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Your guide to the Fringe Benefits Tax (FBT) Exemption for Electric Vehicles (EVs) in Australia

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orix.com.au



FBT Exemption

In accordance with the Treasury Laws Amendment (Electric Car Discount) Act 2022 (the Act)¹ (non-luxury) electric cars (including battery electric vehicles, hydrogen fuel cell electric vehicles and plug-in hybrid electric vehicles) are exempt from Fringe Benefits Tax. This initiative aims to encourage greater up-take of electric vehicles and reduce transport emissions, leading to a decarbonised future.

The exemption applies to:

- Vehicles classified as zero or low emissions, i.e. Battery Electric Vehicles (BEV), Hydrogen Fuel Cell Electric Vehicles (FCEV) or Plug-in Hybrid Electric Vehicles (PHEV)².
- Vehicles priced below the luxury car tax threshold for fuel efficient vehicles which is \$89,332 for the 2023-24 income year.
- Vehicles that are first held and used on or after 1 July 2022.
- Vehicles considered to be a 'car' for Fringe Benefit purposes, i.e. it is designed to carry a load of less than 1 tonne and fewer than nine passengers (including the driver).

What does this mean:

- This could, depending on individual circumstances, result in significant savings for those who acquire eligible vehicles via a novated lease or that are provided as company vehicle. For example, if a model valued at about \$50,000 is provided by an employer through this arrangement, fringe benefits tax exemption would save the employer up to \$9,000 a year. For individuals using a salary sacrifice arrangement to pay for the same model, their saving would be up to \$4,700 a year³.
- Employer Payment Summaries will include Reportable Fringe Benefit Amounts (RFBA) for each year on your payment summaries. For more information on RFBA for calculating personal income tax, refer the [ATO guidance here](#).
- If you placed an order for an EV prior to 1 July 2022, for delivery after 1 July 2022, you may be eligible for the exemption.

¹Source: [Treasury Laws Amendment \(Electric Car Discount\) Act 2022 \(legislation.gov.au\)](#)

² Disclaimer:

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

Source: [Electric vehicles and fringe benefits tax | Legal database \(ato.gov.au\)](#)

³Example cited by the Treasurer of Australia in his second reading speech. <https://parlinfo.aph.gov.au/parlInfo/search/display/display.w3p;query=id%3A%22chamber%2Fhansard%2F25918%2F0042%22>

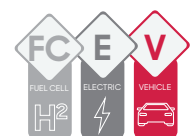
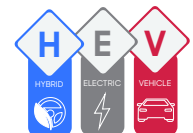
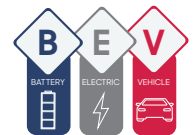
Learn more about Electric Vehicles

What is an Electric Vehicle?

A vehicle that uses one or more electric motors and is fueled by either an off-vehicle electrical power source, a battery, an electric generator, a hydrogen fuel cell, or a combination of these is considered an electric vehicle.

What are the four types of Electric Vehicles?

- **Battery electric vehicles (BEV):** Battery electric vehicles are 'all-electric' or 'full-electric' vehicles that contain only a battery-powered motor and cannot be powered by liquid fuels (petrol, diesel).
- **Plug-in hybrid electric vehicles (PHEV):** Vehicles that can be plugged in and charged with electricity to power the battery motor but also contain an internal combustion engine (ICE) powered by liquid fuels. The PHEV must be plugged into an external charging source to charge the battery when it's drained.
- **Hybrid vehicles (HEV):** Hybrid vehicles also contain a liquid fuel powered internal combustion engine as well as a battery motor, but they cannot be plugged into an electricity source. They are charged while driving through regenerative braking (which is also used to charge batteries in all other types of EVs). Hybrid vehicles are similar to normal (ICE) vehicles, as these can only be topped up with traditional fuels (usually petrol).
- **Fuel cell electric vehicles (FCEV)** are charged by a fuel cell typically fueled by hydrogen.



