FBT on cars, other vehicles, parking and tolls

How FBT applies to cars, other motor vehicles, electric cars, car leasing, car parking and road tolls.

Cars and FBT

How FBT applies to cars, private versus business use, car leasing, and calculating the value of a car fringe benefit.

Exempt use of eligible vehicles

Your employee's limited private use of a ute, van or other eligible vehicle may be exempt from FBT.

Electric cars exemption

You don't need to pay fringe benefits tax (FBT) on eligible electric cars and associated car expenses.

Car parking and FBT

FBT on car parking, exemptions for small businesses and disabilities, how to calculate taxable value.

Road and bridge tolls and FBT

Find out when FBT applies to road and bridge tolls, and work out the taxable value of tolls

FBT on plug-in hybrid electric vehicles

How FBT exemptions apply to plug-in hybrid electric vehicles (PHEVs) from 1 April 2025.

QC 71125

Exempt use of eligible vehicles

Your employee's limited private use of a ute, van or other eligible vehicle may be exempt from FBT.

Last updated 12 January 2023

On this page

FBT exemption for eligible vehicles

Vehicles eligible for the exemption

Uses eligible for the exemption

What to do if use of vehicle is subject to FBT

FBT exemption for eligible vehicles

There is no fringe benefits tax (FBT) when an employee uses your vehicle if:

- it is an eligible vehicle, and
- private use of the vehicle is limited.

There is a separate exemption for **eligible electric cars.**

Vehicles eligible for the exemption

The following vehicles are eligible for the limited private use exemption:

- a **single cab ute**
- a **dual cab ute** that is designed to either
  - carry a load of 1 tonne or more
  - carry more than 8 passengers (including the driver)
  - carry a load of less than 1 tonne but is not designed for the principal purpose of carrying passengers. To work out if a dual cab ute meets this condition, see MT 2024 *Fringe benefits tax: dual cab vehicles eligibility for exemption where private use is limited to certain work-related travel* on our legal database
- a **panel van** or **goods van**
- a **modified vehicle** (such as a hearse) if, for the entire FBT year when the car is used by the employee, the modification permanently affects the inherent design of the vehicle. To find out what constitutes a modified vehicle, see MT 2033 *Fringe benefits tax: application of sub-section 8(2) exemption to modified cars*
- a **taxi**
- any **4-wheel drive vehicle** that is designed either
  - to carry a load of 1 tonne or more
  - to carry more than 8 passengers (including the driver)
  - for a principal purpose other than carrying passengers, as indicated by its appearance, marketing specification or carrying capacity – for more information see TD 94/19
- any **other road vehicle** that is designed to carry either
  - a load of 1 tonne or more
  - more than 8 passengers (including the driver).

If the vehicle your employee is using is:

- an eligible vehicle, check that their use is limited to uses that qualify for the FBT exemption

- a car that is not an eligible vehicle, FBT applies to the employee's private use of it. You calculate the **taxable value of this use as a car fringe benefit**.

Calculate load carrying capacity of 1 tonne or more

To determine if a vehicle is eligible, you may need to know if it is designed to carry a load of 1 tonne or more.

You can use the following formula to calculate the carrying capacity of a vehicle:

> Maximum loaded vehicle weight (or gross vehicle weight, which is typically shown on the compliance plate attached to a vehicle's engine bay, door pillar or footwell by the manufacturer or importer).
>
> *Less*:
>
> Unladen vehicle weight (or basic kerb weight, which is the weight of the vehicle with a full capacity of lubricant, coolant and fuel together with spare wheel, tools (including jack) and installed options, but excluding the weight of goods or occupants).

Uses eligible for the exemption

FBT does not apply if your employee only uses your eligible vehicle for the following:

- travel between home and work
- travel that is incidental to travel in the course of employment duties
- non-work-related use that is minor, infrequent and irregular (such as occasional use of the vehicle to remove domestic rubbish).

If FBT does not apply to your employee's use of your eligible vehicle, then it also does not apply to:

- any road or bridge tolls you incur while your employee is using the vehicle
- use of the vehicle by your employee's associate (such as their partner), provided their use is also minor, infrequent and irregular.

To check what we consider minor, infrequent and irregular use, see **PCG 2018/3** *Exempt car benefits and exempt residual benefits:*

compliance approach to determining private use of vehicles on our legal database.

