

## Fringe Benefits and STC - Interest Rate

- If inadequate interest is charged to an employee (including working directors) on loans (other than for the purpose of furthering his own studies) in excess of R3 000 from his employer (or associated institution), tax on the fringe benefit may be payable.

Unless interest is charged at the "official" rate or greater, the employee is deemed to have received a taxable fringe benefit calculated as being the difference between the interest actually charged and interest calculated at the "official" rate.

For employees' tax purposes, the tax deduction must be made whenever interest is payable. If not regularly, then on a monthly basis for monthly paid employees, weekly for weekly paid employees, etc.

- In general, only distributions of income from a company / close corporation are subject to STC. To the extent that there are profits/reserves available for distribution, loans or advances to or for the benefit of a shareholder / member will be deemed to be dividends subject to STC unless interest at the "official" rate (or market related rate in the case of foreign currency loans) is payable on the loan or fringe benefits tax is payable on an interest free (or subsidised interest) loan to an employee.
- The "official" rate of interest was reduced for both the above purposes with effect from 1 September 2009.
- The "official" rate of interest over the past 5 years is as follows -

With effect from 1 September 2004	-	8,5% p.a.
With effect from 1 September 2005	-	8,0% p.a.
With effect from 1 September 2006	-	9,0% p.a.
With effect from 1 March 2007	-	10,0% p.a.
With effect from 1 September 2007	-	11,0% p.a.
With effect from 1 March 2008	-	12,0% p.a.
With effect from 1 September 2008	-	13,0% p.a.
With effect from 1 March 2009	-	11,5% p.a.
With effect from 1 June 2009	-	9,5% p.a.
With effect from 1 July 2009	-	8,5% p.a.
With effect from 1 September 2009	-	8,0% p.a.



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