaction
- declare a debit balance where the net deduction is greater than your net assessable interest.

Question 24Y or 24X (Other income – Category 2 (ATO interest))

This label includes amounts of interest we imposed on you that have been remitted or recouped. This includes:

- GIC remissions and GIC credit adjustments
- SIC remissions and SIC credit adjustments
- and LPI remission/credit adjustments).

It does not include certain transactions such as write-offs or released amounts.

Under the legislative rules you must declare interest that has been remitted or reduced where you claimed a deduction, or can claim a deduction, for the interest that was imposed. (The benefit that you gain from the deduction must reflect the actual amount of interest imposed.)

Interest is assessable in the year that it is remitted or recouped.

For the calculation under the legislative rules:

- use the processed date of the transaction to work out when the interest that we imposed has been recouped (that is, the benefit of the deduction has been reversed)
- declare the net credit balance.

For the calculation under the business rules for the new reporting process:

- use processed date
- declare the net income where this is greater than the net deduction total.

Applying the different calculation rules

You will need to analyse your ATO statements of account and review all interest transactions in the relevant timeframe. The examples below show how to calculate interest deductions and income amounts using the different reporting methods.

Example: Statement of account #1 – Income tax

Processed date	Effective date	Transaction description	Debit \$	Credit \$
02/06/2015	02/06/2015	General interest charge (GIC) from 01 Jun to 02 Jun 2015	5.46	0.00
02/06/2015	02/06/2015	Remission of general interest charge (GIC)	0.00	-5.46
01/07/2015	01/07/2015	General interest charge (GIC) calculated from 02 Jun	99.82	0.00

		to 30 Jun 2015		
01/07/2015	01/07/2015	Remission of general interest charge (GIC)	0.00	-99.82
01/08/2015	01/08/2015	General interest charge (GIC) calculated from 01 Jul to 31 Jul 2015	107.40	0.00
01/09/2015	01/09/2015	General interest charge (GIC) calculated from 01 Aug to 31 Aug 2015	108.29	0.00
01/10/2015	01/10/2015	General interest charge (GIC) calculated from 01 Sep to 30 Sep 2015	105.64	0.00
03/11/2015	03/11/2015	General interest charge (GIC) calculated from 01 Oct to 02 Nov 2015	116.46	0.00
01/12/2015	01/12/2015	General interest charge (GIC) calculated from 03 Nov to 30 Nov 2015	99.61	0.00

01/12/2015	01/12/2015	Remission of general interest charge (GIC)	0.00	-99.61
02/01/2016	02/01/2016	General interest charge (GIC) calculated from 01 Dec 2015 to 01 Jan 2016	113.93	0.00
02/02/2016	02/02/2016	General interest charge (GIC) calculated from 02 Jan to 01 Feb 2016	112.65	0.00
02/03/2016	02/03/2016	General interest charge (GIC) calculated from 02 Feb to 01 Mar 2016	102.56	0.00

Calculating ATO interest under the new process – statement 1

Identify the interest transactions processed in the period 1 July 2015 to 30 June 2016.

For the transitional 2016 year we adjust your pre-fill interest data to exclude the GIC processed on 1 July as this was included in the 2015 pre-fill interest totals.

- Total deductible interest
 $\$107.40 + \$108.29 + \$105.64 + \$116.46 + \$99.61 + \$113.93 + \$112.65 + \$102.56 = \$866.54$
- Total assessable interest income
 $\$99.82 + \$99.61 = \$199.43$

Net interest reported:

Net deductible interest you could claim at question D10 = \$866.54 – \$199.43 = \$667.11

Calculating ATO interest under the legislative rules – statement 1

Identify the income year in which:

- GIC was incurred (which is generally by the effective date of the transaction)
- interest that was remitted or reduced (by the processed date of the transaction).