Record keeping

You don't have to keep special records to be eligible for the exemption. However, you must be able to demonstrate that the use of the vehicle at all times meets the limited private use conditions.

For example, you could regularly compare the opening and closing odometer readings of the vehicle with the total distance you expect the employee to travel between home and work.

What to do if use of vehicle is subject to FBT

If an employee's use of your eligible vehicle doesn't meet the conditions for limited private use, it is a car fringe benefit or residual fringe benefit.

You need to:

1. work out the taxable value of the private use of the eligible vehicle
2. calculate how much FBT to pay
3. lodge your FBT return
4. pay the FBT amount
5. check if you should report the fringe benefit through Single Touch Payroll (or on your employee's payment summary).

Claiming tax deductions

You can claim a deduction for expenses for motor vehicles used in running your business. If you pay FBT, the:

- FBT you pay is tax deductible
- private use expenses of the vehicle that you pay FBT on is tax deductible.

Taxable value of private use of eligible vehicles

Work out the taxable value of private use of a ute, van or other eligible vehicle.

QC 71130

Taxable value of private use of eligible vehicles

Work out the taxable value of private use of a ute, van or other eligible vehicle.

Last updated 12 January 2023

On this page

Step 1: Confirm that FBT applies to the benefit

Step 2: Check the type of vehicle

Step 3: Determine the amount of private use

Step 4: Calculate the taxable value of the benefit

Step 1: Confirm that FBT applies to the benefit

If your employee's use of an **eligible vehicle is limited to the uses eligible for exemption**:

- there is no FBT on the employee's use of the vehicle
- you don't need to read the other steps.

If your employee's use of an eligible vehicle exceeds the uses eligible for exemption:

- it is a fringe benefit
- continue to step 2.

Step 2: Check the type of vehicle

If the vehicle is:

- a taxi, ute, panel van, or other goods-carrying vehicle designed to carry less than 1 tonne and fewer than 9 passengers (including the driver)
  - you treat it the same as a car – see **taxable value of a car fringe benefit**
  - you don't need to read the other steps

- designed to carry more than 1 tonne or at least 9 passengers (including the driver), or is any other commercial road vehicle
  - you treat it as a residual fringe benefit
  - continue to step 3.

Step 3: Determine the amount of private use

You need to know the amount of private use versus business use.

You don't have to keep a logbook, but if you have one you should use it to work out the extent of private use of the vehicle.

If you don't have a logbook, make a reasonable estimate. For example, if your employee drives the vehicle between home and work, you could determine this component of private use by multiplying the number of journeys during the year by the distance between the employee's home and place of employment.

Step 4: Calculate the taxable value of the benefit

You can use either the:

- operating cost method
- cents per kilometre method.

Whichever method you use, we assume that you provide the vehicle on a fully maintained basis, including fuel. If your employee provides fuel, the value of the benefit is based on the operating costs, excluding fuel.

Operating cost method

The operating cost method is the same as for cars. To calculate the taxable value of the fringe benefit under the operating cost method, you need to know:

- **A**, the total operating costs (including deemed costs for depreciation and interest)
- **B**, the percentage of private use
- **C**, the employee contribution.

You can then work out the taxable value as (A × B) − C.

For details on each of these, including examples, see FBT guide: 7.5 Operating cost method in our legal database.

Cents per kilometre method

If you don't have specific records, you can use the cents per kilometre method.

There are 3 steps to calculate the taxable value of the fringe benefit using the cents per kilometre method:

1. Total the number of private kilometres travelled.
2. Multiply by the Motor vehicle (other than a car) – cents per kilometre rate.
3. Divide by 100 to convert the amount from cents to dollars.

For more information about how to calculate taxable value using this method, see FBT guide: 18.6 Taxable value of motor vehicles other than cars in our legal database.

QC 71131

Electric cars exemption

You don't need to pay fringe benefits tax (FBT) on eligible electric cars and associated car expenses.

Last updated 8 October 2024

On this page

Eligibility

Associated car expenses

Cost of electricity to charge electric cars

Reportable fringe benefits

Electric vehicles and fringe benefits tax fact sheet

Eligibility

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
- 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 arrangement are included in the exemption.

The government will complete a review into this exemption by mid-2027 to consider electric car take-up. We will provide an update when this review begins.

Zero or low emissions vehicle

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

1. It is a:

- battery electric vehicle
- hydrogen fuel cell electric vehicle, or
- plug-in hybrid electric vehicle (this does not include hybrid vehicles, that are only fuelled by liquid petrol – see **Cars and FBT**).

