



16 August 2022

Senate Economics Legislation Committee  
Parliament of Australia

Submitted Online.

Dear Sir/Madam,

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

Thank you for the invitation to make a submission to the Committee on the Treasury Laws Amendment (Electric Car Discount) Bill 2022 which amends the *Fringe Benefits Tax Assessment Act 1986* to exempt from fringe benefits tax cars that are zero or low emissions vehicles held by the provider and used by or made available for private use of employees.

The government is to be commended for taking action to deliver demand-side subsidies for electrification of Australia's car vehicle fleet.

However, designing the subsidy as a new exemption in the Fringe Benefits Tax Assessment Act will deliver the subsidy to a rather narrow class of employee beneficiaries and provides the largest benefit to the highest income earners. Under current FBT settings, as the FBT rate is 47%, there may be little benefit in salary packaging a car unless you pay tax at the highest rate. It is this cohort that derive the most benefit from the FBT exemption.

The exemption delivers a significant subsidy of nearly half the cost of an electric or hybrid vehicle that is within its remit. The estimated cost by 2025-26 is \$90 million/year, but there is no detail provided about how many employers or electric vehicles are expected to benefit from the subsidy, or what broader enlargement of the electric vehicle fleet or infrastructure will be achieved. There is no requirement for the employer to provide vehicle charging infrastructure on the premises, or for the employee to commit to do so privately.

The second reading speech states that the measure will be reviewed after 3 years to ensure it is working effectively. However, it is important that the measure actually be sunsetted ie stop operating after a period of time, and require re-legislation, given its fiscal cost, unequal benefit and uncertainty about the electric car market and the best policy to transition Australia.

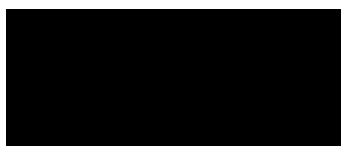
It is noted that the exemption applies to plug-in hybrid vehicles, not only electric vehicles; while this may be appropriate now, it should not remain as government policy in future, as a full transition to electric vehicles is required. It is also not clear why the subsidy would not extend to electric motor bikes or bicycles that are employer-provided as commuter vehicles.

This submission therefore makes the following brief recommendations for consideration by the Senate Committee:

### **Recommendations**

1. Enact a 3 year “sunset” clause on this exemption that would require, if desired by the incumbent government, its re-enactment in the same or amended form.
2. While most electric vehicles are purchased new at present, this will not be the case in future. If not already required, require that the electric vehicle be new to be eligible for this exemption, thereby requiring employers to acquire/import new car fleets that can feed into a domestic second hand market.
3. Consider extending the exemption to electric motorbikes or bicycles.
4. Consider requiring charging capacity to be established at the employer premises.
5. Require the Government to report publicly on take-up of the exemption at the 3 year review/sunset time, including the number of electric vehicles that benefit from the exemption, location of charging facilities, how many cars are moved into the second hand market and other relevant information.
6. Ensure that the 5% tariff is removed on all electric car imports, not just for vehicles subject to this exemption.
7. At 3 years, aim to replace or extend the FBT exemption with a demand-side subsidy designed as a tax credit available for individuals who choose to acquire a new or second-hand electric vehicle, which would be available for individuals who will not benefit from FBT salary packaging for a vehicle, and would benefit low and moderate income individuals equally, as well as being available if the employer provides the vehicle as a fringe benefit.

Please contact me for any queries or to discuss this submission further.



**Miranda Stewart**  
Professor

