

# ATO PAYMENT PLANS FOR DEBTS UNDER \$200,000 AND INTEREST-FREE PLANS

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## ATO Payment Plans for Debts Under \$200,000

Did you know the Australian Taxation Office (ATO) offers flexible payment plans to help individuals and businesses manage tax debts under \$200,000? These plans are designed to ease financial pressure while ensuring compliance with tax obligations.

### Key Features

- **Eligibility:** Available to individuals, sole traders, and businesses with a good compliance history.
- **Debt Threshold:** For debts under \$200,000, a streamlined online application process is available.
- **Upfront Payment:** Typically requires a 10% upfront payment.
- **Repayment Term:** Up to 24 months, with instalments made weekly, fortnightly, or monthly.
- **Interest Charges:** Subject to the General Interest Charge (GIC), currently around 11.36% annually, compounding daily.
- **Application Methods:** Online via myGov or Online Services for Business, through a registered tax or BAS agent, or by calling the ATO directly if online setup fails.

### Important Considerations

- Only one active payment plan is allowed at a time.
- Future tax obligations must still be paid on time and are not included in the existing plan.
- From 1 July 2025, interest on ATO payment plans will no longer be tax-deductible, increasing the effective cost of these arrangements.

## Interest-Free Payment Plans

The ATO also offers interest-free payment plans, but these are limited and subject to strict eligibility criteria.

### Who Qualifies?

To be eligible for an interest-free plan, your business must:

- Have an annual turnover under \$2 million.
- Owe \$50,000 or less in activity statement (BAS/IAS) debts that are overdue for up to 12 months.
- Have a good lodgment and payment history, including no more than one payment plan default in the past 12 months and no outstanding activity statement lodgments.
- Be unable to access finance through normal business channels.
- Demonstrate ongoing business viability.

### How It Works

- The debt must be repaid via direct debit within 12 months.
- While ATO letters may mention interest, it is remitted if the plan is adhered to.
- You must stay up to date with all future tax obligations during the plan.

### Final Thoughts

ATO payment plans can be a lifeline for businesses and individuals facing tax debt. However, it's crucial to:

- Understand the cost implications, especially with rising interest rates and the loss of deductibility.
- Explore interest-free options if eligible.
- Use the ATO's payment plan estimator to model repayment scenarios and interest costs.

If you have any questions about your eligibility or need assistance setting up a payment plan with the ATO, our team at Byfields is here to help.