2. It is a car designed to carry a load of less than one 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.

Plug-in hybrid electric vehicles – 1 April 2025 onwards

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

However, you can continue to apply the exemption in certain conditions.

'Held and used' the electric car

The practical effect of this requirement is that the electric car must be used for the first time on or after 1 July 2022 – even if it is held before this date.

An electric car is 'held' when it is:

- owned (includes cars acquired under hire-purchase arrangements)
- leased (or let on hire), or
- otherwise made available by another entity.

An electric car is considered 'used' when it is used or available for use by any entity or person.

Example: exemption does not apply – car first used before 1 July 2022

Shelly purchases an electric car on 1 April 2022. She makes it available for the private use of her employee, Jack, from that date until 30 July 2022.

On 1 August 2022, Shelly sells the electric car to ABC Co. ABC Co makes the car available for the private use of its employees from 1 August 2022.

The first time the electric car was both held and used is before 1 July 2022. Therefore, any car fringe benefits are not exempt from FBT.

Example: exemption applies – car first used from 1 July 2022

John ordered an electric car on 1 February 2022. The car was not subject to LCT. The car was delivered on 15 June 2022, at which time legal ownership passed to John.

John first makes the car available for the private use of his employees on 5 July 2022.

On 1 September 2023, John sells the electric car to XYZ Co. The new owner makes the car available for the private use of its employees from 1 September 2023.

The electric car was:

- first held on 15 June 2022 – when John started owning it
- first used on 5 July 2022.

The first time the electric car was both held **and** used was after 1 July 2022. Therefore, any car fringe benefits are exempt from FBT.

Determining if the car was subject to LCT

To be eligible for the exemption, the value of the electric car must be below the **LCT threshold for fuel efficient vehicles** at the time it is first sold in a retail sale, and in any subsequent sale.

If you purchase an electric car second hand, you need to determine if it was subject to **LCT** at any time in the past.

Example: exemption does not apply – car was subject to LCT

GHI Co purchases a new electric car on 1 July 2022 with a GST inclusive value of $85,000 from a car dealership in Australia.

The car does not meet the company's needs, so they sell it for $83,000 on 31 July 2022 to Kerry.

Kerry reviews all available ownership and sales documentation and checks the LCT threshold for fuel efficient vehicles on the ATO website.

She determines that LCT would have been payable by the dealership when GHI Co purchased the electric car, as the value of the car was above the fuel-efficient vehicle LCT threshold for 2022–23.

Any car fringe benefits arising from the private use of the car by Kerry's employees will not be exempt from FBT, as the car was subject to LCT when first sold.

Associated car expenses

The following car expenses are exempt from FBT if they are provided for an eligible electric car:

- registration
- insurance
- repairs or maintenance
- fuel including the cost of electricity to charge electric cars.

You may be able to reduce the FBT on any items that aren't exempt car expenses, if the expenditure would have been deductible to the employee had they incurred it themselves. This is called the **otherwise deductible rule**.

Home charging station

A home charging station is not a car expense associated with providing a car fringe benefit for electric cars. However, it may be a **property fringe benefit** or an **expense payment fringe benefit**.

Cost of electricity to charge electric cars

Although the private use of an eligible electric car and cost of fuel including electricity to charge it, is exempt from FBT, the benefit is reportable (see **Reportable fringe benefits**).

How you work out the cost of electricity depends on the type of electric car you provide:

- Zero emission electric cars
- Plug-in hybrid electric cars

Zero emission electric cars

It can be difficult to work out the cost of electricity when an employee charges the electric car at home.

This is because the electricity used to charge the electric car is combined with the total amount of electricity consumed by an employee's home and is unable to be separately identified and valued.

To make it easier for you to calculate the electricity costs you can choose to use the shortcut electric vehicle (EV) home charging rate if you're eligible.

The EV home charging rate is **4.20 cents per kilometre**. See PCG 2024/2 *Electric vehicle home charging rate-calculating electricity costs when a vehicle is charged at an employee's or individual's home*.

If you choose to use the EV home charging rate, you can't include commercial charging station costs unless you can accurately determine the percentage of the vehicle's total charge based on the type of charging location.

Make sure you keep the necessary records to substantiate how you determined the cost of electricity used to charge the electric car.

