



# ***TD 2014/5 - Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2014?***

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 This document has changed over time. This is a consolidated version of the ruling which was published on *26 March 2014*



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# Taxation Determination

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## Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2014?

### **1 This publication provides you with the following level of protection:**

This publication (excluding appendices) is a public ruling for the purposes of the *Taxation Administration Act 1953*.

A public ruling is an expression of the Commissioner's opinion about the way in which a relevant provision applies, or would apply, to entities generally or to a class of entities in relation to a particular scheme or a class of schemes.

If you rely on this ruling, the Commissioner must apply the law to you in the way set out in the ruling (unless the Commissioner is satisfied that the ruling is incorrect and disadvantages you, in which case the law may be applied to you in a way that is more favourable for you – provided the Commissioner is not prevented from doing so by a time limit imposed by the law). You will be protected from having to pay any underpaid tax, penalty or interest in respect of the matters covered by this ruling if it turns out that it does not correctly state how the relevant provision applies to you.

### **Ruling**

1. The benchmark interest rate for the fringe benefits tax (FBT) year commencing on 1 April 2014 is 5.95 per cent per annum. This rate replaces the rate of 6.45 per cent that has applied for the previous FBT year commencing on 1 April 2013.
2. The rate of 5.95 per cent is used to calculate the taxable value of:
  - a fringe benefit provided by way of a loan; and
  - a car fringe benefit where an employer chooses to value the benefit using the operating cost method.

### **Example**

3. *On 1 April 2014 an employer lends an employee \$50,000 for five years at an interest rate of 5% per annum. Interest is charged and paid 6 monthly and no principal is repaid until the end of the loan. The actual interest payable by the employee for the current year is \$2,500 ( $50,000 \times 5\%$ ). The notional interest, with a 5.95 per cent benchmark rate, is \$2,975. The taxable value is \$475 ( $\$2,975 - \$2,500$ ).*

# TD 2014/5

**Note:** FBT does not apply to a loan in relation to a shareholder in a private company, or an associate of such a shareholder, that causes (or will cause), the private company to be taken under Division 7A of Part III of the *Income Tax Assessment Act 1936* to pay the shareholder or associate a dividend.

## **Date of effect**

4. This Determination applies to the FBT year commencing on 1 April 2014.

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**Commissioner of Taxation**

26 March 2014

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## References

*Previous draft:*

Not previously issued as a draft

*Previous Rulings/Determinations:*

TD 94/29; TD 95/20; TD 96/17; TD 97/8;  
 TD 98/6; TD 1999/2; TD 2000/19; TD 2001/4;  
 TD 2002/13; TD 2003/8; TD 2004/12;  
 TD 2005/8; TD 2006/24; TD 2007/10;  
 TD 2008/7; TD 2009/10; TD 2010/6;  
 TD 2011/6; TD 2012/7; TD 2013/8

*Subject references:*

- car fringe benefits
- FBT benchmark interest rate
- fringe benefits tax
- loan fringe benefits

*Legislative references:*

- ITAA 1936 Pt 111 Div 7A
- TAA 1953

## ATO references

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