NALSPA

Submission to the Transport and Infrastructure Net Zero Consultation Roadmap

JULY 2024

26 July 2024

The Hon Catherine King MP
Minister for Infrastructure, Transport, Regional Development and Local Government
The Hon Chris Bowen MP
Minister for Climate Change and Energy
Parliament House
Canberra ACT 2600

NetZero@infrastructure.gov.au

Dear Ministers,

Re: NALSPA's response to the Transport and Infrastructure Net Zero Consultation Roadmap

The National Automotive Leasing and Salary Packaging Association (NALSPA) welcomes the opportunity to make a submission to the **Transport and Infrastructure Net Zero Consultation Roadmap** process being undertaken by the Commonwealth of Australia.

The decarbonisation of the transport sector is a necessity for Australia to **reach net zero** by 2050 with NALSPA members playing an important enabler role in the decarbonisation of transport related emissions and, as such, NALSPA is pleased to provide this submission.

We trust our views will assist in the consideration of pathways for transport and transport infrastructure to support economy-wide net zero as well as the actions or policies the Australian Government will need to take to support these potential pathways.

Notably, NALSPA's members fully support electrification of the Australian motor vehicle fleet.

We recognise that such decarbonisation has a range of economic and social benefits including:

- the reduction of greenhouse gas emissions;
- reduced transport costs;
- improved air quality and noise reduction;
- the creation of new green aligned jobs, technologies and industries;
- increased climate resilience; and
- support for the uptake and development of renewable energy and related emerging technologies.

Importantly, NALSPA members are already at the forefront of assisting their clients and customers in their consideration of and transition to zero and low emissions vehicles (ZLEVs), with members currently originating a significant number of all EV (Battery Electric **BEV** and Plug-in Hybrid **PHEV**)

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

passenger/SUV new vehicle sales occurring in Australia. Our members look forward to playing an even deeper and proactive role in the electrification of Australia's vehicle fleet in the coming years.

Background to NALSPA and Motor Vehicle Packaging Arrangements in Australia

NALSPA is the peak industry body for the salary packaging and novated lease sector in Australia. NALSPA represents members who provide salary packaging, workplace benefit and fleet related services to organisations and employees across Australia.

These services are predominantly provided across the **Not-for-Profit, Health, Government and Corporate sectors,** including many Australian businesses who rely on motor vehicles to operate.

NALSPA members directly help around **1 million Australian employees** to utilise their pre-tax salary to package a number of different employment-related benefits, with this number inflating in recent times as many more everyday working Australians look for meaningful ways to help combat their ever-increasing costs of living.

One of the key employer-provided benefits that is embedded in remuneration practices is where an employee salary package's, under Australian taxation law, a motor vehicle via a novated lease arrangement. With a novated lease, the costs associated with the finance and operation of a vehicle are packaged into a single, regular, fixed, payroll deduction, generally comprising a mix of pre-tax and post-tax dollars.

This packaging methodology and the associated tax savings which arise are particularly valuable for many working Australians in closely managing their transport related costs as part of their household budgets. To illustrate the importance of transport related costs to households, the Australian Automobile Association (https://www.aaa.asn.au/) estimate that transport costs currently comprise **16.4% of household income, equivalent to $434.77 a week per household**.

We note that whilst generating savings for Australian households, overall, vehicles that are the subject of a novated lease are a much younger and healthier carparc than the overall Australian carparc. Compared with the average age of a passenger vehicle in Australia in 2023 at 11 years, the majority of novated lease vehicles are sold within a 4-year lease timeframe and as such novated lease vehicles have a significant contribution to increasing the availability of second-hand newer vehicles, at a higher turnover rate than privately owned vehicles.

NALSPA members currently administer around 425,000 vehicles, including over 200,000 employer provided salary packaged vehicles.

The role of Novated Leasing and the Fringe Benefit Tax EV Exemption

As mentioned above, in support of employers and employees across Australia, the current Tax/Fringe Benefits Tax (FBT) regime plays a critical role in the Australian automotive market by helping to facilitate the salary packaging and management of employer provided vehicles.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

In recent times novated leasing has assumed even greater relevance and take-up with employers and Australian households nationally, primarily courtesy of the Australian Government's **EV FBT Discount Policy**.

In 2022 the Australian Government introduced the **Electric car discount – FBT exemption** to exempt from FBT the use, or availability for use of cars that are zero or low emissions vehicles (below the Fuel-efficient Luxury Car Tax level) made available by employers to current employees - that is both company provided cars and those vehicles made available to employees via a salary sacrificing/novated lease arrangement.