Example: home charging percentage can be accurately determined

Bill's employer provides him with an eligible electric car for his private use.

During the 2022–23 FBT year:

- the car generates a report detailing that Bill charged the electric car at home 75% of the time.
- Bill travelled a total of 10,000 km.

Bill's home charging kilometres can be determined by applying the home charging percentage of 75% to the 10,000 total kilometres travelled and his employer decides to use the EV home charging rate of 4.20 cents:

- 10,000 km x 75% = 7,500 km
- 7,500 km x 4.20 cents = $315

The component of the electricity expense for FBT purposes would be $315.

Bill has also kept relevant records relating to commercial charging station costs so his employer can include these costs to calculate the remaining component of the electricity expense.

Plug-in hybrid electric cars

To work out the cost of the electricity used to charge an exempt plug-in hybrid electric vehicle (PHEV), you need to calculate the actual electricity expenses. You can't use the EV home charging rate.

Make sure you keep the necessary records to substantiate how you determined the cost of fuel including electricity used to charge and run the PHEV.

Reportable fringe benefits

Unlike other exempt benefits, although the private use of an eligible electric car, including the associated expenses is exempt from FBT, it is a reportable fringe benefit.

This means, you will need to work out the **notional taxable value** of the benefits associated with the private use of the exempt electric car and whether you need to report.

For more information about reportable fringe benefits, including working out if you need to report, see **Reportable fringe benefits**.

Electric vehicles and fringe benefits tax fact sheet

For more information on the electric cars exemption, see **Electric vehicles and fringe benefits tax fact sheet**.

QC 71132

Car parking and FBT

FBT on car parking, exemptions for small businesses and disabilities, how to calculate taxable value.

Last updated 6 March 2025

On this page

What a car parking fringe benefit is

Exemptions from car parking fringe benefits

What to do if you provide a car parking fringe benefit

Taxable value of car parking

Records you need to keep

What a car parking fringe benefit is

As an employer, you are providing a **car parking fringe benefit** on any day that all the following occur:

- Your employee parks their car (or a car you provide them) in a place that
  - you own, lease or control (your business premises)
  - is at or near their primary place of employment
  - is within 1 kilometre (by the shortest practicable route) of a commercial parking station that charges an all-day parking fee

greater than the **car parking threshold** on both the
  - first day of the FBT year
  - day the benefit is provided.
- The car is parked for more than 4 hours between 7.00 am and 7.00 pm.
- Your employee drives their car between home and work, or vice versa, at least once.
- You aren't exempt from car parking fringe benefits.

Exemptions from car parking fringe benefits

You don't have to pay FBT for providing an employee with car parking, if any of the following apply:

- The employee has a disability.
- You are a small business.
- You are an exempt employer.

If you provide car parking occasionally, it may qualify for the **minor benefits exemption** if it both:

- has a value of less than $300
- would be considered unreasonable to treat it as a fringe benefit.

Employees with disabilities

If you provide car parking for an employee with a disability, you don't have to pay FBT. Your employee must both:

- be legally entitled to use a parking bay marked with the international symbol of access
- have a valid accessibility parking permit displayed on the car.

Small business parking exemption

You're exempt from paying FBT on car parking benefits if you meet all the following conditions:

- The parking isn't provided in a commercial car park.

- For the last income year before the relevant FBT year, either your
  - gross total income was less than $10 million
  - aggregated turnover was less than $50 million (how you calculate your aggregated turnover is the same as for the **CGT small business entity eligibility**).
- You are not a government body, a listed public company or a subsidiary of a listed public company.

Exempt employer types

You're exempt from paying FBT on car parking benefits if you're a:

- charity registered with the Australian Charities and Not-for-profits Commission (such as a public benevolent institution, health promotion charity or religious institution)
- scientific institution (other than an institution run for the purpose of profit or gain to its shareholders or members)
- public educational institution
- public or not-for-profit hospital, and the benefit is within the employee capping threshold
- public ambulance service, and the benefit is within the employee capping threshold.

What to do if you provide a car parking fringe benefit

You need to:

1. work out the taxable value of the car parking
2. keep the appropriate records
3. **calculate how much FBT** to pay
4. **lodge your FBT return**
5. **pay the FBT amount**
6. check if you should **report the fringe benefit** through Single Touch Payroll (or on your employee's payment summary).

