



Prescribed Interest Rate Loan (PIRL) Interest Payment & Taxable Benefit Calculation

The Prescribed Interest Rate Loan (PIRL) is a UBC-funded low-interest and interest-only loan for a period of 15 years to eligible faculty members for the purchase or refinance of a primary residence in Metro Vancouver. Loan amounts vary from \$50,000 and up to \$500,000 in rare and exceptional cases. Once the loan is activated, the borrower will make monthly interest payments to UBC through regular payroll deductions. No principal payments are made throughout the loan period.

UBC charges the borrower the Canada Revenue Agency (CRA) [prescribed annual interest rate](#) used to calculate taxable benefits for employees from interest-free and low-interest loans. This interest rate is calculated by the CRA on a quarterly basis. The prescribed annual interest rate was 1% as of July 1, 2020. The initial loan annual interest rate is set at the time the money is advanced for a five-year term, and reset at the start of each subsequent five-year term. If the CRA prescribed interest rate decreases during any five-year term, UBC will charge the new lower interest rate. If it increases, UBC will continue to charge the initial lower interest rate for the term. A taxable benefit is earned only if the borrower pays interest at a rate lower than the prescribed annual interest rate.

See sample calculations of estimated annual interest payments and applicable taxable benefits below.

Table 1: PIRL of \$150,000

Loan Amount		\$ 150,000								
Year			CRA Prescribed Interest Rate	Interest Rate Charged ¹	Annual Interest Charge	Semi-monthly payroll deduction	Taxable Benefit Earned	Estimated Income Tax Rate	Estimated Income Tax Payable	Annual Loan Cost
TERM 1	1	2018	2.00%	2.00%	\$3,000	125.00	\$ -	40%	\$ -	\$ 3,000
	2	2019	2.00%	2.00%	\$3,000	125.00	\$ -	40%	\$ -	\$ 3,000
	3	2020	1.00%	1.00%	\$1,500	62.50	\$ -	40%	\$ -	\$ 1,500
	4	2021	1.00%	1.00%	\$1,500	62.50	\$ -	40%	\$ -	\$ 1,500
	5	2022	1.00%	1.00%	\$1,500	62.50	\$ -	40%	\$ -	\$ 1,500
TERM 2	6	2023	1.00%	1.00%	\$1,500	62.50	\$ -	40%	\$ -	\$ 1,500
	7	2024	1.00%	1.00%	\$1,500	62.50	\$ -	40%	\$ -	\$ 1,500
	8	2025	1.50%	1.00%	\$1,500	62.50	\$ 750	40%	\$ 300	\$ 1,800
	9	2026	1.50%	1.00%	\$1,500	62.50	\$ 750	40%	\$ 300	\$ 1,800
	10	2027	2.00%	1.00%	\$1,500	62.50	\$ 1,500	40%	\$ 600	\$ 2,100
TERM 3	11	2028	2.00%	2.00%	\$3,000	125.00	\$ -	40%	\$ -	\$ 3,000
	12	2029	2.00%	2.00%	\$3,000	125.00	\$ -	40%	\$ -	\$ 3,000
	13	2030	2.25%	2.00%	\$3,000	125.00	\$ 375	40%	\$ 150	\$ 3,150
	14	2031	2.25%	2.00%	\$3,000	125.00	\$ 375	40%	\$ 150	\$ 3,150
	15	2032	2.25%	2.00%	\$3,000	125.00	\$ 375	40%	\$ 150	\$ 3,150

¹ The interest rate charged is equal to the lesser of the CRA prescribed interest rate at the beginning of a five-year term and the current CRA prescribed interest rate. A taxable benefit will arise when the amount of interest charged is less than the CRA prescribed annual interest rate.

Table 2: PIRL of \$250,000

Loan Amount			\$ 250,000							
Year			CRA Prescribed Interest Rate	Interest Rate Charged ¹	Annual Interest Charge	Semi-monthly payroll deduction	Taxable Benefit Earned	Estimated Income Tax Rate	Estimated Income Tax Payable	Annual Loan Cost
TERM 1	1	2018	2.00%	2.00%	\$5,000	208.33	\$ -	40%	\$ -	\$ 5,000
	2	2019	2.00%	2.00%	\$5,000	208.33	\$ -	40%	\$ -	\$ 5,000
	3	2020	1.00%	1.00%	\$2,500	104.17	\$ -	40%	\$ -	\$ 2,500
	4	2021	1.00%	1.00%	\$2,500	104.17	\$ -	40%	\$ -	\$ 2,500
	5	2022	1.00%	1.00%	\$2,500	104.17	\$ -	40%	\$ -	\$ 2,500
TERM 2	6	2023	1.00%	1.00%	\$2,500	104.17	\$ -	40%	\$ -	\$ 2,500
	7	2024	1.00%	1.00%	\$2,500	104.17	\$ -	40%	\$ -	\$ 2,500
	8	2025	1.50%	1.00%	\$2,500	104.17	\$ 1,250	40%	\$ 500	\$ 3,000
	9	2026	1.50%	1.00%	\$2,500	104.17	\$ 1,250	40%	\$ 500	\$ 3,000
	10	2027	2.00%	1.00%	\$2,500	104.17	\$ 2,500	40%	\$ 1,000	\$ 3,500
TERM 3	11	2028	2.00%	2.00%	\$5,000	208.33	\$ -	40%	\$ -	\$ 5,000
	12	2029	2.00%	2.00%	\$5,000	208.33	\$ -	40%	\$ -	\$ 5,000
	13	2030	2.25%	2.00%	\$5,000	208.33	\$ 625	40%	\$ 250	\$ 5,250
	14	2031	2.25%	2.00%	\$5,000	208.33	\$ 625	40%	\$ 250	\$ 5,250
	15	2032	2.25%	2.00%	\$5,000	208.33	\$ 625	40%	\$ 250	\$ 5,250

1 The interest rate charged is equal to the lesser of the CRA prescribed interest rate at the beginning of a five-year term and the current CRA prescribed interest rate. A taxable benefit will arise when the amount of interest charged is less than the CRA prescribed annual interest rate.