The objective of these amendments to the FBT Assessment Act 1986 was to specifically encourage a greater take-up of EV's by Australian road users by making EV's more affordable through decreasing the price differential relative to internal combustion engine (ICE) vehicles (recognising that a typical new EV can be up to $20,000 or more **extra** to purchase compared with an equivalent new ICE vehicle). The majority of jurisdictions globally already have implemented EV related purchase incentives given the significant price differential between EV and ICE vehicles.

To illustrate the benefit of the amendments, the personal tax saving on a salary packaged EV can make a **$60,000 EV (BEV or PHEV)** similar to the cost to own and operate a **$40,000 ICE vehicle** over a typical lease term when considering the individuals disposable income after vehicle purchase and running costs.

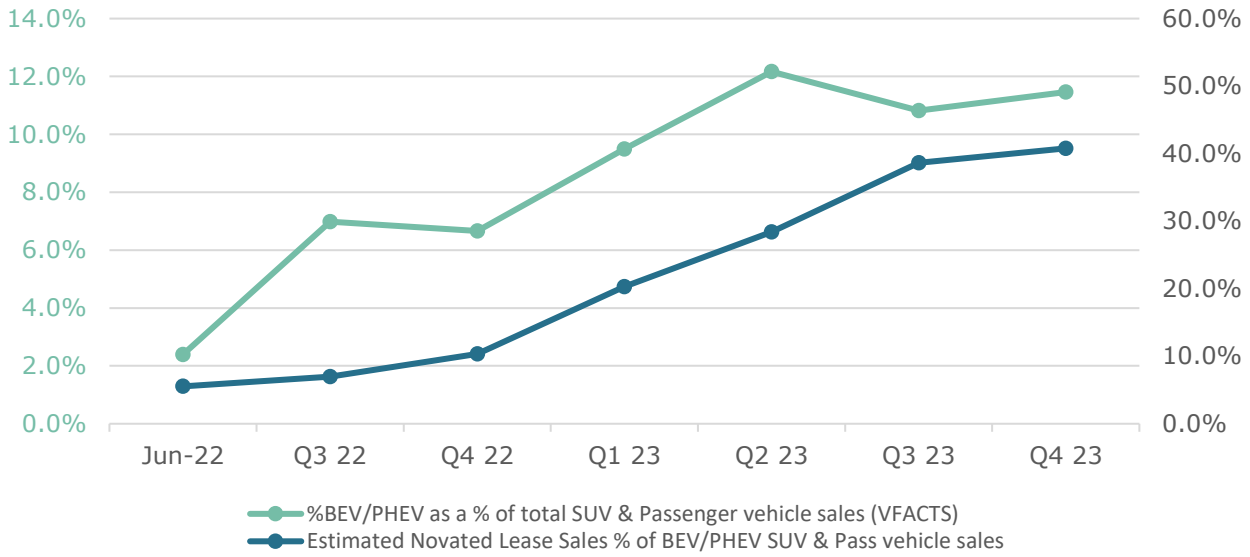
Importantly, the FBT EV Discount Policy, which was back dated to 1 July 2022, together with the supply of more affordable EV's into the Australian market, has produced a **demonstratable uplift** in novated lease EV sales and most importantly, a significant increase in the total sales volume of EVs in Australia.

The FBT policy is specifically enabling for the very first time, many everyday working families located in suburbia Australia and beyond to consider and progress the purchase of an EV.

To illustrate, based on NALSPA member data and broader sector analytics, it is estimated that around **40 per cent or more of all BEV and PHEV SUV and passenger car purchases** in Australia since mid-2023 have been facilitated via a salary packaging/novated lease arrangement accessing the FBT EV exemption. This compares with salary sacrifice arrangements generating an estimated 2 per cent or less of all BEV and PHEV purchases immediately prior to the introduction of the exemption in June 2022.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Chart A1: Total Australian and Estimated Novated Lease BEV/PHEV SUV & Passenger Sales



In June 2022, immediately prior to the exemption, according to VFACTS data, BEV/PHEV sales represented just 2.4 per cent of total SUV and passenger sales in the Australian market – whilst in Q4 2023, total BEV/PHEV sales represented 11.5 per cent of total SUV and passenger sales in the Australian market.

