


TD 94/D66 - Fringe benefits tax: will the taxable value of a loan fringe benefit be reduced by premiums on a life assurance policy held by an insurance agent where that policy is required to be held as a condition to the granting of the loan?

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This document has been finalised by TD 95/38.

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: will the taxable value of a loan fringe benefit be reduced by premiums on a life assurance policy held by an insurance agent where that policy is required to be held as a condition to the granting of the loan?

1. No. Section 18 of the *Fringe Benefits Tax Assessment Act 1986* defines the taxable value of a loan fringe benefit to be the difference between the 'notional' interest (based on the statutory interest rate), and the interest accrued on the loan.

2. The life assurance premiums are payments made towards the purchase or maintenance of a life assurance policy and have no effect on the calculation of the taxable value of a loan fringe benefit.

Example

A low interest home loan is granted to an insurance agent by a life assurance company. The insurance agent is an employee of an incorporated insurance agency.

As a condition of the loan being granted the agent is required to take out a life assurance policy with the life company over the period of the loan as a form of security.

The premiums paid towards the policy, whilst required for making the loan, have no effect on the calculation of the taxable value of the loan fringe benefit.

Commissioner of Taxation

9/6/94

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