Fact sheet for employers

# Electric vehicles and fringe benefits tax

Determining your fringe benefits tax obligations where you provide your employee with an electric vehicle and associated items for their private use.

## Key points

- A fringe benefits tax (FBT) exemption may apply to a car benefit arising if either
  - you allow your current employees, or their associates, to use a zero or low emissions vehicle (electric vehicle) for their private use
  - the electric vehicle is considered available for your current employees', or their associates', private use under FBT law.
- From 1 April 2025, private use of a plug-in hybrid electric vehicle is no longer eligible for the exemption, unless both of the following apply
  - use of the plug-in hybrid electric vehicle was exempt before 1 April 2025
  - you have a financially-binding commitment to continue providing private use of that vehicle on and after 1 April 2025.
- If an employer or lessor provides an employee with the use of a car by means of a lease arrangement, the benefit provided is only a car benefit if the car lease arrangement is a bona fide car leasing arrangement.
- Associated benefits arising from the provision of certain car expenses provided with the electric vehicle are also exempt from FBT. These are not included when working out if an employee has a reportable fringe benefits amount.
- Providing your employee with a home charging station is a fringe benefit – the benefit is not an exempt associated benefit.
- If the use of the car and the associated car expenses are provided under a salary sacrifice arrangement, the exemption can still apply.
- Even if an exemption applies for the electric vehicle car benefit, you still need to work out the taxable value of the car benefit provided. This is because the car benefit's value is used in working out if the employee has a reportable fringe benefits amount. This does not include the value of any associated car expense benefits.
- An employee's reportable fringe benefits amount is reported on their income statement or payment summary. Employees do not pay income tax on this amount, but it does impact their income tests and thresholds for family assistance, child support assessments and some other government benefits and obligations.
- The government will complete a review of this exemption by mid-2027 to consider electric vehicle take-up.

## Private use of an electric vehicle – what you need to do

If your employee uses an electric vehicle for private purposes or the vehicle is taken to be available for their private use, you need to:

- work out if the electric vehicle FBT exemption applies
- if the benefit is not exempt, work out the taxable value of the benefit and include it in working out your FBT liability
- work out if any benefits arising from the payment of any associated car expenses or provision of any associated items are exempt from FBT
- work out the taxable value of the car benefit for reportable fringe benefits purposes and report any reportable fringe benefits amount.

## Does the exemption apply?

For the exemption to apply, all of the following requirements must be met:

a) the benefit is a car benefit

b) the vehicle must be a car, which is a zero or low emissions vehicle (vehicle requirements)

c) the car was first held and used on or after 1 July 2022 (held and used date requirements)

d) the car is used or available for private use by a current employee or their associates (including family members) (recipient requirements)

e) no amount of luxury car tax (LCT) has become payable on the supply or importation of the car (LCT requirements).

## a) Car benefit

Where the electric vehicle is provided under a lease arrangement, an employer or lessor will only be providing the employee with a car benefit if it is a bona fide car leasing arrangement.

If a car lease arrangement is not bona fide, the employer or lessor will not be providing the employee with a car benefit.

Depending on the arrangement, it may instead be considered a property or residual fringe benefit, and therefore would not be eligible for the electric vehicle exemption.

## b) Vehicle requirements

The vehicle must be a car. A car is a motor vehicle (excluding motorcycles, scooters and similar vehicles) that is designed to carry a load of less than one tonne and 8 or less passengers (including the driver).

The car must also be a zero or low emissions vehicle. For FBT purposes, a zero or low emissions vehicle is a:

- battery electric vehicle
- hydrogen fuel cell electric vehicle, or
- plug-in hybrid electric vehicle.

If the vehicle is not a car, the electric vehicle exemption will not apply. However, the exemption for the private use of a vehicle other than a car may apply instead.

### *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 if both the following requirements are met:

- Use of the plug-in hybrid electric vehicle was exempt before 1 April 2025.
- You have a financially-binding commitment to continue providing private use of the vehicle on and after 1 April 2025. For this purpose, any option to extend the agreement exercisable on or after 1 April 2025 is not considered binding.