Content of this submission

In broad terms, NALSPA supports the following proposed principles which are to be used to guide the development of the Government's final Roadmap and Action Plan:

- Maximise emissions reduction
- Value for money
- Maximise economic opportunity
- Inclusive and equitable; and
- Evidence-based

However, we underscore the importance of Australia's transition to Net Zero being an orderly process with due consideration given to the flow-on effects of any proposed measures. Hence the need for evidence-based measures.

The journey to Net Zero will bring many social, economic and environmental benefits to Australia, but it is important that the journey and therefore the guiding principles are appropriate for Australia's circumstances.

The key message here is a well-managed transition is necessary which acknowledges the challenges we face as a small market at the mercy of a global supply chain. The Roadmap must be ambitious, but achievable.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

This submission provides our members' views on those matters specifically related to their expertise, products and services, and their customers, many of whom are everyday working Australians. Hence, why we have only responded to select consultation questions as appropriate. Most importantly we have focussed an additional recommendations which we believe our necessary in order to ensure that we as a nation achieve our Net Zero ambitions. These recommendations include:

1. ***That consideration be given to the introduction of a Fringe Benefits Tax exemption for the private use of e-bikes provided by way of expense payment, property, or residual benefit in order to materially increase the attractiveness and uptake of zero emissions E-Bikes in Australia.***

2. ***That consideration be given to providing a Fringe Benefits Tax exemption or concession for the use of public transport to greater incentive regular use and provide cost of living relief for working Australians.***

3. ***That Government move to continue its support for and generation of greater awareness of the existing Fringe Benefits Tax Exemption on eligible Battery Electric Vehicles and Plug-in Hybrid Vehicles.***

4. ***That Government move to immediately align the Fringe Benefits Tax Exemption for Plug-In Hybrid Vehicles to eligible Battery Electric Vehicles until at least 2027.***

5. ***That consideration be given to developing charging infrastructure and incentives for at-home charging including capitalisation of home charging unit purchases and installation costs into salary packaged electric vehicles.***

Ensuring we have the right policy environment in place is critical to both support and enable acceleration in the reduction of transport related emissions in Australia whilst still enabling consumer choice. The Australian Government, together with a host of related eco-system stakeholders needs to further the focus on decarbonising the transport sector and meeting the nations emissions reductions targets, as well as encouraging evolution of technologies which are able to bring significant benefits to the Australian economy.

We thank you again for the opportunity to respond to the Roadmap Consultation. Should you require further information regarding the above, please do not hesitate to contact me directly.

Yours faithfully,

Rohan Martin
Chief Executive Officer

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Transport and Infrastructure Net Zero Consultation Roadmap
NALSPA Submission
July 2024

Questions:

The Approach:

1. Do you agree with the proposed guiding principles?

1.1. **Broadly speaking, NALSPA supports the following proposed guiding principles:**

- Maximise emissions reduction
- Value for money
- Maximise economic opportunity
- Inclusive and equitable; and
- Evidence-based

However, we must underscore the importance of Australia's transition to Net Zero being an orderly process with due consideration given to the flow-on effects of any proposed measures. Hence the need for evidence-based measures.

The journey to Net Zero will bring many social, economic and environmental benefits to Australia, but it is important that the journey and therefore the guiding principles are appropriate for Australia's circumstances. The key message here is a well- managed transition is necessary which acknowledges the challenges we face as a small market at the mercy of a global supply chain. Our Roadmap must be ambitious, but achievable.

As example guiding principle number 1, which is to maximise emissions reduction, states that, …'*We will identify and implement effective policies at the earliest opportunity that will result in the largest reductions in emissions, consistent with achieving the government's targets.'*

However, given the challenges we as a country face in the transition policies that result in the largest reductions may not be feasible, may have significant unintended consequences and/or cost to the Australian community.

Consequently, the guiding principles, notably principle number 4 concerning inclusivity and equity, must take account of the needs of all Australians and in particular how they support and cater for the needs of low-income earners, regional and rural Australians, together with the users of our transport systems, assets and infrastructure capabilities where minimal low or zero emissions alternatives either don't exist or are not economically plausible at this time.

We therefore fully support principle 4 as it refers to the fact that no-one should be left behind on the journey to net zero, nor should they be penalised for their path on that journey, especially where circumstances are outside of their direct or indirect control.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

2. Do you support the use of the avoid-shift-improve framework as a tool to identify opportunities for abatement?

2.1 We note that the avoid-shift-improve framework identifies all opportunities for abatement, notably:

- Avoid refers to removing travel which people would prefer not to undertake. By improving the efficiency of the transport system through integrated land-use planning, transport demand management and telecommuting, the need to travel and the length of some travel may be reduced or avoided.

