FINSTEAD

A GUIDE FOR AUSTRALIAN BUSINESS OWNERS

ATO payment plan or refinance?

How to compare the real cost, the risk and the cash flow impact.

11.51%

General interest charge a year, October to December 2026. It keeps accruing on a standard payment plan.

1 July 2025

Interest incurred from this date is no longer tax deductible.

$50,000

Cap on the ATO interest-free plan, for eligible small businesses only.

ATO figures as at 2 November 2026. Lender rates in this guide are illustrations, not Finstead rates. General information only.

BEFORE YOU START

What this guide is

If you owe the ATO and cannot pay in full, you usually have two routes: an ATO payment plan, or a facility from a lender that pays the ATO out. This guide compares them on interest, tax treatment, security, recovery action and cash flow. It is general information about how the options work. It is not financial, credit, tax or legal advice and takes no account of your circumstances.

Rates change. The ATO resets its interest rate every quarter. This guide uses 11.51% for October to December 2026, as at 2 November 2026. Check ato.gov.au before you rely on it.

1. THE SHORT ANSWER

The short answer

Neither route is cheaper by default. The right comparison is the **total cost over the time it will really take you to repay**, after tax and including fees, set against what each route does to your cash flow and risk.

- **An ATO payment plan** has no set-up fee that we know of, but the general interest charge keeps accruing at 11.51% a year and is not deductible.
- **A lender facility** has its own interest rate and fees, and may need security or a director guarantee. Its interest is generally deductible for a business borrowing, which your accountant should confirm.
- **Which wins** depends on the lender's rate and fees, how long you need to repay, and whether you can actually meet the repayments.

> **Compare total cost after tax, not the headline rate.**

2. HOW AN ATO PAYMENT PLAN WORKS

How an ATO payment plan works

The ATO lets you pay a tax debt in instalments. Whether you qualify, and on what terms, is the ATO's decision. The quickest route is online services, and the ATO says you may not qualify on the terms you suggest, or at all.

- **Interest keeps running.** The general interest charge accrues and compounds daily until the debt is paid. Repaying in the shortest possible time reduces the total.
- **You must stay current.** You still need to lodge activity statements and tax returns on time and pay new liabilities in full, or put them on a separate plan.
- **Default is expensive.** If the plan defaults, the full overdue balance can become immediately payable.
- **Some small businesses get an interest-free plan.** For overdue activity statement amounts the interest is remitted, if the turnover is under $2 million, the amounts are $50,000 or less, they have been overdue for up to 12 months, and you can show viability and a clean lodgement history.

Source: ATO, Payment plans, and ATO, Interest-free payment plans for overdue activity statement amounts. Both are listed at the back.

3. HOW A REFINANCE WORKS

How a refinance works

Finstead is a commercial finance broker, not a lender. We arrange a facility from our lender panel of more than 100 lenders. The lender pays the ATO in full and you repay the lender instead, on the lender's terms.

1. **Get the exact figure.** Your ATO payout figure, by debt type, from online services or your tax agent.
2. **Assemble the file.** Recent financials, BAS and bank statements, and details of any security.
3. **Match to lenders.** Only some lenders fund ATO positions, and they differ on security, trading history and speed.
4. **Settle.** The lender pays the ATO directly.

The ATO itself recommends getting advice from a registered tax agent before using third-party finance to pay a tax debt. We agree. Speak to your accountant first.

Side by side

	ATO PAYMENT PLAN	LENDER FACILITY
Interest	General interest charge, 11.51% this quarter, compounding daily, resets quarterly.	The lender's rate, set at approval. Fixed or variable depending on the product.
Tax deduction	Interest incurred from 1 July 2025 is not deductible.	Interest on a business borrowing is generally deductible. Confirm with your accountant.
Fees	None that we are aware of.	Often an establishment fee and ongoing fees. Ask for the full cost.
Security	Not usually needed for a standard plan, though the ATO can offer secured plans.	May need security, and a director guarantee is common. Some unsecured options exist.
Who decides	The ATO, case by case.	The lender, subject to its own criteria.
If you miss a payment	The plan can default and the full overdue balance can become payable at once.	Per the facility terms, which can include default interest and enforcement against security.
Credit file	A business tax debt is reported to credit bureaus only if the ATO's criteria are met, and an active plan counts as engaging.	The ATO debt is cleared. The new facility is ordinary business credit.
Flexibility	Instalments set with the ATO, changes need the ATO's agreement.	Term and repayment structure chosen at the outset, within what the lender offers.
Speed	Online set-up can be quick if eligible.	Depends on the lender and the file. Some of our ATO refinances settled in days.

General comparison only. The facts about the ATO come from the ATO pages listed at the back. Lender terms vary widely.

What it costs: the working

Take a $50,000 tax debt repaid in equal monthly instalments over 12 months. The ATO line uses the current rate of 11.51% with daily compounding. The lender lines are illustrations at assumed rates, not Finstead rates and not an offer.