Taxable value of car parking

The taxable value of car parking fringe benefits is calculated as follows:

1. Choose which valuation method you're going to use.
2. Determine the value of a car parking benefit.
3. Multiply by the number of parking benefits provided.
4. Reduce this amount by anything your employee pays towards the cost of the parking.

There are 5 methods you can choose from to determine the taxable value of car parking fringe benefits:

- commercial parking station method
- market value method
- average cost method
- 12-week register method
- spaces method.

Records you need to keep

With record keeping for FBT, you must keep records that:

- show how you calculated the taxable value of the car parking fringe benefit
- support any exemption or concession you used.

Each method has specific recording-keeping requirements – see FBT guide: 16.2.1 Taxable value – summary of methods.

QC 71133

Road and bridge tolls and FBT

Find out when FBT applies to road and bridge tolls, and work out the taxable value of tolls.

Last updated 12 January 2023

On this page

When road and bridge tolls are subject to FBT

No FBT if business use only

No FBT for minor benefits

What to do if tolls are subject to FBT

Taxable value of tolls

Claiming tax deductions

When road and bridge tolls are subject to FBT

As a rule, if fringe benefits tax (FBT) applies to your employee's private use of a car or eligible commercial vehicle, and you pay their road or bridge tolls, the tolls are also subject to FBT.

FBT also applies if you pay the tolls of an employee's associate, such as their partner.

No FBT if business use only

You don't pay FBT on road or bridge tolls if your employee's use (or their associate's) is:

- business use of a car
- limited private use of an eligible vehicle.

No FBT for minor benefits

You don't have to pay FBT on tolls if both of the following apply:

- The total value of the road or bridge toll for an employee over the FBT year is less than $300.
- It would be considered unreasonable to treat the benefit as a fringe benefit – for example, because the toll payments are infrequent and irregular.

This is called the **minor benefits exemption**.

Example: road tolls as a minor benefit

Tom lets his employee, Sandi, use a pool car to travel to and from work on an ad hoc basis.

Sandi travels on a toll road on the way to and from work. The business's electronic toll tag is attached to the car.

Sandi takes the car home overnight 10 times during the FBT year (which is 20 tolls). The cost of each toll is $5.40 including GST. As the cost is only $108, and the tolls are infrequent and irregular, Tom does not have to report on or pay FBT for paying Sandi's road tolls.

What to do if tolls are subject to FBT

If road or bridge tolls you've paid are subject to FBT, you need to:

1. work out the taxable value of the fringe benefit
2. **calculate how much FBT to pay**
3. **lodge your FBT return**, completing the label for
   - an expense payment fringe benefit if you reimburse an employee's toll
   - a residual fringe benefit if you allow an employee to use your electronic toll tag
4. **pay the FBT amount**
5. **check if you should report the fringe benefit** through Single Touch Payroll (or on your employee's payment summary).

Taxable value of tolls

You can use any approach to work out the taxable value of road and bridge tolls as long as:

- it gives you a reasonably based measure
- you include GST in the cost
- you keep all records for the toll benefits you provide, including how you calculated the taxable value of benefits.

Some methods you can use to work out the taxable value of tolls are:

- actual value
- private use percentage.

You can also apply these methods to work out the taxable value of tolls for private use of pool cars.

Actual value

To work out the taxable value of road or bridge toll benefits, you can simply use the amount that you pay for each toll.

Support your calculation with evidence such as receipts, electronic tag records, running sheets and employee attendance records.

Example: employee's actual road toll expenditure

Jonty has an electronic toll tag on his car, which he drives to and from work. Sometimes he uses his employer's car to drive to and from work, and pays cash for tolls.

At the end of each month, Jonty provides toll receipts and electronic toll statements to his employer, who reimburses his expenditure.

These reimbursements are expense payment fringe benefits. The taxable value is the amount the employer reimburses.

Private use percentage

You can use the private use percentage to determine the taxable value of bridge and road tolls. The percentage may be calculated from diary records, a logbook or similar records.

Diary records

Keep a diary (or similar records) over a representative period of 4 weeks or more. You can use this to establish the business and private usage of road or bridge tolls over that period. You can then apply the percentage of private use to your tolls for the entire FBT year.

Other records

You can use records such as car logbooks, odometer records and running sheets to record car travel. Use these records to work out the business and private usage of a car over an FBT year.

You can then apply the percentage of private use to your tolls for that car for the entire FBT year. If you use a logbook that complies with the car fringe benefits operating cost method, you may only need to be complete one every 5 years.

