Corporate Tax Update

1 August 2014

**Division 7A benchmark interest rate**

Taxation Determination TD 2014/20 (published on 16 July 2014) specifies that for the income year commencing on 1 July 2014, the benchmark interest rate is 5.95 per cent per annum for the purposes of the deemed dividend provisions in sections 109N and 109E of Division 7A of the *Income Tax Assessment Act 1936*. Paragraph two of TD 2014/20 states that this benchmark interest rate is relevant to private company loans made or deemed to have been made after 3 December 1997 and before 1 July 2014, and to trustee loans made after 11 December 2002 and before 1 July 2014.

The rate is used to:

- determine if a loan made in the 2013-14 income year is taken to be a dividend, and
- calculate the amount of the minimum yearly repayment for the 2014-15 income year on an amalgamated loan taken to have been made prior to 1 July 2014.

It is important to note that TD 2014/20 only applies where a private company or trustee, which either made the loan or is taken to have made the amalgamated loan, has an income year that commenced on 1 July 2014.

Where the private company or trust has a substituted accounting period, commencing on a date other than 1 July, taxpayers need to refer to Taxation Determination TD 2001/18 which explains how to find the benchmark interest rate.

**Let’s talk**

For a deeper discussion of how these issues might affect your business, please contact:

- **Tom Seymour**, Managing Partner  
  +61 (7) 3257 8623  
  tom.seymour@au.pwc.com

- **Scott Bryant**, Adelaide  
  +61 (8) 8228 7450  
  scott.a.bryant@au.pwc.com

- **Adam Davis**, Melbourne  
  +61 (3) 8603 3022  
  adam.davis@au.pwc.com

- **Warren Dick**, Sydney  
  +61 (2) 8266 2935  
  warren.dick@au.pwc.com

- **Murray Evans**, Newcastle  
  +61 (2) 4925 2239  
  murray.evans@au.pwc.com

- **David Ireland**, Sydney  
  +61 (2) 8266 2883  
  david.ireland@au.pwc.com

- **Anthony Klein**, Melbourne  
  +61 (3) 8603 6829  
  anthony.klein@au.pwc.com

- **David Lewis**, Perth  
  +61 (8) 9238 3336  
  david.r.lewis@au.pwc.com

- **Julian Myers**, Brisbane  
  +61 (7) 3257 8722  
  julian.myers@au.pwc.com

© 2014 PricewaterhouseCoopers. All rights reserved. In this document, “PwC” refers to PricewaterhouseCoopers a partnership formed in Australia, which is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity. This publication is a general summary. It is not legal or tax advice. Readers should not act on the basis of this publication before obtaining professional advice. PricewaterhouseCoopers is not licensed to provide financial product advice under the Corporations Act 2001 Cth). Taxation is only one of the matters that you need to consider when making a decision on a financial product. You should consider taking advice from the holder of an Australian Financial Services License before making a decision on a financial product.

*Liability limited by a scheme approved under Professional Standards Legislation.*