ROUTE	TOTAL INTEREST, 12 MONTHS	AFTER TAX AT 25% COMPANY RATE	INTEREST TREATMENT
ATO payment plan at 11.51% GIC	$3,187	$3,187	Not deductible
Lender facility at 8% a year	$2,193	$1,645	Generally deductible
Lender facility at 12% a year	$3,309	$2,482	Generally deductible
Lender facility at 16% a year	$4,439	$3,329	Generally deductible
Lender facility at 20% a year	$5,581	$4,186	Generally deductible

Before fees. The after tax column assumes the interest is fully deductible and the business pays tax at the 25% company rate, so it is a simplification. Sole traders and partners have their own marginal rates. Monthly instalments, level repayments, no other fees. An illustration only.

Why fees matter more than the rate

At 8% a year the lender line saves about $994 in interest over twelve months against the ATO line, before tax. An establishment fee larger than that erases the saving on a twelve month term. The longer you take to repay, the more the interest difference counts. The shorter, the more the fees do.

Leaving the debt untouched for a year costs about $6,098 in interest at the current rate, compounded daily with nothing repaid. That is the figure to beat on any route.

6. WHEN EACH TENDS TO FIT

When each tends to fit

A payment plan tends to fit when

- The ATO will agree terms you can actually meet
- You can clear the debt in a short time, so interest is limited
- You are eligible for the interest-free plan
- A lender's fees and security would outweigh the interest saved

A refinance tends to fit when

- The ATO has refused a plan, or a plan has defaulted
- Recovery action is under way or threatened
- You need more time to repay than the ATO will allow
- The lender's total cost after tax is lower and you can service it

> **A refinance only helps if the business can afford the new repayments.**

7. MISTAKES TO AVOID

Mistakes to avoid

- **Comparing rates, not total cost.** Fees, term and tax treatment change the answer.
- **Ignoring the next BAS.** A new ATO debt after a refinance puts you back in trouble, now with a lender on top.
- **Letting a plan default.** The full balance can fall due at once.
- **Paying for security you do not need.** Ask which options are unsecured before you offer property.
- **Skipping your accountant.** They know your tax position and any director penalty notice exposure. This guide does not.

8. HOW TO DECIDE

How to decide

1. Get your exact ATO figure, by debt type, and your interest to date.

2. Work out what the business can pay each month from trading income, not from one good month.
3. Ask the ATO, or your tax agent, what plan it would agree to and for how long.
4. Get the full cost of any lender facility, including every fee, and ask your accountant how the interest is treated.
5. Compare total cost after tax over the same repayment period, then check what happens to cash flow when the next BAS falls due.

Recent ATO debt refinances arranged by Finstead

HOSPITALITY · NSW

A$2M-2.5M

Arranged a private credit refinance to clear the ATO debt in two weeks.

The business had defaulted on its ATO payment plan and was facing a Director Penalty Notice (DPN) and garnishee notices.

TRANSPORT · SA

A$500k-600k

Arranged an unsecured refinance to clear the ATO debt in six days.

The ATO refused a new payment plan when the latest BAS was lodged, leaving the business without a way to stay on top of the debt.

Anonymised, amounts shown as bands. Past results do not guarantee future outcomes. Every case is assessed on its own facts.

9. SOURCES AND BASIS

Sources and basis

ATO, General interest charge rates
11.51% a year and 0.03153425% a day for October to December 2026; 11.43% for July to September 2026; 10.96% for April to June 2026.
https://www.ato.gov.au/tax-rates-and-codes/general-interest-charge-rates

ATO, Denying deductions for ATO interest charges
Treasury Laws Amendment (Tax Incentives and Integrity) Act 2025: GIC and SIC incurred on or after 1 July 2025 are not deductible.
https://www.ato.gov.au/about-ato/new-legislation/in-detail/businesses/deny-deductions-for-ato-interest-charges

ATO, Reminder on interest deductibility changes from 1 July
Pay on time, payment plans, remission and seeking tax advice before using third-party finance.
https://www.ato.gov.au/media-centre/ato-reminder-on-interest-deductibility-changes-from-1-July

ATO, Payment plans
How payment plans work, interest while on a plan and the effect of defaulting.
https://www.ato.gov.au/general/paying-the-ato/help-with-paying/payment-plans/

ATO, Interest-free payment plans for overdue activity statement amounts
Eligibility for small businesses and how remission of interest works.
https://www.ato.gov.au/individuals-and-families/paying-the-ato/help-with-paying/payment-plans/alternative-payment-plans

ATO, Disclosure of business tax debts
The criteria for reporting to credit reporting bureaus and the 28 day notice.
https://www.ato.gov.au/disclosurebusinesstaxdebt

ATO, Payment plan estimator
General interest charge accrues until the debt is paid; estimate does not guarantee eligibility for an online plan.
https://www.ato.gov.au/calculators-and-tools/payment-plan-estimator/

ATO figures checked against these sources on 2 November 2026. Lender interest rates and the after tax figures are illustrations produced for this guide, not published figures and not Finstead rates. Finstead Capital Pty Ltd, ABN 51 638 390 182, Australian Credit Licence 530764. Finstead is a broker, not a lender, and does not provide tax, legal or financial advice. Any finance is subject to lender approval, eligibility criteria and the lender's own terms, interest and fees. Nothing in this guide is a recommendation to take out finance or to take any particular course of action. Speak to your accountant or registered tax agent about your own position.

TALK TO FINSTEAD

Want to know what your business could qualify for?

A short conversation, no cost and no obligation. We scope your options before anything formal happens.

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