## c) Held and used requirement

The electric vehicle must be both held and used for the first time on or after 1 July 2022.

### *Electric vehicle is held*

An electric vehicle may be 'held' by you, an associate of yours or a third party with whom you (or your associate) make an arrangement.

An electric vehicle is held where it is:

- owned (including electric vehicles acquired under hire-purchase arrangements)
- leased (or let on hire), or
- otherwise made available to the provider.

An electric vehicle is **not** considered to be held where it is owned by the employee themselves and **not** by you or your associate.

You can work out who 'holds' the electric vehicle by looking at:

- car registration papers
- car insurance policies
- car leasing documents.

### *Electric vehicle is used*

The electric vehicle must also be used for the first time on or after 1 July 2022.

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

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***Example 1 – exemption does not apply***

*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 benefits are not exempt from FBT.*

***Example 2 – exemption does apply***

*C Co orders an electric car from overseas, which is delivered on 1 July 2022 and used by their employee from that date. Under the contract, ownership of the vehicle passed to C Co on 30 June 2022.*

*The car was:*

- *first held on 30 June 2022, when C Co started owning it*
- *first used on 1 July 2022.*

*Private use of the car is eligible for the FBT exemption (provided the other requirements of the exemption are met), as the first time the car was both held and used was 1 July 2022.*

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### d) Recipient requirements

For the exemption to apply, the electric vehicle must be used by a **current** employee or their associate.

The electric vehicle cannot, however, be used by a past or future employee (or their associate) who is not an associate of a current employee – otherwise, the use of the electric vehicle will not be exempt from FBT.

Associates are people closely associated with the employee, such as family members or other relatives.

### e) Luxury car tax requirements

An electric vehicle for which LCT has become payable at any stage is not eligible for the exemption. Generally, LCT has to be paid if the value of the vehicle is above the LCT threshold for fuel-efficient vehicles and either:

- you are registered or required to be registered for goods and services tax and you sell or import a luxury car in the course of your business – this includes retailers, wholesalers, manufacturers and other businesses that sell luxury cars, or
- you are an individual (private buyer) who imports a luxury car.

This means that where an electric vehicle is second hand, you need to look at the sale price of the electric vehicle every time it has been sold to see if any LCT was payable.

See also:

- Luxury car tax

### No sale history

If you do not have the sale history of the electric vehicle, including the dates it was first bought and sold, you will need to determine if LCT would have been payable if the electric vehicle had been acquired at that time. You can do this by using other sources, such as:

- an internet search
- a car report
- an independent valuation.

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***Example 3 – no sale records***

*On 1 April 2025, ANW purchases a second-hand electric car in a private sale for $65,000. There is no history of the car available, other than the fact the previous owner purchased it second hand for $70,000 on 1 July 2024.*

*ANW searches the vehicle identification number of the car and discovers it was manufactured in August 2022. ANW also searches the make and model of the car to determine its recommended retail price in 2022.*

*ANW determines the recommended retail price was over the LCT threshold and LCT would have been payable on the car when it was first purchased. ANW is unable to apply the FBT exemption to the car benefit it provides to its current employees.*

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## Car expense benefits

Car expense benefits provided during the same time as a car benefit, regardless of whether the car benefit is subject to FBT or not, are exempt from FBT.

These benefits may be provided as an expense payment, property or residual benefit.

Car expense benefits in respect of the car are:

- registration and road user charges
- insurance
- repairs or maintenance
- fuel (including electricity to charge and run electric vehicles).

### *Registration and road user charges*

Electric vehicle owners in some Australian states and territories pay a road user charge, based on kilometres travelled. This charge is imposed as part of the car registration process. Registration and road user charges are car expenses and are exempt from FBT.

### *Insurance*

Insurance costs of the electric vehicle form part of the car expenses and are exempt from FBT.

### *Repairs or maintenance*

Expenses relating to repairs or maintenance of the electric vehicle are exempt, as long as the expenses are not capital expenses. A capital expense is money spent to purchase or substantially improve assets – for example, adding new features or upgrading a car.

Electric vehicle batteries are expected to last a long time before replacement is required. It is anticipated that over that time, there will be rapid technological advances regarding battery capability.

