

FBT Legislation FAQs

1. Is there specific guidance on how this legislation is to be applied?

The ATO is putting together accompanying guidance and we should expect something within the next 2-4 weeks.

2. What is the definition of an "eligible vehicle"?

Eligible vehicles are Zero and Low Emissions Vehicles (ZLEVs), which include:

- Battery electric vehicles (BEV)
- Plug-in hybrid electric vehicles (PHEV)
- Hydrogen fuel-cell electric vehicles (FCEV)

The above only applies to vehicles that are 'cars' for FBT purposes.

3. Does the exemption include charging infrastructure?

Preliminary indications suggest that chargers will not be included in the exemption as a car and charger are two separate and distinct benefits. The upcoming ATO guidance should cover this and may explore isolated instances where it may be exempt.

4. When does this exemption apply?

We expect the Bill to receive Royal Assent imminently and it could come into force as early as 1 January 2023. Notwithstanding this, the legislation will apply retrospectively to eligible vehicles first held or used on or after 1 July 2022.

5. How long will this exemption apply?

The Bill includes a sunset clause which only applies to PHEVs - exempting such vehicles from FBT until 1 April 2025. The ATO is expected to provide further guidance around the inclusion of a legacy clause for PHEVs. FBT exemption for BEV's and FCEV's are expected to continue with the legislation to be reviewed after 3 years.

6. What is the impact on reportable fringe benefits?

Reportable fringe benefits must be reported by the employer as though the exemption had not occurred. This means that although an individual/company are not taxed on the 'value' of the fringe benefit, the benefit has to be reported in an employee's annual payment summary, which may impact their eligibility for certain benefits and concessions (e.g. family assistance payments, child support obligations, Medicare levy surcharge, etc). Customers are encouraged to seek independent financial advice.

7. Why is an FBT exemption important?

FBT is a tax that is proportional to the cost of the vehicle. As ZLEVs generally cost more than similar petrol/diesel vehicles, the higher FBT cost for employers and individuals that choose to adopt EVs is a disincentive to switch to EVs. Therefore, the availability of an FBT exemption aims to promote ZLEV uptake by making such vehicles more affordable.