TD 2016/5 - Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2016?

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Generated on: 23 November 2026, 02:01:33 AM

Taxation Determination

Fringe benefits tax: what is the benchmark interest rate to be used for the fringe benefits tax year commencing on 1 April 2016?

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Ruling

1. The benchmark interest rate for the fringe benefits tax (FBT) year commencing on 1 April 2016 is 5.65 per cent per annum. This rate remains the same as that which had applied for the previous FBT year commencing on 1 April 2015.

2. The rate of 5.65 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 2016 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 5.65 per cent benchmark rate, is $2,825. The taxable value is $325 ($2,825 – $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.

Date of effect

4. This Determination applies to the FBT year commencing on 1 April 2016.

Commissioner of Taxation
30 March 2016

References

Previous draft:

Not previously issued as a draft

Previous Rulings/Determinations:

TD 94/29; TD 95/20; TD 96/17; TD 97/8;
TD 98/6; TD 1999/2; TD 2000/19;
TD 2001/4; TD 2002/13; TD 2003/8;
TD 2004/12; TD 2005/8; TD 2006/24;
TD 2007/10; TD 2008/7; TD 2009/10;
TD 2010/6; TD 2011/6; TD 2012/7
TD 2013/8; TD2014/5; TD 2015/8

Legislative references:

- ITAA 1936
- ITAA 1936 Pt 111 Div 7A
- TAA 1953

ATO references
NO: 1-7SACQD6
ISSN: 2205-6211
ATOlaw topic: Fringe benefits tax ~~ Types of benefits ~~ Loan benefits
Fringe benefits tax ~~ Types of benefits ~~ Car benefits

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