TD 2004/12 - Fringe benefits tax: What is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2004?

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This document has changed over time. This is a consolidated version of the ruling which was published on *31 March 2004*

Taxation Determination

Fringe benefits tax: What is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2004?

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. The remainder of the Determination is administratively binding on the Commissioner. Taxation Rulings TR 92/1 and TR 97/16 together explain how a Determination is legally or administratively binding.*

1. The benchmark interest rate for the fringe benefits tax (FBT) year commencing 1 April 2004 is 7.05 per cent per annum. This rate replaces the rate of 6.55 per cent that has applied for the previous FBT year.

2. The rate of 7.05 per cent is used to calculate the taxable value of:

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

Example

3. *On 1 April 2004 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 × 5%). The notional interest, with a 7.05 per cent benchmark rate, is $3,525. The taxable value is $1,025 ($3,525 - $2,500).*

4. **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.*

Date of effect

5. This Determination applies to the FBT year commencing on 1 April 2004.

Commissioner of Taxation
31 March 2004

Previous draft:
Not previously released in draft form

Related Rulings/Determinations:
TR 92/1; TR 92/20; TR 97/16

Previous Rulings/Determinations:
TD 94/29; TD 95/20; TD 96/17; TD 97/8; TD 98/6; TD 98/22;
TD 1999/2; TD2000/19; TD 2001/4; TD 2002/13; TD 2003/8

Subject references:
- car fringe benefits
- FBT benchmark interest rate
- fringe benefits tax
- loan fringe benefits

Legislative references:
- FBTAA 1986 11(2)
- FBTAA 1986 18
- FBTAA 1986 19
- FBTAA 1986 136(1)
- ITAA 1936 Part III Div 7
- TAA 1953 Part IVAAA

ATO references
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