The Act exempts BEVs, FCEVs and PHEVs. Hybrid vehicles (HEVs) that cannot receive electricity from an external source (that is, they cannot be 'plugged in') are not eligible for the exemption.

Cars that do not fit within the meaning of a 'zero or low emission vehicles' will not be exempted from FBT. Also, there is no change to the treatment of fringe benefits involving the use of other electric vehicles that are not cars, such as motorbikes.

Get to know the benefits of novated leasing an electric vehicle under the new legislation

ADDITIONAL TAX SAVINGS



The Act provides a Fringe Benefits Tax (FBT) exemption for eligible vehicles made available for employees by employers along with removal of the 5% tariff, making EVs more affordable. These exemptions only apply to EVs operated by businesses for personal use or novated leases. Private buyers are not eligible for the exemption.

REDUCED OPERATIONAL AND MAINTENANCE COSTS



The Electric Vehicle Council estimates that the average cost savings from driving an electric vehicle, including the reduced maintenance and servicing costs, amounts to \$2,400⁴ per year.

GST SAVINGS



Finance and running costs are GST-free and collected (in part or in full) from an employees' gross salary, reducing taxable income and optimising take home pay.

FLEET DISCOUNTS



Take advantage of ORIX's national purchasing power to receive fleet discounts on the price paid for your selected vehicle. Save on running costs like maintenance and tyres, with ORIX-negotiated discounts⁵.

LEASE FLEXIBILITY



Novated lease allows employees to choose a lease term that best suits their budget and lifestyle.

24/7 ONLINE ACCESS



ORIX OneView is an online tool that provides 24/7 reporting and lease information, and the ORIX Companion App makes it easy for employees to manage their ORIX lease.

BETTER FOR THE HEALTH AND ENVIRONMENT



With no exhaust emissions, electric vehicles do not directly contribute to local air pollution that can cause health issues in the population and damage the environment. A transition to an EV can lead to a decarbonised future.

⁴This information has been sourced from Electric Vehicle Council website and is based at current electricity prices. <https://electricvehiclecouncil.com.au/about-ev/faqs/>
The information is for reference purposes only. It does not take into consideration, individual facts and circumstances, which may otherwise impact the indicative numbers.

⁵Discounts may be brand dependent, or there may be a potential discount. Depending upon the state, additional EV rebates or exemption may also apply. These vary on eligibility in each state but could potentially be taken of advantage of.

How much would you save?

We've compared the potential savings you could enjoy for a petrol vehicle with what you could enjoy under the FBT exemption for an electric vehicle if acquired via an ORIX Novated Lease.

		Novated Lease (Mazda CX-5)	Novated Lease (Tesla Model Y)
Description	Gross Salary	\$100,000	\$100,000
	Annual Pre-Tax	\$7,084	\$17,970
	Revised Gross Salary	\$92,916	\$82,030
	Tax	\$22,522	\$18,767
	Annual Post Tax	\$7,600	\$0
	Take Home Pay	\$62,793	\$63,263
	Annual Salary Impact	\$12,241	\$11,771
	Monthly Salary Impact	\$1,020	\$981
	Please note: This table is for illustration purposes only. It does not take into consideration, individual facts and circumstances, which may otherwise impact the indicative numbers provided in the table. ⁶	Based on: Mazda CX-5 48-month lease with 15,000kms travelled annually for delivery in New South Wales	Based on: Tesla Model Y 48-month lease with 15,000kms travelled annually for delivery in New South Wales

⁶ Vehicle pricing, rates/fees etc. are subject to change and stage 3 tax cuts taking effect from 1 July 2024 will also impact on the numbers. These calculations use a number of assumptions (including that the employee has no other existing salary packaged item) to provide an estimate of the Novated Lease cost and the potential savings from entering into such a lease. In most cases, a formal quote will be less expensive than the indicative quote because of ORIX's buying power and refinement of estimated maintenance costs. The assumptions used by this Novated Lease.