Interest reported:

- Total deductible interest expense you could claim at question D10 = \$866.54
- Total assessable interest income you must declare at question 24 – label Y = \$199.43

Example: Statement of account #2 – Income tax

Processed date	Effective date	Transaction description	Debit \$	Cr
26/09/2015	05/06/2014	Tax return individuals – income tax for the period from 1 Jul 2012 to 30 Jun 2013	1,199.15	
26/09/2015	21/11/2014	Tax return individuals – income tax for the period from 1 Jul 2013 to 30 Jun 2014	15,644.15	
26/09/2015	26/09/2015	Credit offset from Client	0.00	–9,3

		Integrated Account		
29/09/2015	01/07/2014	General interest charge (GIC) calculated from 1 Oct 2013 to 30 Jun 2014	8.52	
29/09/2015	01/07/2014	Remission of general interest charge (GIC)	0.00	
29/09/2015	02/06/2015	Amended general interest charge (GIC) calculated from 1 Jul 2014 to 1 Jun 2015	926.45	
29/09/2015	02/06/2015	Remission of general interest charge (GIC)	0.00	-9
30/09/2015	01/07/2014	Amended general interest charge (GIC) calculated from 1 Jun 2013 to 30 Jun 2014 (see note)	62.32	
30/09/2015	30/09/2015	Remission of general interest charge (GIC)	0.00	-

Amended general interest charge denotes an account correction by the ATO. This may affect interest amounts you previously reported

depending on the method you use.

Calculating ATO interest under the new process – statement 2

Identify the interest transactions processed in the period 1 July 2015 to 30 June 2016.

- Total deductible interest you could claim at question D10
 $\$8.52 + \$926.45 + \$62.32 = \997.29
- Total assessable interest income you must declare at question 24Y
 $\$8.52 + \$926.45 + \$62.32 = \997.29

Net interest reported:

Net deductible interest is $\$997.29 - \$997.29 = \$0.00$

There is no interest to be reported at question D10 or 24 – label Y in the 2016 tax return.

Calculating ATO interest under the legislative rules – statement 2

The account adjustment by the ATO does not change the timing of the deduction for the GIC incurred in the 2014 income year. It corrects the GIC that can be claimed as a deduction in the tax return for that year.

2014 income year:

- Total deductible interest to report at question D10 = $\$62.32$

You must lodge an out of time objection if you wish to include this deduction with any other deductions claimed, if any.

2016 income year:

- Total deductible interest you could claim at question D10
 $\$8.52 + \$926.45 = \$934.97$
- Total assessable interest income you must declare at question 24 – label Y
 $\$8.52 + \$926.45 + \$62.32 = \997.29

The 2013 and 2014 tax returns were lodged late in the 2016 income year. The GIC of $\$8.52$ and $\$926.45$ imposed on the liabilities established by the notices of assessment for these income years, is incurred in 2016. The $\$62.32$ is incurred in the 2014 income year as the account adjustment alters the interest imposed in that year.

For more information on SIC and GIC charges we impose, see:

- *TD 2012/2 Income tax: when is the shortfall interest charge incurred for the purposes of paragraph 25-5(1)(c) of the Income Tax Assessment Act 1997*
- *PS LA 2011/12 Remission of General Interest Charge.*

QC 49294

General interest charge

General interest charge (GIC) is applied to unpaid tax liabilities and is worked out daily on a compounding basis.

Last updated 6 May 2024

When GIC applies

We may apply GIC if an amount of tax or some other liability remains unpaid after the date it should have been paid. This includes where:

- there is a tax shortfall because of an amendment or correction
- an instalment of tax is underestimated
- a return is lodged late.

Why we apply GIC

We apply GIC to:

- encourage timely payment of tax
- ensure taxpayers who pay late don't have an unfair financial advantage over taxpayers who pay on time
- compensate the community for the cost of late payment.

How much GIC we apply

We review the **GIC rate** quarterly. GIC is calculated on a daily compounding basis on the amount overdue.

Generally, the amount of GIC applied is notified in:

- a statement of account
- a late payment notice
- GIC notice.

Effect of GIC on income tax

You may claim a deduction for GIC in your income tax return for the financial year in which the GIC is incurred. If you claim the deduction, you'll need to include the remitted GIC as income in your return for the financial year in which the remission is granted.