- Shift refers to decarbonising travel by shifting to more sustainable transport modes like active and public transport, or to low emission freight transport modes instead of diesel vehicles.

- Improve refers to improving the technology or efficiency of transport modes, such as through electrification.

- Again, NALSPA is broadly supportive of the avoid-shift-improve framework, but only where it doesn't unfairly disadvantage or create additional cost or everyday professional or personal burden for Australians who are unable to reasonably transition to technology, transport modes or other means which enable or maximise abatement.

Rethinking our Transport Networks & Systems:

Movement of People: Promoting Active & Public Transport

3. Do you agree the development of a national policy framework for active and public transport will support emissions reduction?

3.1 NALSPA believes that harmonisation of a **national policy framework for active and public transport is** both overdue and fundamental in the support of sustainable long-term emissions reduction.

Active transport modes like walking, biking, skating and scooting (and electric micromobility such as e-bikes and e-scooters) produce a smaller amount of greenhouse gases per person, per kilometre compared to other means.

The same goes for public transport modes such as buses, trains, trams and ferries. Both alternatives offer improved outcomes for our health, for our planet and increasing their mode share where feasible and appropriate will help us reach net zero.

Active and public transport modes must however be affordable, accessible, safe, convenient, reliable and efficient to encourage optimal uptake, and focus on urban and regional Australia – in particular public transport infrastructure in newer and developing communities across our major urban areas is still well underdeveloped and insufficient to meet household transport needs.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

NALSPA also notes that electric micromobility options such as E-bikes have grown significantly in popularity across the globe over the last decade, as a low-cost, equitable and clean method of transport. They also enable people of all abilities to cover significant distances in shorter, more efficient times compared with traditional pedal-only bikes. E-bikes are zero-emission and require much less battery power than electric vehicles, and less energy and resources to manufacture, and therefore warrant polices which advocate for and support their uptake.

3.2 What should be included in a national policy framework for active and public transport and how should it be developed?

In NALSPA's view the following requirements/tasks are necessary to develop a co-ordinated and cohesive National Policy Framework for Active and Public Transport in Australia:

1. **Comprehensive Infrastructure Planning:**

    - The national policy framework should include provisions for comprehensive infrastructure planning to support active and public transport modes. This involves identifying key areas for infrastructure development such as cycling lanes, pedestrian walkways, bus lanes, and dedicated public transport corridors.

2. **Integration of Modes:**

    - The policy framework should emphasize the integration of different transport modes to provide seamless connectivity for commuters. This includes ensuring smooth transitions between walking, cycling, buses, trains, trams, and other forms of public transport.

3. **Accessibility & Inclusivity:**

    - It is important to prioritize accessibility and inclusivity in the national policy framework to cater to the needs of all members of our society, including people with disabilities, elderly individuals, and those with limited mobility. This can involve designing infrastructure that is universally accessible and implementing services that are inclusive.

4. **Sustainable Transport Solutions:**

    - The policy framework should promote sustainable transport solutions by encouraging the use of active modes like walking and cycling, as well as increasing the attractiveness of public transport options through the use of incentives and like means. This can help reduce carbon emissions, traffic congestion, and improve air quality.

5. **Safety Measure:**

    - Safety should be a key component of the national policy framework, with measures in place to ensure the safety of pedestrians, cyclists, and public transport users.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

6. **Funding Mechanisms:**

- Developing a sustainable funding mechanism is crucial for the successful implementation of the policy framework. This may involve a combination of government funding, private investment, grants, and partnerships with relevant stakeholders.

7. **Stakeholder Engagement:**

- Engaging with various stakeholders such as government agencies, local councils, transportation providers, community groups, advocacy organisations such as NALSPA, and the general public is vital for developing a comprehensive national policy framework that reflects diverse perspectives and addresses varying needs.

8. **Monitoring and Evaluation:**

- Establishing mechanisms for monitoring and evaluating the effectiveness of the policy framework is essential to track progress towards achieving set goals and objectives.

9. **Legislation and Regulation:**

- **The national** policy framework should be supported by appropriate legislation and regulations to enforce compliance with set standards related to active and public transport infrastructure development, operations, safety requirements, accessibility guidelines, environmental considerations etc.

