



TD 1999/2 - Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax (FBT) year commencing on 1 April 1999?

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 This document has changed over time. This is a consolidated version of the ruling which was published on *28 April 1999*

Taxation Determination

Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax (FBT) year commencing on 1 April 1999?

Preamble

The number, subject heading, date of effect and paragraphs 1 and 2 of this Taxation Determination are a 'public ruling' for the purposes of Part IVAAA of the *Taxation Administration Act 1953* and are legally binding on the Commissioner. Taxation Rulings TR 92/1 and TR 97/16 together explain when a Determination is a public ruling and how it is binding on the Commissioner.

Date of effect

This Determination applies for the FBT year commencing on 1 April 1999. However, it does not apply to taxpayers to the extent that it conflicts with the terms of 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).

1. The benchmark interest rate for the FBT year commencing on 1 April 1999 is 6.50 per cent per annum. This rate replaces the rate of 6.70 per cent that has applied for the previous year.
2. The rate of 6.50 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.

Example

On 1 April 1999 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 x 5%). In the current year the taxable value is \$750.00 [(50,000 x 6.50%) - \$2,500].

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.

Previous draft:

No draft issued

Related Rulings/Determinations:

TD 94/29; TD 95/20; TD 96/17; TD 97/8; TD 98/6; TD 98/22

Subject references:

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

Legislative references:

FBTAA 11(2); FBTAA 18; FBTAA 19; FBTAA 136(1); ITAA Part III Div 7A

Case references:

ATO References:

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