Remission of GIC on late payment of debts

You can ask us to remit the GIC. We may remit the GIC if there are extenuating circumstances.

QC 33415

Shortfall interest charge

Shortfall interest charge may apply if your tax return is amended and your tax liability increases.

Last updated 11 June 2024

Why we apply SIC

If your tax return is amended and there is a tax shortfall, we apply SIC rather than general interest charge (GIC). This is because taxpayers are usually unaware of a shortfall amount until they receive an amended assessment.

How the SIC is applied

We apply SIC to the tax shortfall amount for the period between when it would have been due and when the assessment is corrected.

We update the SIC rate quarterly using a formula set by law.

SIC applies to amended assessments for:

- income tax for the 2004–05 and later income years
- petroleum resource rent tax for the 2006–07 and later income years.

SIC is applied on a daily compounding basis to the shortfall amount.

Payment of the SIC

The due date for payment of the extra tax and SIC is 21 days after the day we issue the notice of the amended assessment. Once the due date has passed, GIC will apply automatically to any unpaid tax and SIC.

Effect of the SIC on income tax

You can claim a tax deduction for SIC in the income year that you receive the notice of assessment that includes the SIC amount.

If we remit SIC, you must include the remitted SIC amount as interest income in your tax return in the income year that we granted the remission.

If you make an amendment that reduces an earlier amendment, you must also include the amount of SIC that was reduced.

Remission of interest for shortfall periods

You can ask us to remit a SIC amount (and any related GIC) in full or part if there are extenuating circumstances – for example, if we contribute to an error that leads to a shortfall, or if the shortfall amount is paid before the notice of amended assessment issues.

For more information, see *PS LA 2006/8 Remission of shortfall interest charge and general interest charge for shortfall periods*.

Penalties

Penalties we impose and how we calculate it using a statutory formula or in multiples of a 'penalty unit'.

Last updated 11 June 2024

Penalty units



How we calculate penalties, and the penalty unit amounts for the period the infringement occurred.

Penalties for making false or misleading statements



Penalties may apply for making false or misleading statements or taking a position that is not reasonably arguable.

Penalty relief



How penalty relief applies to inadvertent errors in tax returns and activity statements.

Failure to meet other tax obligations



You are liable to incur penalties if you fail to meet the obligations contained in the various tax laws.

Failure to lodge on time penalty



Find out what penalties we impose and how, if you fail to meet

Failure to withhold



Businesses are liable for a penalty for failing to withhold or pay a PAYG withholding amount when required.

QC 33407

Penalty units

How we calculate penalties, and the penalty unit amounts for the period the infringement occurred.

Last updated 18 July 2024

Why we impose penalties

Tax laws authorise us to impose administrative penalties when you fail to meet your tax obligations.

Penalty provisions are there to encourage all taxpayers to take reasonable care in complying with their tax obligations.

We consider your circumstances when deciding what action to take.

Penalty unit amount

Table: Penalty unit

When infringement occurred	Penalty unit amount (\$)
On or after 1 July 2023	313
1 January 2023 to 30 June 2023	275
1 July 2020 to 31 December 2022	222

1 July 2017 to 30 June 2020	210
31 July 2015 to 30 June 2017	180
28 December 2012 to 30 July 2015	170
Up to 27 December 2012	110

How we notify you

If you're liable for a penalty, we'll notify you in writing and include:

- the reason for the penalty
- the amount of the penalty
- the due date for payment (at least 14 days after we give notice).

You can't claim a deduction for penalties we impose.

How we calculate the penalty

We calculate the penalty amount using either:

- a statutory formula, based on your behaviour and the amount of tax avoided
- multiples of a penalty unit.

We also have certain rules for:

- missed and late super guarantee payments
- individual and corporate trustees of an SMSF
- GST at settlement compliance and penalties

Penalties for making false or misleading statements

Penalties may apply for making false or misleading statements or taking a position that is not reasonably arguable.