10. **Long-Term Vision:**

- Developing a long-term vision for active and public transport in Australia is crucial to ensure sustainability and continuity in planning efforts. The national policy framework should outline clear goals and strategies that align with broader transportation objectives for our nation.

4. What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to ensure the movement of people contributes to transport emissions reduction?

As noted above under Sustainable Transport Solutions above, it is critical that the related policy framework promote sustainable transport solutions by encouraging the use of active modes like walking and cycling, as well as increasing the attractiveness of public transport and related options.

We believe there are two key actions which can be taken immediately by the Commonwealth Government to promote and increase the attractiveness of active and public transport options.

These are:

1. **That immediate consideration be given to the introduction of a FBT exemption for the private use of e-bikes provided by way of expense payment, property, or residual benefit in order to materially increase the attractiveness and uptake of E-Bikes; and**

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

2. **That immediate consideration be given to providing an FBT exemption or concession for the use of public transport to greater incentive regular use and provide cost of living relief for working Australians.**

NALSPA Recommendation 1: E-Bikes exemption

We recommend that consideration be given to the introduction of a FBT exemption for the private use of e-bikes provided by way of expense payment, property, or residual benefit.

As noted above E-bikes have grown significantly in popularity across the globe over the last decade, as a low-cost, equitable and clean method of transport. They also enable people of all abilities to cover significant distances in shorter, more efficient times compared with traditional pedal-only bikes.

Of interest is that NALSPA members are seeing significantly heightened interest from employers across all sectors desiring to offer e-bikes and therefore lower-cost, lower-emissions transport options to their employees under a salary packaging arrangement. However, given current limitations as outlined below, take-up of e-bikes via existing FBT policy remains very low, with our recommendations here seeking to provide remedy.

FBT policy implementation and administration.

Legislative framework of the FBT policy.

Currently, there is a limited ability under subs 47(6) of the *Fringe Benefits Tax Assessment Act 1986* to exempt the use of **e-bikes** provided by an employer (by way of a residual benefit, further explained at Appendix I), where the private use of the e-bike is **limited to travel between the employee's home and workplace.**

This limitation in private use in the experience of NALSPA members acts as a **significant disincentive to an employee** potentially salary packaging an e-bike and providing an alternative low emission, low-cost transport alternative. This existing exempting provision is not specific to just e-bikes and instead applies to any road-going motor vehicle that is not a car and the private use is limited to travel between the employee's home and work.

Furthermore, for this existing exemption to apply, the e-bike cannot be owned or directly leased by the employee. The use of the e-bike must be provided by the employer (which can include by way of novated lease).

NALSPA recommends a specific FBT exemption for e-bikes be considered immediately with no specific limitation on the private use by the employee of the e-bike. In our view this exemption, if implemented, would most appropriately apply to:

- expense payment benefits (where the employer reimburses the employee for the purchase or lease of an e-bike);
- property benefits (where the employer provides to the employee ownership of an e-bike); and
- residual benefits (where the employer provides to the employee the use of an e-bike that the employer owns or leases, including by way of novated lease).

Such an FBT exemption would operate in a manner similar to the EV exemption for qualifying electric vehicles under s 8A of the *Fringe Benefits Tax Assessment Act 1986*. Unlike the EV exemption

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

however, **we recommend the e-bike exemption be treated like other exempt benefits**, and not be a reportable fringe benefit to be included in an employee's annual income statement (noting reportable fringe benefits can result in additional costs for employees, such as greater HECS repayments, potentially undermining any cost-of-living relief otherwise provided by the exemption).

Complexities and challenges associated with the initiative.

When provided through its own specific provision in the *Fringe Benefits Tax Assessment Act 1986*, rather than through the amendment of existing provisions, the proposed e-bike exemption should be relatively straightforward to enact, with little complexity.

The main complexity we do envisage will be clearly defining e-bikes for the purpose of the exemption. A variety of e-bikes are available for purchase in the market, including cruiser, commuter, mountain, and road e-bikes. Furthermore, there are three classes of e-bikes that determine how e-bikes should be used according to local e-bike laws[1]. Factors such as motor power and speed capability will potentially need to be considered in establishing the scope of the e-bike exemption.

To overcome this complexity, NALSPA suggests e-bikes be defined such that all e-bikes fall within the FBT exemption. This will ensure a variety of affordable and sustainable alternatives to traditional vehicles are within the scope of the e-bike definition. Including all types of e-bikes within the scope of the proposed e-bike exemption will also reduce administrative and compliance burdens, for employers, employees and the Australian Taxation Office (ATO).

