TD 2003/8 - Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax (FBT) year commencing on 1 April 2003?

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This document has changed over time. This is a consolidated version of the ruling which was published on *9 April 2003*

Australian Taxation Office

Taxation Determination

TD 2003/8

Taxation Determination

Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax (FBT) year commencing on 1 April 2003?

Preamble

The number, subject heading, date of effect and paragraphs 1 and 2 of this Taxation Determination are a 'public ruling' for the purposes of Part IVAAA of the ***Taxation Administration Act 1953*** *and are legally binding on the Commissioner. The remainder of the Determination is administratively binding on the Commissioner. Taxation Rulings TR 92/1 and TR 97/16 together explain how a Determination is legally or administratively binding.*

1. The benchmark interest rate for the FBT year commencing 1 April 2003 is 6.55 per cent per annum. This rate replaces the rate of 6.05 per cent that has applied for the previous FBT year.

2. The rate of 6.55 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 2003 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 x 5%). The notional interest, with a 6.55 per cent benchmark rate, is $3,275. The taxable value is $775 ($3,275 - $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.*

Date of effect

4. This Determination applies to FBT year commencing on 1 April 2003.

Commissioner of Taxation
9 April 2003

Previous draft:
Not previously released in draft form

Previous Rulings:
TD 94/29; TD 95/20; TD 96/17; TD 97/8; TD 98/6; TD 98/22;
TD 1999/2; TD2000/19; TD 2001/4; TD 2002/13

Related Rulings/Determinations:
TR 92/1; TR 92/20; TR 97/16

Subject references:
- car fringe benefits
- FBT benchmark interest rate
- fringe benefits tax
- loan fringe benefits

Legislative references:
- FBTAA 11(2)
- FBTAA 18
- FBTAA 19
- FBTAA 136(1)
- ITAA Part III Div 7
- TAA 1953 Part IVAAA

ATO references
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