Pool cars

If you have a pool car that is used by your employees for both business and private purposes, you can calculate the taxable value of tolls based on:

- actual value
- private use percentage
- an employee's usual weekly toll expenditure.

Example: Pool car tolls – actual value or private use percentage

BusinessCo provides its employee, Anwar, with a salary packaged car.

- On work days, Anwar travels from home to work and back on a toll road.
- During the day, the car is available as a pool car for use by other employees. Often their use of the car involves tolls.

- The car is available for Anwar's private use while at home, on weekends and on holidays. During these times he occasionally has road tolls.
- The car has an electronic toll tag in BusinessCo's name. The tag records all road toll expenditure for the car, which is paid by BusinessCo.

The road tolls during the 'pool car' period are incurred for business purposes and no FBT is payable.

The tolls during Anwar's private use of the car are a residual fringe benefit.

Actual value method

BusinessCo can use the electronic toll statement to work out the actual value of the fringe benefit provided to Anwar, using either of these approaches:

- Work out which tolls are incurred during the 'pool car' period, and subtract this amount from the total road toll expenditure. The balance is the taxable value of the fringe benefit provided to Anwar.
- Work out which tolls are incurred during Anwar's private use of the car. To do this, BusinessCo looks at things like the time Anwar generally arrives at work or returns home, the tolls he would incur on his trips to and from work, and the days he is on holidays.

Private use percentage

BusinessCo keeps a car log book (or other similar records). The log book shows that the percentage of business use of the car is 75%. This means the private use by Anwar is 25%.

BusinessCo calculates the taxable value of the fringe benefit provided to Anwar as 25% of the company's total expenditure on tolls for the car.

If it's difficult to work out an employee's expenditure on tolls for a pool car, you can:

1. determine the employee's usual private toll expenditure in a normal working week

2. apply this to the employee's working year.

Use evidence such as electronic tag records, running sheets and employee attendance records to support your calculation.

Pool car tolls – estimating from usual toll expenditure

AbCo has a number of pool cars for employees to use during business hours.

- After the work day has finished, AbCo allows employees to take a car home and bring it back the next day.
- AbCo has a strict policy that the only private travel permitted is to and from work.
- Some employees travel on toll roads on the way to and from work.
- The cars have electronic toll tags in AbCo's name. The tags record all road toll expenditure for the cars, which is paid by AbCo.

Because different employees use different cars on different days and at different times, it's difficult for AbCo to calculate, from the electronic toll statements, which trips are for private travel.

Instead, AbCo:

1. works out, for each employee, the road toll expenditure from their private use of a pool car in a normal working week.
    - AbCo works this out using electronic toll statements, running sheets and employee attendance records
2. multiplies the normal weekly tolls expenditure by the number of weeks worked by the employee during the year.

The result is the taxable value of the tolls provided to the employee by AbCo during the FBT year.

Claiming tax deductions

If you pay FBT, the:

- FBT you pay is tax deductible
- private tolls for which you pay FBT are tax deductible.

QC 71134

FBT on plug-in hybrid electric vehicles

How FBT exemptions apply to plug-in hybrid electric vehicles (PHEVs) from 1 April 2025.

Last updated 14 March 2025

On this page

PHEV eligibility for FBT exemption

Eligibility for the FBT exemption ceases

If there's no commitment before 1 April 2025

PHEV eligibility for FBT exemption

From 1 April 2025, a plug-in hybrid electric vehicle will not be considered a zero or low emissions vehicle under fringe benefits tax (FBT) law and isn't eligible for the **electric cars exemption**. However, you can continue to apply the **electric car exemption** where you meet the following requirements .

When a PHEV will continue to be exempt

You can continue to apply the **electric car exemption** if you meet both the following requirements:

- That plug-in hybrid electric vehicle was used, or available for use, before 1 April 2025 (and that use, or availability for use, was exempt). The ATO has no discretion to extend this date, including where delivery delays occur due to unforeseen circumstances.

- You have a financially binding commitment to continue providing the use, or availability for use, of the car for private purposes on and after 1 April 2025 (but any optional extension of the agreement is not considered binding).

Example: car not available for private use before 1 April 2025

Sonia enters into a 3-year novated lease with her employer and a finance company that entitles her to use a plug-in hybrid electric vehicle for private purposes.

