

PRACTICE NOTES

No 6

17 September 2003  
Effective date: 1 October 2003

TAXATION OF FRINGE BENEFITS – LOANS

The Directorate is aware of the recent decrease in interest rates charged by financial institutions and it was therefore decided to adjust the interest rate which has to be used to determine the value of the fringe benefit. The practice note serves to adjust the interest rate to be used to determine the value.

Paragraphs 6 and 8 of The Schedule to Income Tax Tables in respect of fringe benefits for use by employers are herewith amended as follows as long as the official interest rates charged by financial institutions remain below 15%.

6. Housing loans and mortgage subsidies

- (a) If no interest is payable, 1% per month of the outstanding amount of loan or subsidy;
- (b) If nominal interest is payable, 1% per month less nominal monthly interest on outstanding amount.

In the event of the above being impracticable, the average monthly equivalent may be converted by dividing the annual benefit at 12% per year (or 12% less the interest paid), by 12.

The value of the benefit determined under this item should be reduced by an exemption of one third of the calculated amount if such benefit was granted in accordance with an approved housing scheme.

8. Loans (other than housing loans or mortgage subsidies)

- (a) If no interest is payable, 1% per month of the outstanding amount of loan or subsidy;
- (b) If nominal interest is payable, 1% per month less nominal monthly interest on outstanding amount.

Exemptions:

- (a) casual loans obtained, of which the aggregate of all the loan amounts at no time exceeded N\$3 000;
- (b) any loan made by the employer to an employee for own further studies.

ISSUED BY THE COMMISSIONER OF INLAND REVENUE