

Fringe benefit tax exemptions for electric vehicles

By Laura Rogers

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As of 28 November 2022, the Senate has passed the Treasury Laws Amendment (Electric Car Discount) Bill 2022 amending the Fringe Benefits Tax Act 1986.

The Treasury Laws Amendment (Electric Car Discount) Bill 2022 exempts from fringe benefits the use or availability for use, of cars made available by employers to current employees that are zero or low emissions vehicles with a value at first retail sale below the luxury car tax threshold (currently \$84,916) for fuel efficient vehicles. The intent of the Government is to allow more Australians to be able to access zero or low emission vehicles and in-turn reach its goal of seeing significantly lower carbon emissions.

However, to enable the bill to be passed, the Greens and the Government have agreed to support changes to the new bill that will limit the support for plug-in hybrids and prioritise full electric vehicles, including:

Prioritising zero emission electric vehicles in the Australian Government fleet, removing plug-in hybrid vehicles; and

Sun-setting support for petrol-based plug-in hybrid vehicles from 1 April 2025.

What vehicles are included within the definition?

These zero or low emission vehicles must be first held and or used on or after 1 July 2022 are considered to be:

- Hydrogen fuel cell electric vehicles (e.g., Toyota Mirai)
- Uses an electric motor for propulsion;
- Is equipped with a fuel cell for converting hydrogen to electricity; and
- Is not fitted with an internal combustion engine.
- Battery electric vehicles (e.g., Tesla Model 3); and
- Uses only an electric motor for propulsion; and
- Is fitted with neither a fuel cell nor an internal combustion engine.
- Plug-in hybrid electric vehicles (e.g., Mazda CX-60) (noting these are only exempt if they can be recharged by an off-vehicle power source).
- Uses an electric motor for propulsion;
- Takes and stores energy from an external source of electricity; and
- Is fitted with an internal combustion engine for either or both of the generation of electrical energy or propulsion of the vehicle.

What does this mean for my business?

With the increased up-take of zero or low emission vehicles, many businesses will have the opportunity to provide these vehicles to their current employees and be exempt from Fringe Benefits Tax. This process, can result in a substantial tax saving, as outlined below:

2023 Fringe Benefits Tax Year

Petrol Vehicle

Electrical Vehicle

Purchase Price	\$70,000 Inc GST	\$70,000 Inc GST
Calculation Method	Statutory Formula Used	Statutory Formula Used
Date Purchased	01/07/2022	01/07/2022
No. of Days Held	273 days	273 days
Available for Use	273 days	273 days
Taxable Value	\$10,471	\$0

How will this impact my employees?

Car fringe benefits for zero or low emissions cars that are exempt from FBT will be included for the purposes of determining a current employee's reportable fringe benefits amount for each FBT year. The amendments effectively add back to the employee's individual fringe benefits amount the taxable value of the car benefit as if the exemption had not occurred. This is designed to ensure fairness in the tax and transfer systems, noting that the reportable fringe benefits amount is used to calculate and determine various liabilities and entitlements. These include calculating the Medicare levy surcharge, determining entitlement to certain tax offsets, and determining eligibility for certain family assistance payments.

Has the Treasury Laws Amendment (Electric Car Discount) Bill 2022 been turned into legislation?

The bill now returns to the House of Representatives to be passed into legislation, however is not currently law. A further amendment was to legislate the government's commitment to a review of the arrangements in three years' time, and to require a report to be delivered within 18 months after the end of the three years. The report will need to consider whether the exemption provisions should continue and what type of motor vehicles should be covered.

ATO guidance

The ATO will issue a guidance piece in relation to when household charging technology is able to be included within FBT-exempt vehicle packages.

For further information about the Parliamentary Bill, please view [this link](#).

If you have any questions or would like to discuss, please contact your [Fordham Partner](#)

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