



Taxation Determination

Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2017?

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Ruling

1. The benchmark interest rate for the fringe benefits tax (FBT) year commencing on 1 April 2017 is 5.25 per cent per annum. This rate replaces the rate of 5.65 per cent that had applied for the previous FBT year commencing on 1 April 2016.
2. The rate of 5.25 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 2017 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 5.25 per cent benchmark rate, is \$2,625. The taxable value is \$125 ($\$2,625 - \$2,500$).

TD 2017/3

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 2017.

Commissioner of Taxation

29 March 2017

References

Previous draft:

Not previously issued as a draft

Previous Rulings/Determinations:

TD 2012/7

TD 2013/8; TD2014/5; TD 2015/8

TD 2016/5

Legislative references:

- ITAA 1936
- ITAA 1936 Pt 111 Div 7A
- TAA 1953

ATO references

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