Where an enhancement arises from the use of more modern materials or component parts (such as new battery technology available in the future), a replacement battery may still be a repair where it adds in only a minor and incidental way to the overall efficiency of function of the vehicle and is a modern-day equivalent of the previous battery.

Where a replacement battery is a capital expense, the battery will form part of the cost price of the electric vehicle when working out the taxable value of the car benefit for the FBT year in which it is installed and future years.

***Example 4 – replacement battery is a car expense***

*C Co has an electric car which is used by employees for their private use. During servicing of the vehicle, C Co is told they need to replace the vehicle's electric battery.*

*The replacement battery, the modern-day equivalent of the previous battery, has similar power, energy storage and lifecycle.*

*The replacement battery is a repair and therefore a car expense that is exempt from FBT.*

***Example 5 – replacement battery is not a car expense***

*If C Co decided to upgrade their electric vehicle battery and purchased a replacement battery which had significantly more power and energy storage and a longer lifecycle, it would not be a car expense as it is an improvement rather than a repair. The battery will form part of the cost price of the car when working out the taxable value of the car benefits in the FBT year when it was installed and subsequent FBT years.*

#### *Fuel*

Fuel, including electricity to charge and run the electric vehicle, qualifies for the car expenses exemption where the electric vehicle being charged is provided as a car benefit. This includes electricity obtained by charging at:

- commercial charging stations, or
- the employer's premises.

### Items that are not car expenses

#### *Global Positioning System subscription*

A periodic Global Positioning System subscription is not a car running expense and is therefore not exempt from FBT.

#### *Car parking*

Car parking expenses incurred when charging an electric vehicle at a commercial charging facility are a separate benefit to the electricity (fuel) and are therefore not car expenses and not exempt from FBT.

Normal car parking fringe benefits rules apply where you provide car parking to your employees.

## Fringe benefits tax treatment of other electric vehicle items

Other common electric vehicle items include:

- electric vehicle charging stations
- other accessories for the electric vehicle (including charging cords).

### Provision of an electric vehicle charging station at an employee's home

While using electricity to charge an electric vehicle is a car expense, the purchase of an electric vehicle charging station is not a car expense. If you give your employee an electric vehicle charging station, this is a property fringe benefit. If you reimburse them for the cost of purchasing and installing a charging station, this is an expense payment fringe benefit. That fringe benefit will be subject to FBT.

Where home charging infrastructure is 'rolled up' in a lease arrangement, the cost of the charging station would need to be separately identified to ensure concessional FBT treatment is not afforded to a benefit which is not a car benefit.

See also:

- Fringe benefits tax – a guide for employers: Chapter 9 – Expense payment fringe benefits
- Fringe benefits tax – a guide for employers: Chapter 17 – Property fringe benefits

### Provision of an electric vehicle charging station on business premises:

If you install an electric vehicle charging station on your business premises, it will be a capital asset of your business. Electricity provided to your employees to charge an electric vehicle that is provided as a car benefit is a car expense (fuel) and would be exempt from FBT.

### Other accessories for the electric vehicle (including charging cords)

Any non-business accessories added after you or your associate bought the electric vehicle increases the base value of the car in the year they were added and for subsequent years. There is no change to the base value of the car if the accessory that is added to the car is a business accessory.

Non-business accessories are fitted accessories, which are optional items that are not required to meet the needs of the business. Non-business accessories do not include standard accessories or features.

An accessory is fitted if it is secured, welded, wired into or otherwise permanently fixed to the electric vehicle. An accessory may also be considered fitted to the electric vehicle if the accessory is integral to the operation of the electric vehicle and ordinarily accepted to stay permanently in the electric vehicle (for example, the spare tyre jack).

An example of a business accessory is a GPS fitted in a salesperson's car. Examples of non-business accessories include alloy wheels, rear spoilers, seat covers, paint protection, fabric protection, rust protection, window tinting and a personalised licence plate.