Last updated 11 June 2024

False or misleading statement penalty – shortfall amount

You'll be liable for this penalty if you make a false or misleading statement (for example, in a tax return, activity statement or amendment request) that results in you having a shortfall amount. If you have a tax agent, you'll also be liable for any false or misleading statements made by them on your behalf. The shortfall amount is the difference between the correct tax liability or credit entitlement, and the liability or entitlement worked out using the information you or your tax agent provide.

Generally, you will not be penalised where either of the following apply:

- you or your tax agent (if relevant) took reasonable care in making the statement (but you may still be subject to another penalty provision, such as taking a position that is not reasonably arguable)
- you applied tax law in a particular way, and that way agrees with our advice, published statements or general administrative practices in relation to a tax law.

Under the [safe harbour](#) provisions, you may not be penalised if the incorrect statement was made by your agent when you provided them with the relevant, correct information.

You may receive **penalty relief** where a penalty would otherwise be imposed if you have made an error in your income tax return or activity statement.

The base penalty is a percentage of the shortfall amount. The percentage used is determined by the behaviour that led to the shortfall amount. If you have a tax agent, it will be determined by their behaviour as well.

Base rate penalty and the behaviour leading to a shortfall amount

Behaviour	Base rate percentage
<p>Failure to take reasonable care</p> <p>Generally, you fail to take reasonable care if you have not done what a reasonable person in the same circumstances would have done. Using a tax agent does not by itself mean you have taken reasonable care.</p>	25% of the shortfall amount.
<p>Recklessness</p> <p>You are reckless if a reasonable person in your circumstances would have been aware that there was a real risk of a shortfall amount arising and you disregarded, or showed indifference to, that risk.</p>	50% of the shortfall amount.
<p>Intentional disregard</p> <p>You intentionally disregard the law if you are fully aware of a clear tax obligation and you disregard the obligation with the intention of bringing about certain results (underpaying tax or over-claiming an entitlement).</p>	75% of the shortfall amount.

The penalty percentages are doubled for this penalty if you are a Significant Global Entity (SGE).

The base penalty amount can be [increased or reduced](#) if there are aggravating or mitigating circumstances or [remitted](#) where it is fair and reasonable to do so.

For more information, see PS LA 2012/5 *Administration of the false or misleading statement penalty – where there is a shortfall amount*.

False or misleading statement penalty – no shortfall amount

You're liable for this penalty if you, or your tax agent, make a false or misleading statement (for example, in an objection, private ruling request or during an audit) that does not result in you having a shortfall amount.

Generally, you will not be penalised where either:

- you or your tax agent (if relevant) took reasonable care in making the statement
- you applied a tax law in a particular way, and that way agrees with our advice, published statements or general administrative practices in relation to that tax law.

The base penalty is calculated as a multiple of a **penalty unit**. The multiple used is determined by the behaviour that led to the false or misleading statement. If you have a tax agent, it will be determined by their behaviour as well.

Base rate penalty unit and the behaviour leading to a penalty – no shortfall amount

Behaviour	Base rate penalty unit
Failure to take reasonable care	20 penalty units
Recklessness	40 penalty units
Intentional disregard	60 penalty units

A penalty multiplier will apply to double this penalty if you are a significant global entity (SGE).

The base penalty amount can be [increased or reduced](#) if there are aggravating or mitigating circumstances or [remitted](#) where it is fair and reasonable to do so.

For more information, see *PS LA 2012/4 Administration of the false or misleading statements penalty – where there is no shortfall amount*.

Safe harbour

You may not be liable to an administrative penalty for making a false or misleading statement if all the following apply:

- the statement was made by your registered agent
- you gave your agent all the relevant tax information to enable the statement to be made correctly (you or your agent will need to prove that this information was provided)
- the false or misleading statement was the result of your agent failing to take reasonable care
- the statement was made on or after 1 March 2010.

We'll consider the available information during an audit and decide if safe harbour applies. Safe harbour does not affect any remission of a penalty.

