



***TD 98/22A2 - Addendum - Income tax: under Division 7A of Part III of the Income Tax Assessment Act 1936 ('the Act'), how is the benchmark interest rate used for private company loans to shareholders or associates?***

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## Addendum

### Taxation Determination

Income tax: under Division 7A of Part III of the *Income Tax Assessment Act 1936* ('the Act'), how is the benchmark interest rate used for private company loans to shareholders or associates?

This Addendum amends Taxation Determination TD 98/22 as follows:

#### At paragraph 6, Example 2

#### Replace:

6. *If the amount of a loan not repaid at 30 June 1998 is \$100,000, the term of the loan is five years, the remaining term of the loan is also five years, the repayments made for the 1998-99 year of income were \$26,000 and the current year benchmark interest rate is 6.7%, the minimum yearly repayment for the 1998-99 year of income is calculated as follows:*

$$\frac{\text{Amount of the loan not repaid by the end of the previous year of income} \times \text{Current year's benchmark interest rate}}{\text{remaining term of loan} \times [1 - (1 \div (1 + \text{current year's benchmark interest rate})]^5}$$

$$\frac{100,000 \times 0.067}{[1 - [1 / (1 + 0.067)]^5} = 24,193.$$

#### With the following:

6. *If the amount of a loan not repaid at 30 June 1998 is \$100,000, the term of the loan is five years, the remaining term of the loan is also five years, the repayments made for the 1998-99 year of income were \$26,000 and the current year benchmark interest rate is 6.7%, the minimum yearly repayment for the 1998-99 year of income is calculated as follows:*

# TD 98/22

*Amount of the loan not repaid by*                    x    *Current year's*  
*the end of the previous year of income*            *benchmark interest rate*

$$1 - \left( \frac{1}{1 + \text{Current year's benchmark interest rate}} \right)^{\text{Remaining term}}$$

$$= \frac{100,000 \times 0.067}{1 - \left( \frac{1}{1 + 0.067} \right)^5}$$

$$= 24,193$$

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**Commissioner of Taxation**

31 January 2001

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ATO references:

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