



Inland Revenue
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Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations (No 3) 2025

SL 2025/271

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This Order in Council commentary provides information on a decrease to the fringe benefit tax prescribed rate of interest for low-interest employment-related loans, applying from 1 October 2025.

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Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations (No 3) 2025 – Order in Council commentary



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Order

Section RA 21(3) and (4) of the Income Tax Act 2007

The Income Tax (Fringe Benefit Tax, Interest on Loans) Amendment Regulations (No 3) 2025 was made on 24 November 2025. The Order in Council decreases the fringe benefit tax (FBT) prescribed rate of interest for low-interest employment-related loans from 6.67% to 6.29%.

Background

The FBT rules tax non-cash benefits provided to employees. Included in the definition of “fringe benefit” is any employment-related loan on which the employer is charging a rate of interest that is below the market rate. The interest differential is taxable.

A prescribed rate set by regulations is used as a proxy for the market rate of interest to save employers the compliance costs associated with determining the market rate relevant to loans they have provided to their employees.

Section RA 21(3) of the Income Tax Act 2007 permits the making of regulations by Order in Council to set a prescribed rate of interest for calculating FBT on low-interest loans. Once a rate is set, it remains the prescribed rate until changed by a subsequent Order in Council.

By administrative convention, the FBT prescribed rate of interest is based on the “floating first mortgage new customer housing rate” series published by the Reserve Bank (RBNZ) each month. It is updated when there has been an increase or decrease in the RBNZ rate of 20 or more basis points since the FBT rate was last set. The RBNZ rate for September 2025 was 6.29%. This is down from 6.67%, the rate for April 2025, when the FBT prescribed rate of interest was last set. The FBT prescribed rate of interest is being lowered accordingly.

Key features

The FBT prescribed rate of interest for low-interest employment-related loans has been decreased from 6.67% to 6.29%, and will come into force on 25 December 2025.

Effective date

The new prescribed rate of 6.29% applies for the quarter beginning 1 October 2025 and subsequent quarters.

Further information

The new Order in Council can be found at:

[Income Tax \(Fringe Benefit Tax, Interest on Loans\) Amendment Regulations \(No 3\) 2025 \(SL 2025/271\)](#)