Penalty for taking a position on income tax or PRRT that is not reasonably arguable

If you or your tax agent treats an income tax or petroleum resource rent tax (PRRT) law as applying in a manner that is not reasonably arguable, and the resulting shortfall amount exceeds a certain threshold, you will be liable for a base penalty of 25% of the shortfall amount.

- For partnerships and trusts – the threshold is the greater of \$20,000 or 2% of the entity's net income (if any) worked out based on its return.
- For other taxpayers – the threshold is the greater of \$10,000 or 1% of the taxpayer's income tax or PRRT worked out based on their income tax or PRRT return.

A penalty multiplier will apply to double this penalty if you are a significant global entity (SGE).

The base penalty amount can be [increased or reduced](#) if there are aggravating or mitigating circumstances or [remitted](#) where it is fair and reasonable to do so.

For more information, see *MT 2008/2 Shortfall penalties: administrative penalty for taking a position that is not reasonably arguable* – for an explanation of 'reasonably arguable'.

Penalty for failing to make a statement

You are liable for a penalty of 75% of the tax-related liability if both of the following apply:

- you fail to lodge a document necessary to establish your tax-related liability by the day it is required to be given
- in the absence of that document, we determine your tax-related liability.

This penalty will apply if, for example, you fail to lodge your tax return and we determine your income tax liability by other methods.

The base penalty amount can be [increased](#) in some instances or [remitted](#) where it is fair and reasonable to do so.

Increases and reductions in the base penalty amount

The base penalty for false or misleading statement penalties, and for taking a position on income tax or PRRT that is not reasonably arguable, can be increased or reduced if there are aggravating or mitigating circumstances.

The base penalty will generally be reduced if you voluntarily tell us about the error. The amount of the reduction depends on when you tell us and may be as much as 80%.

The base penalty is increased by 20% if you either:

- attempted to prevent or obstruct us from finding out about the shortfall amount, or the false or misleading nature of the statement
- became aware of the shortfall amount, or the false or misleading nature of the statement, but did not inform us within a reasonable time
- have previously had the same type of penalty calculated for you.

For more information on when a penalty is increased or reduced, see:

- *PS LA 2012/4 Administration of the false or misleading statement penalty - where there is no shortfall amount*
- *PS LA 2012/5 Administration of the false and misleading statement penalty - where there is a shortfall amount*
- *MT 2012/3 Administrative penalties: voluntary disclosures.*

Remission of penalties

We have discretion to **remit** (decrease or remove) the penalty according to individual circumstances. So, we frequently make decisions about whether to remit a penalty before advising you of your penalty.

In deciding whether to remit a penalty we consider whether:

- there were circumstances beyond your control which prevented you from meeting your obligations
- the imposition of the penalty produces an unjust result
- it would be fair and reasonable to remit the penalty, considering a range of factors, depending on the type of penalty.

If we have already decided not to remit your penalty, or to only remit part of your penalty, you can generally object to this decision through the objection process.

If you're dissatisfied with a penalty imposed on you, and we have not already made a remission decision, in most cases you may ask us to remit it.

QC 47927

Penalty relief

How penalty relief applies to inadvertent errors in tax returns and activity statements.

Last updated 11 June 2024

Eligibility for penalty relief

We understand that people make mistakes. Penalty relief only applies to penalties for inadvertent errors that are due to:

- failing to take reasonable care
- taking a position on income tax that is not reasonably arguable.

If we find an inadvertent error in your tax return or activity statement, we'll show you what it is and how to get it right next time and provide penalty relief (not apply the penalty this time).

The aim is to help you get back on track if you have made an inadvertent error.

Penalty relief applies to eligible individuals, and entities with a turnover of less than \$10 million. The entities can be:

- small businesses
- self-managed super funds (SMSFs)
- strata title bodies
- not-for-profit organisations
- co-operatives.

You aren't eligible for penalty relief if, in the past three years, you have:

- had penalty relief applied
- been penalised for reckless or intentional disregard of the law
- evaded tax or committed fraud
- been involved in the control or management of another entity which has evaded tax
- incurred debts without the intention of being able to pay, such as phoenix activity.