***Example 6 – electric charging cord is a non-business accessory***

*Employer Co's electric vehicle came with the standard charging cord attached. After purchasing the electric vehicle, Employer Co decides that it would like to have an upgraded charging cable so that charging is faster.*

*Employer Co pays for the upgraded charging cable, which is fitted to the electric vehicle.*

*The upgraded charging cable would be a non-business accessory as it is fitted to the electric vehicle and is an optional item that is not required to meet business needs.*

***Example 7 – electric charging cord is neither a non-business accessory or a business accessory***

*Employer Co purchases a charging cord for an employee's home charging station. The cord is attached to the home charging station and plugs in to the electric vehicle. It is not fitted to and does not travel with the electric vehicle. The cord is neither a non-business accessory or a business accessory for FBT purposes and does not form part of the cost price of the electric vehicle. The benefit will be a property or expense payment benefit, similar to the provision of a home charging station.*

## Non-exempt electric vehicle benefits

If the benefit arising from the provision of the electric vehicle is not exempt, it will be a taxable fringe benefit. You will be required to work out the taxable value of the benefit and include it in working out your FBT liability

## Reportable fringe benefits

If the combined taxable value of certain benefits and fringe benefits you provided to an employee exceed $2,000 in an FBT year, you must report the grossed-up value of those benefits on the employee's payment summary or through Single Touch Payroll for the corresponding income year. This includes the value of car benefits arising from the private use of electric vehicles. This does not include the value of any associated car expense benefits (such as registration and road user charges, insurance, repairs and maintenance or fuel).

This means that if the private use of the electric vehicle is exempt from FBT, you still need to work out the taxable value of the car benefits as if they had been fringe benefits. This is because the amount is included in the reportable fringe benefit amount of the employee for reporting purposes.

The inclusion of the taxable value in the reportable fringe benefit amount for an employee does not impact the calculation of your FBT liability for the year. It also does not impact and is not included in:

- for certain non-profit employers – the $17,000 or $30,000 exemption cap
- for rebatable employers – the $30,000 rebate cap.

### Pooled or shared cars

Where an electric vehicle meets the definition of a pooled or shared car, the benefit is excluded for reportable fringe benefit purposes.

### Taxable value of car benefits

To calculate the taxable value of the car benefit, you must use either the:

- statutory formula method (based on the car's cost price)
- operating cost method (based on the costs of operating the car).

Each method has special requirements and particular record-keeping rules. You can choose whichever method gives you the lowest taxable value, regardless of which method you used in a previous year.

Any fuel costs, such as electricity, that the employee pays for are deducted from the taxable value calculation, as they are a recipient contribution. Recipient contributions can also include paying for items for the electric vehicle such as registration, car servicing and replacement tyres.

### Effect of having a reportable fringe benefits amount

The reportable fringe benefits amount is not included in an employee's assessable income, and it does not affect their standard Medicare payable.

However, it is included in the income tests and thresholds for family assistance, child support assessments and some other government benefits and obligations.

***Example 8 – reportable fringe benefit impacts***

*Raj is allowed to use an electric vehicle for private purposes throughout the FBT year ending 31 March 2024. The use of the car meets the requirements of the FBT electric vehicle exemption, therefore Raj's employer will not pay FBT on the car benefit. However, for reportable fringe benefits amount purposes, Raj's employer works out (using the statutory formula method) that the value of the car benefits received is $10,000. This is grossed-up using the type 1 gross-up rate to $18,868 and reported through Single Touch Payroll.*

*Raj has a higher education loan program (HELP) loan and also has to pay the Medicare levy, but he is not subject to the Medicare levy surcharge as he has private health insurance.*

*Raj reports a taxable income of $160,000 in his 2023–24 tax return. He also includes a reportable fringe benefits total, at the appropriate label, of $18,868.*

*The reportable fringe benefit of $18,868 is added to the $160,000 so that Raj's repayment income for HELP purposes is $178,868. Raj's repayment rate for 2023–24 income year will be 10%.*

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See also:

- Reportable fringe benefits for employees
- Fringe benefits tax – a guide for employers; Chapter 5 – Reportable fringe benefits

## More information

For more information, you may wish to contact your registered tax professional.

You can see also:

- Fringe benefits tax
- Fringe benefits tax – a guide for employers

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