TD 2005/8 - Fringe benefits tax: What is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2005?

Australian Government
Australian Taxation Office

Taxation Determination
TD 2005/8

Taxation Determination

Fringe benefits tax: What is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2005?

Preamble

The number, subject heading, date of effect and paragraphs 1 and 2 of this document are a 'public ruling' for the purposes of Part IVAAA of the ***Taxation Administration Act 1953*** *and are legally binding on the Commissioner.*

1. The benchmark interest rate for the fringe benefits tax (FBT) year commencing 1 April 2005 is 7.05 per cent per annum. There has been no change to the rate of 7.05 per cent that has applied for the previous FBT year.

2. The rate of 7.05 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 2005 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 × 5%). The notional interest, with a 7.05 per cent benchmark rate, is $3,525. The taxable value is $1,025 ($3,525 - $2,500).*

4. ***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

5. This Determination applies to the FBT year commencing on 1 April 2005.

Commissioner of Taxation
30 March 2005

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 98/22; TD 1999/2; TD 2000/19; TD 2001/4; TD 2002/13; TD 2003/8; TD 2004/12

Subject references:

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

Legislative references:

- TAA 1953 Pt IVAAA
- ITAA 1936 Pt III Div 7A
- FBTAA 1986 11(2)
- FBTAA 1986 18
- FBTAA 1986 19
- FBTAA 1986 136(1)

ATO references
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