

TD 93/66 - Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax year commencing 1 April 1993?

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! This document has changed over time. This is a consolidated version of the ruling which was published on *8 April 1993*

This Determination, to the extent that it is capable of being a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*, is a public ruling for the purposes of that Part. Taxation Ruling TR 92/1 explains when a Determination is a public ruling and how it is binding on the Commissioner. Unless otherwise stated, this Determination applies to years commencing both before and after its date of issue. However, this Determination does not apply to taxpayers to the extent that it conflicts with the terms of a settlement of a dispute agreed to before the date of issue of the Determination (see paragraphs 21 and 22 of Taxation Ruling TR 92/20).

Taxation Determination

Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax year commencing 1 April 1993?

1. The benchmark interest rate for the fringe benefits tax year commencing 1 April 1993 is 7.25 per cent per annum. This rate replaces the rate of 9.25 per cent that has applied for the past year.
2. The rate of 7.25 per cent is used to calculate the taxable value of a fringe benefit provided by way of a loan made by an employer to an employee. The rate is also used in determining the taxable value of a car fringe benefit where an employer chooses to value the benefit using the operating cost method.
3. The rate to be used for fixed loans made before 1 October 1973 is the appropriate rate specified in the schedule to the *Fringe Benefits Tax Assessment Act 1986*. For all other loans the interest rate of 7.25 per cent per annum is to be used.

Example

On 1 April 1992 an employer lends employee \$60,000 for five years at an interest rate of 6 per cent per annum. No principal is repaid until the end of the loan.

The actual interest payable by employee for both the past year and the current year is \$3600 (60,000 x 6%). In the past year, with a benchmark interest rate of 9.25 per cent per annum, the taxable value of the loan fringe benefit is \$1950 [(60,000 x 9.25%) - \$3600]. In the current year, with a benchmark interest rate of 7.25 per cent per annum, the taxable value is \$750 [(60,000 x 7.25%) - \$3600].

Commissioner of Taxation

08/04/93

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Related Determinations:

Related Rulings:

Subject Ref: benchmark interest rate

Legislative Ref: FBTAA 16; 136

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