TD 94/29 - Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax (FBT) year commencing 1 April 1994?

This cover sheet is provided for information only. It does not form part of *TD 94/29 - Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax (FBT) year commencing 1 April 1994?*

This document has changed over time. This is a consolidated version of the ruling which was published on *14 April 1994*

Australian Taxation Office

Taxation Determination **TD 94/29**

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 (FBT) year commencing 1 April 1994?

1. The benchmark interest rate for the FBT year commencing 1 April 1994 is 8.75 per cent per annum. This rate replaces the rate of 7.25 per cent that has applied for the past year. The rates to be used for loans made before 2 April 1986 are set out in the Schedule to the Fringe Benefits Tax Assessment Act 1986.

2. The rate of 8.75 per cent is used to calculate the taxable value of:

- a fringe benefit provided by way of a loan;
- a car fringe benefit where an employer chooses to value the benefit using the operating cost method.

3. *Taxation Laws Amendment Bill (No. 2) 1994,* which was introduced into Parliament on 24 March 1994, proposes to amend the definition of the 'benchmark interest rate' as set out in subsection 136(1) of the *Fringe Benefits Tax Assessment Act 1986*. The rate will be determined by reference to the standard variable rate for owner-occupied housing loans of the major banks, last published by the Reserve Bank of Australia before the commencement of the FBT year. This measure was announced by the Assistant Treasurer on 7 March 1994.

Example

On 1 April 1993 an employer lends an employee $60,000 for five years at an interest rate of 6% per annum. No principal is repaid until the end of the loan.

The actual interest payable by the employee for both the past year and the current year is $3600 (60,000 x 6%). In the current year, with a benchmark interest rate of 8.75% per annum, the taxable value is $1650 [(60,000 x 8.75%) - $3600].

Commissioner of Taxation
14/4/94

Related Determinations: TD 93/66
Related Rulings:
Subject Ref: benchmark interest rate
Legislative Ref: FBTAA 136 (1)
Case Ref:
ATO Ref: NAT 89/2648-4 FBT Cell 30/95

ISSN 1038 - 8982