The car is coming from overseas and was scheduled for delivery on 28 March 2025.

Delivery of the car is delayed, and the car won't arrive in Australia until 15 April 2025, and will be delivered to Sonia on 1 May 2025.

Sonia's private use of the car on or after 1 April 2025 is not exempt from FBT. This is because the PHEV was not used by Sonia for private purposes, or available for her private use, before 1 April 2025. The first requirement for the use of the PHEV to be exempt before 1 April 2025 is not met.

When a PHEV is no longer exempt

If there is a change to a pre-existing commitment on or after 1 April 2025, the FBT exemption for the plug-in hybrid electric vehicle will no longer apply from the date of that new commitment.

What a commitment is

You have entered into a commitment at the point there is an obligation to undertake a transaction and it cannot be backed out of. The commitment must:

- be financially binding on one or more of the parties
- relate to the private use, or availability for private use, of the car to an employee or associate.

Eligibility for the FBT exemption ceases

Some changes to pre-existing commitments result in a new commitment and therefore the employer will no longer be eligible for the FBT exemption from that time:

- Optional extensions to the agreement – the agreement must be for a pre-determined period of time.
- Breaks in novation agreements – the car is not used, or available for the private use, of the employee under the agreement.
- Changes to the financial obligations under the lease – including changes to lease payments or the residual value of the car.
- Changed employer for FBT purposes – results in a new commitment to the application or availability of the car by the new employer.

Optional extensions

You won't be eligible for the FBT exemption from the time you have an option to extend an agreement. This is because it is not a financially binding commitment. To be a financially binding commitment, it must be for a pre-determined period when the commitment is entered into.

Example: exemption applies to original agreement without extension

Simon enters into a novated lease with his employer and a finance company that entitles him to use a plug-in hybrid electric vehicle.

The lease begins on 1 April 2024 and is for 3 years, to 31 March 2027. There is an option to extend the lease for a further 2 years from 1 April 2027.

Simon's private use of the vehicle is exempt from FBT up to 31 March 2027. This is because:

- he starts using the vehicle before 1 April 2025 and the requirements of the electric car exemption are met
- there is a binding commitment to continue providing the vehicle until 31 March 2027.

However, the exemption will not apply after 31 March 2027, even if the option is taken to extend the lease for an additional 2 years. This is because, at the time the exemption for plug-in-hybrid vehicles ends (just before 1 April 2025, the extension is conditional on it being exercised at a future time. Therefore, the agreement at that time was not a binding commitment beyond 31 March 2027.

Breaks in novation agreements

You won't be eligible for the FBT exemption from the time you have any break in the novation agreement. This is because the break results in the car not being used, or available for the private use, of the employee under the agreement.

If the novation doesn't end, there would be no change in the commitment and the FBT exemption would be maintained.

Example: employee on unpaid leave

Tony entered a 4-year novated lease arrangement on 1 September 2024 for a plug-in hybrid electric vehicle.

On 1 May 2025, he takes a 3-month period of unpaid leave. While on unpaid leave, Tony is personally responsible for the lease payments and services on the vehicle as the novated lease ends and a car fringe benefit isn't provided during that period. Once Tony returns to work the novated lease recommences and his employer is again responsible for paying the lease payments and services from Tony's pre-tax salary. The overall lease end date doesn't change.

The end of the novation arrangement means there has been an alteration to the commitment that began before 1 April 2025, which will result in a new commitment.

Tony's employer isn't entitled to the FBT exemption for the vehicle from 1 May 2025.

A car benefit isn't provided to Tony while he is on unpaid leave. However, Tony's employer would need to work out how to value the **car fringe benefit** when Tony returns from leave from the 1 August 2025 onwards.

If Tony prepays the lease repayments in advance to his employer before going on unpaid leave, and the novation doesn’t stop, there would be no change in the in the commitment and the FBT exemption would be maintained.

Changes to the financial obligations

You won't be eligible for the FBT exemption from the time there is any change to the financial obligations of one of the parties under a lease because of a change to the lease agreement. This is because there is a change to a financially binding commitment. This includes changes to lease payments or the residual value of the car.

Example: adding a new service

Before 1 April 2025, Katie entered into an arrangement with her employer to salary sacrifice a plug-in hybrid electric vehicle lease payments that included a bundled service charge for key maintenance and servicing needs. The agreement provides flexibility in the amount to be charged.

