

ELECTRIC VEHICLES + FBT BENEFITS

From 1 July 2022, employers do not pay FBT on eligible electric cars and associated car expenses. You do not pay FBT if you provide private use of an electric car that meets all the following conditions:

- the car is a zero or low emissions vehicle (battery electric, hydrogen fuel cell, or plug-in hybrid electric vehicle)
- the first time the car is both held and used is on or after 1 July 2022
- the car is used by a current employee or their associates (such as family members)
- luxury car tax (LCT) has never been payable on the importation or sale of the car.

Benefits provided under a salary packaging for a zero or low emissions vehicle

A vehicle is a zero or low emissions vehicle if it satisfies both of these conditions:

It is a:

- battery electric vehicle
- hydrogen fuel cell electric vehicle, or
- plug-in hybrid electric vehicle.
- It is a car designed to carry a load of less than 1 tonne and fewer than 9 passengers (including the driver).
- Motorcycles and scooters are not cars for FBT purposes and do not qualify for the exemption, even if they are electric.

From 1 April 2025 however, a plug-in hybrid electric vehicle will not be considered a zero or low emissions vehicle under FBT law.

Employee contributions – savings due to salary sacrifice arrangement

Where an employee enters into a novated lease arrangement or otherwise agrees to financially contribute towards the provision of a car fringe benefit, some or all of the employee contribution will typically be made from after-tax salary. For electric cars that qualify for this exemption, the total contribution made



by an employee may now be made from pre-tax amounts. This change is expected to provide significant tax savings for the employee due to reduced taxable income.

Charging the electric car at an employee's home

A car expense is defined for FBT purposes to include fuel. The ATO has confirmed in its recent guidance that fuel which includes 'electricity to charge and run electric cars', constitutes a car expense. Employees who charge their cars at home may seek reimbursement or, alternatively, seek to salary sacrifice these costs. However, in the absence of a separate meter to measure the electricity consumption, an employee cannot calculate and record the electricity costs associated with charging their electric car.

In summary, this exemption encourages the adoption of electric cars by reducing the tax burden associated with providing them as employee benefits. Employers can now support sustainable transportation options without incurring additional FBT costs.

The ATO has signalled that there will be an increased focus on FBT this year so if you would like to ensure your business is compliant, please contact your advisor at CONCEPTS & RESULTS as soon as possible.

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