

TD 98/22A - Addendum - Income tax: under Division 7A of Part III of the Income Tax Assessment Act 1936 ('the Act'), how is the benchmark interest rate used for private company loans to shareholders or associates?

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Addendum

Income tax: under Division 7A of Part III of the *Income Tax Assessment Act 1936* ('the Act'), how is the benchmark interest rate used for private company loans to shareholders or associates?

*This Addendum forms part of the Determination but is not a 'public ruling' in terms of Part IVAAA of the *Taxation Administration Act 1953*. 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.*

This Addendum amends Taxation Determination TD 98/22 as follows:

Paragraph 6

Delete the formula for calculating the minimum yearly loan repayment and replace it with:

$$\begin{aligned}
 & \frac{\text{Amount of the loan not repaid by} \quad \times \quad \text{Current year's}}{\text{the end of the previous year of income} \quad \text{benchmark interest rate}} \\
 & \frac{1 - \left(\frac{1}{1 + \text{Current year's benchmark interest rate}} \right)^{\text{Remaining term}}}{=} \\
 & \frac{100,000 \times 0.067}{1 - \left(\frac{1}{1 + 0.067} \right)^5} \\
 & = 24,193
 \end{aligned}$$

Commissioner of Taxation

14 April 1999

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