

Senate Standing Committee on Economics  
ANSWERS TO QUESTIONS ON NOTICE

**Treasury Portfolio**

**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Costings breakdown  
**Reference:** Spoken p.33 (25 August 2022)  
**Senator:** Janet Rice

**Question:**

Senator RICE: What went into the estimated cost of this measure over the four years—that \$205 million? Could you give us on notice a breakdown of what the assumptions are in that costing? Surely what that costing is depends upon what the cost of the vehicles is. And you're right, Mr Garnon, at the moment at least electric vehicles are considerably more expensive than plug-in electric hybrids.

Mr Fraser: I'm happy to take that on notice, Senator, and find out what further information we can provide.

**Answer:**

The costing is dependant on the annual operating costs of the car, including leasing charges. Vehicles can be provided directly by employers, or through salary sacrifice arrangements. Each of these arrangements currently has concessional tax treatment through fringe benefits tax law, and these concessions extend to both leasing and other operating costs. The costing for this proposal reflects the revenue collected under the proposed policy settings, less revenue collected under existing policy.

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**Division:** Labour Market Environment Industry and Infrastructure Division  
**Topic:** Customs change impact  
**Reference:** Spoken p.34 (25 August 2022)  
**Senator:** Janet Rice

**Question:**

Senator RICE: Can you give a breakdown of how much that customs change will impact on the cost of both EVs and hybrids?

Mrs Wojcik: We'll take that on notice, Senator.

**Answer:**

We note the aspect of the Electric Car Discount relating to the removal of tariffs from electric cars has been implemented in the first instance via a Customs Notice. This is not part of the provisions of the Treasury Laws Amendment (Electric Car Discount) Bill 2022. The relevant customs notice is available here: <https://www.abf.gov.au/help-and-support-subsite/CustomsNotices/2022-34.pdf>

There are a number of factors that influence the price of motor vehicles, including tariffs. The tariff changes remove the five per cent import tariff for electric cars with a customs value below the luxury car tax threshold for low emissions vehicles. The reduction is the same for battery electric cars, plug-in hybrid electric cars or hydrogen fuel cell cars.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** FBT impacts  
**Reference:** Spoken p.34 (25 August 2022)  
**Senator:** Janet Rice

**Question:**

Senator RICE: There was a submission from Professor Miranda Stewart that noted that the biggest beneficiary to this measure will be people in the highest tax rate, above \$180,000. Is this a correct assessment?

Mr Fraser: In relation to the FBT exemption, the benefits go to anyone salary sacrificing an electric vehicle under the scheme. It would be open to all income earners. So all income earners would be able to take advantage of this concession as long as their employer offered the salary-sacrificing arrangements. But because people on a higher marginal tax rate pay higher marginal tax rates, they would get more benefits under the exemption. Having said that, the exemption is capped to the luxury car tax limits, which are about \$84,900 in 2022-23, so that's not providing any support to vehicles over that amount. People buying very expensive Teslas, for example, who you might think could be at the higher income levels, wouldn't get an advantage through this exemption.

Senator RICE: If you're not willing to say definitively that that's correct at this stage, would you be able to take on notice and have a look at her submission, and see whether her assessment that that's correct is, in fact, correct?

Mr Fraser: I'm happy to take it on notice.

**Answer:**

Any employer and employee are eligible to take advantage of the FBT exemption. Further, using the luxury car tax threshold as an eligibility cap limits the FBT exemption to more affordable electric cars.