On 4 August 2025, Katie adds roadside assist to her bundled service charge for safety reasons.

As a lease agreement includes a bundled service charge that provides flexibility in the amount to be charged, a change to the amount charged doesn't result in a new agreement. An alteration in lease payments or other obligations under a clause permitting such changes is not a change in the financial obligations in the lease agreement.

Katie’s employer is entitled to the FBT exemption for the remainder of the period of the lease despite the addition of the roadside assist.

Example: adding car accessories

Cade entered a 2-year novated lease arrangement on 7 February 2025 for a plug-in hybrid electric vehicle. Cade is planning a big trip and has some additional accessories added to the vehicle on 1 July 2025, including a bull bar and luggage racks. The accessories are added as part of the novated lease.

The addition of these items results in a change in the residual value of the car and the lease payments. This means that there has been an alteration to the commitment that began before 1 April 2025, which will result in a new commitment.

Cade's employer is not entitled to the FBT exemption for the vehicle from 1 July 2025. Cade's employer would need to work out how to value the car fringe benefit.

Example: change of car due to car accident

Hudson entered a novated lease arrangement in December 2024 for a plug-in hybrid electric vehicle.

In December 2025, the vehicle is involved in an accident, causing severe damage so the insurance company treats the event as a 'write off' and replaces the vehicle. The replacement plug-in hybrid electric vehicle is not 'like for like' but is a comparable model with similar features (as agreed to by the insurance company). The replacement vehicle is noted on the existing contract. All other contract details including pricing and the end date of the contract remain the same.

This is not an alteration to a pre-existing commitment that began before 1 April 2025 and doesn't result in a new commitment.

The employer is entitled to the exemption for the remainder of the novated lease period, as long as there are no changes to the lease.

Change of employer

You won't be eligible for the FBT exemption from the time there is a change of employer. Any change of employer for FBT purposes, even within the same group of companies, is a new commitment to the application or availability of the car by the new employer.

Example: change of employer

Courtney entered a 3-year novated lease arrangement on 1 June 2024 for a plug-in hybrid electric vehicle.

On 2 May 2025, Courtney is made redundant and the lease is no longer novated. Her employer at that time is entitled to the FBT exemption for the plug-in hybrid electric vehicle until 2 May 2025.

On 1 October 2025, Courtney starts new employment. The new employer agrees to a novated lease arrangement for the same vehicle. The end date of the lease remains unchanged.

The change in employer means there has been an alteration to the pre-existing commitment that began before 1 April 2025, which will result in a new commitment.

Courtney’s new employer isn't entitled to the FBT exemption for the vehicle. This would still be the case even if Courtney left her original employment voluntarily. Courtney’s new employer would need to work out the taxable value of the car fringe benefit.

If Courtney was to transfer departments or branches and her employer for FBT purposes remained the same, and there was no break in the novated lease agreement, then the FBT exemption would be maintained.

If there's no commitment before 1 April 2025

An employer isn't entitled to an exemption in FBT from 1 April 2025 if there was no binding financial commitment, to provide the car to a particular employee, in place before then.

Example: pool car

A sales company has a ‘pool’ of plug-in hybrid electric vehicles for employees to use for sales calls. Vehicles are not assigned to a particular employee. Employees book an available car through a car booking system on a day-to-day basis. The pool cars can be taken home at night and can be used for private purposes. The pool cars are used both pre and post 31 March 2025.

Each time an employee drives the car, it is a separate car benefit and the employer needs to check if the requirements for the FBT electric vehicle exemption are satisfied.

The employer isn't entitled to the exemption from 1 April 2025 because there is no binding financial commitment in place to provide that car to a single, designated employee before then.

Example: no binding commitment to provide the car

An IT company agrees to provide its employee with a plug-in hybrid electric vehicle (PHEV) for the employee's use, including private travel.

The employment contract, signed on 1 March 2025, states the company will provide the employee with a PHEV. The employment contract does not include details such as how long the car will be provided for, the make and model of the car, and the car's registration number or vehicle identification number.

The employer is not entitled to the FBT exemption from 1 April 2025 onwards because there is no binding financial commitment in place to provide that particular PHEV to a designated employee before that date. This is the case even if a car benefit (being the use or availability for use of a PHEV) has been provided before 1 April 2025 because there is no binding financial commitment in the employment contract to provide that car benefit beyond 1 April 2025.

QC 103132

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