

TD 94/D58 - Fringe benefits tax: is the taxable value of a loan fringe benefit calculated only for those periods in the year of tax during which the interest rate on the loan was below the statutory interest rate?

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This document has been finalised by TD 95/17.

Draft Taxation Determinations (TDs) represent the preliminary, though considered, views of the ATO. Draft TDs may not be relied on; only final TDs are authoritative statements of the ATO.

Draft Taxation Determination

Fringe benefits tax: is the taxable value of a loan fringe benefit calculated only for those periods in the year of tax during which the interest rate on the loan was below the statutory interest rate?

1. No. The taxable value is determined by reference to the whole of the period in the year of tax during which the loan existed.
2. Section 18 of the *Fringe Benefits Tax Assessment Act 1986* states that the taxable value of a loan fringe benefit will be the amount (if any) by which the 'notional amount of interest' exceeds the amount of interest that accrued on the loan during the year. The 'notional amount of interest' is the amount of interest which would have accrued on the loan if the interest had been calculated on the daily balance of the loan at the statutory interest rate for that year.
3. In the first year of a loan, the taxable value is calculated from the day on which the loan was made until the end of the year of tax. In subsequent years the whole year would be the appropriate period. In the final year of the loan, the taxable value would be calculated for the period from 1 April to the day on which the loan is extinguished.

Example

An employee of Upstate Building Society was given a 2 year loan on 1 June 1991 at an interest rate which is above the statutory interest rate. On 1 December 1991 the employee avails himself of a reduced interest rate due to having completed 5 years of service with the building society. The taxable value of the loan fringe benefit for the year ending on 31 March 1992 is calculated by reference to the whole period from 1 June 1991, not just from 1 December 1991.

Commissioner of Taxation
26/5/94

FOI INDEX DETAIL: Reference No.

Related Determinations: TD 94/D59

Related Rulings:

Subject Ref: fringe benefits, loans, loan fringe benefits, notional amount of interest

Legislative Ref: FBTA 18

Case Ref:

ATO Ref: FBT Cell 30/61A

ISSN 1038 - 8982