How to receive penalty relief

You cannot apply for penalty relief. We will provide it during an audit if it applies to you. Penalty relief will be available once every three years at most.

Penalty relief is applied from 1 July 2018. If we audit you for earlier periods, penalty relief will also apply for those periods.

When penalty relief does not apply

Penalty relief does not apply to other taxes such as fringe benefits tax (FBT) or the super guarantee (SG).

Those not eligible for penalty relief include:

- wealthy individuals and their businesses
- associates of wealthy individuals that may be classified as a small business entity in their own right
- entities that do not meet the **small business entity eligibility criteria**
- public groups, significant global entities and associates.

QC 56164

Failure to meet other tax obligations

You are liable to incur penalties if you fail to meet the obligations contained in the various tax laws.

Last updated 11 June 2024

To calculate penalties we use a statutory formula or multiples of a **penalty unit**.

If you're liable for a penalty, we'll notify you in writing and include:

- the reason for the penalty
- the amount of the penalty
- the due date for payment (at least 14 days after we give notice).

Notice of the failure to lodge penalty may be made before or after the entity has lodged the document.

Penalties for failing to meet tax obligations

Tax obligation	Penalty for failing to meet obligation
Keeping or retaining records as required	20 penalty units
Retaining or producing declarations as	20 penalty units

required	
Providing access and reasonable facilities to an authorised tax officer	20 penalty units
Applying for or cancelling goods and services tax (GST) registration when required	20 penalty units
Issuing a tax invoice or adjustment note when required	20 penalty units
Both principal and agent must not issue tax invoices or adjustment notes for the same taxable supply or adjustment event	20 penalty units
Registering as a PAYG withholder when required (withholders must be registered)	5 penalty units
Lodging an activity statement electronically when required (non-electronic notification)	5 penalty units
Paying an amount electronically when required (non-electronic payment)	5 penalty units

For more information, see:

- **Remission of penalties**
Check if you can request a remission of a penalty according to your personal circumstances.
- **Compliance and penalties**
Check what penalties we impose for GST at settlement on suppliers and purchases.

QC 47930

Failure to lodge on time penalty

Find out what penalties we impose and how, if you fail to meet your tax lodgment obligations on time.

Last updated 11 June 2024

When you receive a FTL penalty

You may receive a Failure to lodge (FTL) on time penalty if you have an obligation to lodge or report by a particular date, but don't lodge by that due date. This may include, lodging your tax return, reporting PAYG instalments, GST or PAYG withholding on an activity statement by the due date.

If you use an agent, [safe harbour provisions](#) may protect you.

Your circumstances

We recognise that sometimes people don't meet their lodgment obligations on time, even with the best intentions. Generally, we don't apply penalties in isolated cases of late lodgment.

We consider your circumstances when deciding what action to take.

If you fail to lodge, we'll warn you by phone or in writing.

If we apply FTL penalty, we'll notify you in writing and include:

- the reason for the penalty
- the amount of the penalty
- the due date for payment (at least 14 days after we give notice).

How we calculate a FTL penalty

How we calculate a FTL penalty will depend on the size of the entity and the period of time since the due date for lodgment.

Small entities

For a small entity, we calculate the FTL penalty at the rate of one penalty unit for each period of 28 days (or part thereof) that the return or statement is overdue, up to a maximum of 5 penalty units.

Medium entities

For a medium entity the penalty unit is multiplied by 2.

A 'medium entity' is a medium withholder for PAYG withholding purposes or has assessable income or current GST turnover of more than \$1 million and less than \$20 million.

Large entities

For a large entity the penalty unit is multiplied by 5.

A 'large entity' is a large withholder for PAYG withholding purposes or has assessable income or current GST turnover of \$20 million or more.

Significant entities

For a significant global entity, the base penalty amount is multiplied by 500.

FTL penalties for significant global entities apply to an entity that fails to lodge an approved form required to be given at a date that is on or after 1 July 2017.

