



Taxation Determination

Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2018?

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Ruling

1. The benchmark interest rate for the fringe benefits tax (FBT) year commencing on 1 April 2018 is 5.20% per annum. This rate replaces the rate of 5.25% that has applied for the previous FBT year commencing on 1 April 2017.
2. The rate of 5.20% 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 2018 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 5.20% benchmark rate, is \$2,600. The taxable value is \$100 ($\$2,600 - \$2,500$).

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.

TD 2018/2

Date of effect

4. This Determination applies to the FBT year commencing on 1 April 2018.

Commissioner of Taxation

28 March 2018

References

Previous draft:

Not previously issued as a draft

Previous Rulings/Determinations:

TD 2013/8; TD 2014/5; TD 2015/8
TD 2016/5; TD 2017/3

Legislative references:

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

ATO references

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