



## ATO INTEREST CHARGES NO LONGER TAX DEDUCTIBLE FROM 1 JULY 2025

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The federal government has recently passed law whereby taxpayers will no longer be able to obtain tax deductions for ATO interest charges (being the general interest charge (GIC) and the shortfall interest charge (SIC)) where such charges are incurred on or after 1 July 2025.

GIC or SIC is incurred when you become liable for the interest charge, however the two charges are slightly different:

- GIC imposed on unpaid tax liabilities is incurred on a daily basis.
- SIC imposed on an unpaid income tax shortfall is incurred in the year you are served a notice of amended assessment.

### **What happens after 30 June 2025?**

Any GIC or SIC incurred on or after 1 July 2025 is not deductible. This includes all GIC and SIC in respect of outstanding or late payments of tax for income years both before and after 1 July 2025. As they are not deductible, any GIC or SIC that is later remitted will no longer need to be included as assessable income.

### **What you need to know:**

Any GIC or SIC incurred prior to 1 July 2025 is not impacted by the changes to the law and will continue to be deductible for the 2024-25 and earlier income years. However, this all changes after 30 June 2025.

From 30 June 2025, the non-deductibility of ATO interest charges (combined with the traditionally higher interest rates as compared to what might be available elsewhere) will make GIC and SIC significantly more unattractive. The ATO has also recently taken a much stricter view on the imposing of these charges and on requests for remissions. It is arguably more important than it has ever been to avoid incurring these interest charges.

### **What should you be doing?**

Aside from ensuring that tax obligations are lodged and paid on time, if you do find yourself exposed to potential ATO interest charges (in particular any ongoing charges), you may wish to explore whether these charges can be avoided or at least minimised through improved management of cash flow, including the obtaining of additional sources of finance, where appropriate.

### **Have any questions?**

If you have any questions or feel you need to better understand these changes in the law, please do not hesitate to contact your Byfields accountant.