Lodgments to which we apply FTL penalties

An automated penalty system applies FTL penalty to late-lodged returns, reports and statements, including:

- activity statements
- tax returns
- FBT returns
- PAYG withholding annual reports
- Single Touch Payroll reports
- annual GST returns and information reports
- taxable payment annual reports.

We may apply FTL penalty manually. This is usually in situations of escalating non-compliance – for example, where a taxpayer has not lodged after a request to do so.

Generally, a penalty will not be applied to a late-lodged tax return, FBT return, annual GST return or activity statement if the lodgment results

in either a refund or a nil result, unless:

- FTL penalty was applied before the return or statement was lodged (that is, the penalty will not be remitted even if the subsequent lodgment results in a refund or nil result)
- the unlodged item is a third-party data report, such as a taxable payments annual report
- you are classified as a large entity.

Requesting remission

If you receive a penalty notice for failing to lodge a return or statement on time, you can ask for a **remission** if there are extenuating circumstances. We have discretion to reduce (remit) the penalty according to your individual circumstances.

Extenuating circumstances may include situations such as, being impacted by a natural disaster or serious illness. It can also include other circumstances outside of your control which could not be predicted, and you or your agent were not in a position to request further time to lodge.

You can ask for either a remission:

- in full
- in part.

You can only request remission once you lodge the outstanding returns or statements.

FTL remission requests will be considered by an officer independent of the decision to impose the penalty.

For more information, see *PS LA 2011/19 Administration of the penalty for failure to lodge*.

Safe harbour from FTL penalty

If you engaged a registered tax agent or BAS agent to lodge your return or statement, you will not be liable for FTL penalty if both of the following apply:

- you can show that you provided the agent with all relevant tax information to enable them to lodge the return or statement by the

due date

- the agent's failure to lodge the return or statement was not because they were reckless or intentionally disregarded the law.

To be eligible for safe harbour you will need to provide evidence that you supplied all of the relevant information to enable the agent to lodge the return or statement by the due date. If we determine that the safe harbour provision does not apply, you can still seek a remission of FTL penalty.

To request safe harbour exemption of an amount you can:

- write to us either through [Online services for business](#) or [Online services for agents](#) (you must be registered)
- contact us by [phone or write to us](#).

Online services for business

Request safe harbour exemption in Online services for business using Secure mail. Select the topic and subject of your message as below:

- Topic – Activity statements
- Subject – Cancellation of failure to lodge on time (FTL) penalty (safe harbour)

Online services for agents

Tax professionals can request safe harbour exemption for their clients in Online services for agents using Practice mail. Select the topic and subject of your message as below:

- Topic – Debt and lodgment
- Subject – Cancellation of FTL penalty (safe harbour)

By phone or write to us

To request safe harbour exemption for an amount:

- below \$10,000, phone us
- of \$10,000 or more, write to us outlining the circumstances that led to the delay in lodgment and the reasons why the safe harbour exemption should apply

Australian Taxation Office
PO Box 327
ALBURY NSW 2640

QC 33410

Failure to withhold

Businesses are liable for a penalty for failing to withhold or pay a PAYG withholding amount when required.

Last updated 10 February 2016

Pay as you go (PAYG) withholding obligations mainly apply to businesses.

You're liable for a penalty if you fail to withhold or pay a PAYG withholding amount when required. This applies, for example, if you're required to:

- withhold from payments made to employees, directors, office holders or other individuals in various capacities
- withhold from payments to enterprises that do not quote an Australian business number (ABN) for a supply
- pay an amount for
 - amounts withheld
 - alienated personal services payments
 - non-cash benefits.

The penalty is equal to the amount that you should have withheld or paid.

Director penalties

Company directors are legally responsible for their company meeting its PAYG withholding obligations.

The director of a company that fails to meet a PAYG withholding obligation in full by the due date automatically becomes personally liable for a penalty equal to the unpaid amount.

See also:

- Remission of penalties

QC 47929

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional advice.

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