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Deductions for ATO interest

Whether you can claim an income tax deduction for interest charges incurred on or after 1 July 2025.

[ATO interest charges are incurred](#)

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Change

As part of the 2023–24 Mid-Year Economic and Fiscal Outlook, the government announced it would amend the tax deductions for ATO interest charges.

In relation to assessments for income years starting on or after 1 July 2025, the assessment for an income year is how your business is explained in your notice of assessment.

Businesses will no longer deduct ATO interest charges from their tax return.

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Ask Alex for help



Strengthen penalty and shortfall interest charge provisions
Strengthening the foreign resident capital gains tax regime
Tax integrity - expanding the general anti-avoidance rule in the income tax law
Tax Reform – better targeting the Research and Development Tax Incentive
Tax reform – expanding venture capital incentives
Tax reform – introducing a minimum tax on discretionary trusts
Tax reform – loss refundability for small start-up companies
Tax reform – tax loss carry back

w change applies in a different way for [Entities](#)
[ing period.](#)

en ATO interest charges are

on for ATO interest depends on when GIC or SIC is
 become liable for the interest charge. Examples
 (limited to):

Income tax liabilities is **incurred** on a daily basis.
 aid income tax shortfall is **incurred** in the year you
 mended assessment.

charges incurred on or after 1

or after 1 July 2025 is not deductible regardless
 s to an earlier income year.

r SIC that is later remitted doesn't need to be
 ome.

charges incurred before 1 July

urred prior to 1 July 2025 remains deductible for
 ome years.

r income years, our guidance on calculating your
 tions, including how to verify pre-fill information,
 on, see [Calculate and report ATO interest.](#)

: GIC or SIC for the 2024–25 or an earlier income
 , the amount that is remitted will need to be
 e income in the year in which the remission

ubsituted accounting period

od is ordinarily the 12-month period ending on



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the Commissioner to adopt an alternative annual
as a substituted accounting period or SAP).

accounting period will no longer be able to claim
t accounting period starting after 1 July 2025.

n

[ATO interest – fact sheet](#)

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[ed accounting period](#)

[ment \(Tax Incentives and Integrity\) Act 2025](#) [↗](#)

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Tools



Tax information for



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