Calculations are set out in ORIX's Terms & Conditions found at <https://www.orix.com.au/novated-calculator/>
Tax rates based on 2023 ATO guidelines for an individual.

Frequently Asked Questions

Let's start from the beginning.

What is a Fringe Benefits Tax?

Fringe Benefits Tax (FBT) is a tax paid by employers on certain benefits provided to their employees, or to their employees' family or other associates. FBT is separate to income tax and is calculated on the taxable value of the fringe benefit.

What's considered a Fringe Benefit?

Fringe benefits are extra perks offered to employees in addition to their salary. These benefits are offered as part of their salary package and can include a variety of perks like health benefits, discounted loans, car parking, novated leases, use of company cars for private purposes, etc.

What is a novated lease?

A novated vehicle lease is a three-way arrangement between you, your employer and the novated leasing company where the obligation for the payment of lease rentals is transferred (novated) from you to your employer for the term of the lease agreement. The employer makes a pre and post-tax deduction from your fortnightly gross salary and pays your lease rental on your behalf.

Can I get an electric vehicle on a novated lease?

Yes. A novated lease on an EV offers you a simple and convenient way of including an EV in your salary package. Finance and running costs are GST-free and bundled into one simple payment collected from your salary (in part or in full), reducing taxable income and potentially optimising take home pay.

How long will the electric vehicles be eligible for FBT exemption?

The FBT exemption will run for a minimum of 5 years, from 1 July 2022 to mid 2027⁷ and will be reviewed at that time.

The application of the law will be retrospective to eligible vehicles registered after 1 July 2022. Any novated lease entered prior to 30 June 2025 will be eligible for this exemption through to lease expiration.

What vehicles are exempted from FBT?

The exemption applies to battery electric vehicles, hydrogen-fuel-cell electric vehicles and plug-in hybrid electric vehicles that are below the luxury car tax threshold which is \$89,332 in 2023-24 for fuel efficient vehicles.

Plug-in hybrids will now be phased out as of 01/04/2025 but any contracts/commitments made before 01/04/2025 would be honoured.

Does a second-hand EV qualify for the exemption?

A second-hand electric vehicle may qualify for the exemption, provided that the vehicle was first purchased new on or after 1 July 2022 and will not have greater than 200,000 km by lease end. Please get in touch with an ORIX Novated Leasing Specialist for more information.

Are electric Two-wheelers eligible?

Motorcycles and scooters are not 'cars' for FBT purposes and do not qualify for the exemption, even if they are electric.

Are electric vehicles cheaper to service?

Electric vehicles need servicing and maintenance just like petrol and diesel vehicles. As electric vehicles have fewer moving parts than conventional vehicles, they generally cost less to service with fewer parts to check like electric motors and batteries, brakes, suspensions, steering, tyres, etc.

Where can the EV be charged?

Click here to view the EV charging stations near your area.

Are charging station purchase/installation not a claimable expense?

Charging station purchase/installation are not a claimable expense, so it can't be financed.

⁷ Source: [Electric vehicles and fringe benefits tax | Legal database \(ato.gov.au\)](#)



Electric Vehicle Council



We're a member of the Electric Vehicle Council which is the national body representing the electric vehicle industry in Australia. As the market is emerging in Australia, Electric Vehicle Council's work is aimed at increasing certainty for investment through policy, knowledge sharing and education.

About ORIX Australia

ORIX has recognised its role to use their expertise to assist clients with identifying solutions that reduce environmental impact and embed more sustainable practices without compromising business operations.

Our innovation mindset has been recognised by the Australian Financial Review, the Workplace Gender Equality Agency and the Human Resources Director.



If you are eligible for a novated lease or second novated lease through your employer, **visit our website** to compare pricing on electric or plug-in-hybrid vehicles. 

Alternatively, you can talk to an ORIX Novated Specialists on **1300 363 993** or email **novated@orix.com.au** to learn more about how you can buy an eligible electric vehicle with a Novated lease and save on costs.

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