THE SENATE
SENATE SELECT COMMITTEE ON ELECTRIC VEHICLES

Questions on Notice
Mitsubishi Motors Australia Limited

Senator Storer asked:

1. Fringe Benefits Tax

The committee has heard that EV owner/operators are disadvantaged by the current fringe benefits tax (FBT) rules in comparison to conventional internal combustion engines vehicles.[1] The committee understands that the taxable value for car FBT can be calculated by two methods—statutory formula method and operating cost method. Owners must use the statutory formula unless they elect to use the operating cost method. However, owners can use whichever methods results in the lower taxable value.[2]

Are you able to provide your understanding of the effect of FBT on EVs and using both taxable value methods provide a worked comparative example?

2. Salary sacrifice

The committee has heard that EV owners/operators are disadvantaged by the current salary sacrifice arrangements in comparison to conventional internal combustion engines vehicles.[3]

Are you able to provide your understanding of the effect of salary sacrifice on EVs and provide a worked comparative example?

Answers:

In relation to your attached questions regarding FBT please find some comments to follow:

1/ Fringe Benefit Tax

I do agree with your comments. Firstly, yes I do believe the current rules are not favourable to encourage the shift towards EV's. There are two methods to calculate the

[1] See, for example: DELWP, *Submission 129*, p. 13; HMA, *Submission 73*, p. 14.
[2] https://www.ato.gov.au/law/view/document?DocID=SAV/FBTGEMP/00008&PiT=99991231235958/
[3] See, for example: Dr James Prest, *Submission 101*, p. 9; AEVA, *Submission 8*, p. 3; ACT Government, *Submission 48.1*, p. 6.

amount of FBT which companies would look to apply when calculating. However both methods are applied against the BV – Base Value of the vehicle. The base value is the purchase price including GST less registration and stamp duty. As we know EV's are higher in purchase or currently have a price premium compared to an equal model ICE vehicle. Therefore, the FBT cost will be far higher than an ICE vehicle. When a company applies this across a fleet or number of vehicles, this is a dramatic cost increase to the company. Making it commercially unviable. Furthermore companies have a large number of light commercial vehicles (Dual Cab Utes) within their fleets. These vehicles in most cases are classed as commercials and do not incur FBT. In some cases the application of the light commercial [on these vehicles could be questioned. Keeping this in mind it is very hard to conscience an organisation to move to EV's and pay large amounts of FBT if they have not been paying FBT. Again they become a huge disadvantage.

2/ Salary Sacrifice

Novated Leasing or vehicle salary sacrifice within companies is another large market. Similar to above FBT is applied to a Novated Lease calculation, again the 2 methods can be used to calculate FBT but still is applied against the vehicle base value. Therefore when an employee is comparing a EV against a traditional ICE vehicle, the payments a much higher. A major part of this price increase is due the increase in FBT. Again, discouraging Novated driver to shift to Electric Vehicles.

General

When it comes to incentives that could be offered by the Federal Government, the reduction or removal of Luxury Car Tax (LCT) is also the main discussion. I believe LCT is not the best incentive as this only support the prestige or high end of the market and not Government or corporates. OEM should be encourage to build more affordable vehicle which fall under the LCT limit.

I believe the incentive which would help increase the uptake of Electric vehicles is FBT. With the reduction or removal of FBT on Electric vehicles this would:

1/ Increase the uptake of EV's with Corporate Fleets – these flow back into the retail market
2/ Increase the uptake of Electric Vehicles with Novated Leasing.

I hope this information is helpful, also we would like to highlight this is general information only and we are not qualified tax specialists.