Practical implications associated with the initiative.

Given the straightforward nature of the proposed e-bike exemption and its relative similarity to the recently enacted exemption for cars that are eligible ZLEVs, it is envisaged the take-up of the exempt benefit by employees by salary packaging would be easily achieved. Many salary packaging providers, along with e-bike providers, already offer e-bike leasing and novated leasing. This means the systems are already in place to support the rapid take up of an exempt e-bike via salary packaging means.

With no express limitation on the private use of the e-bike for the proposed exemption to apply, record keeping and compliance monitoring requirements would be minimal, in our view. The use of the e-bike by the employee would not need to be monitored or recorded, with the main compliance burden being at the commencement of the provision of the benefit when ensuring the e-bike is eligible for the e-bike exemption.

From an FBT compliance perspective, once such an exemption is introduced, administrative burdens would be relatively minimal due to the nature of the proposed exemption, which effectively will allow the **entire cost of an e-bike purchase or lease to be exempt from FBT**, negating the need to perform detailed taxable value calculations or to monitor the nature of the use of the e-bike (as is required in order to apply the limited residual benefit exemption currently available).

[1] *https://eozzie.com.au/blogs/news/a-beginner-s-guide-to-electric-bike-laws-in-australia*

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Take-up rate and cost estimates

Estimates of take-up based on industry experience and input.

In 2022, total e-bike sales in Australia were 193,061[2], representing 12% of total bike sales in that same period. Prior to the commencement of the FBT exemption for ZLEVs, 2% of total SUV/passenger car sales in Australia were battery and plug-in hybrid electric vehicles. In February 2024, this has increased to 14.4% of total SUV/passenger car sales in Australia. Assuming, given the already rapid growth in e-bike sales, a market-share increase of six percentage points (half that seen for EVs on the commencement of the concession) for e-bikes as a result of an e-bike exemption, this would see e-bike sales increase to 18% of total bike sales, to approximately 289,000 in the first year.

Due to the need to generate awareness over time of any legislative change and the ability for e-bikes in this case to be to salary packaged, the number of employers who will allow salary packaging, the level of benefits available (which involves the level of spend on the item being sacrificed and also the level of salary of the individual) and consumer preferences, take-up rates may vary, particularly in the early stages of the introduction of the measure. However, based on previous modelling undertaken by NALSPA, we have assumed low, medium and high take-up rates as follows:

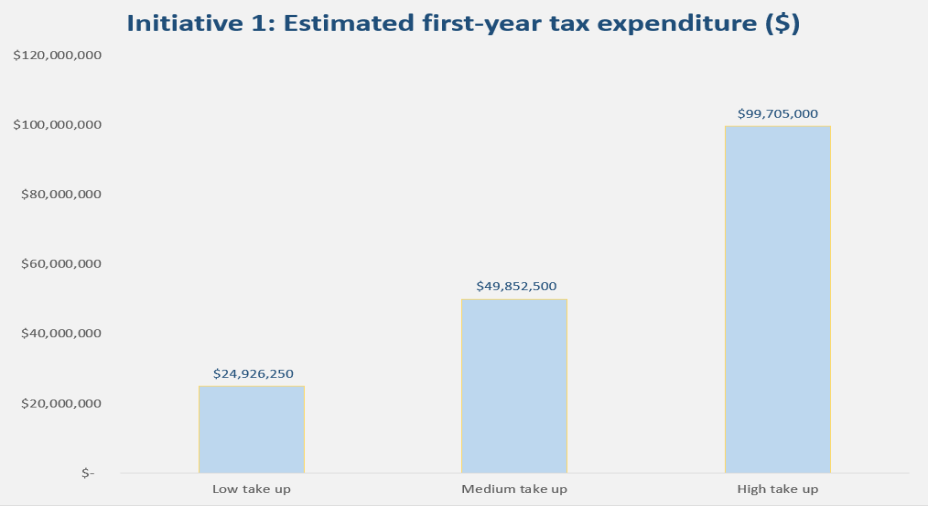
	Rate	First year take-up (employees)
Low	5%	14,450
Medium	10%	28,900
High	20%	57,800

Estimated cost to the government.

Based on the estimated take-up rates described above and a cost of the exemption of **$1,725 per employee**, the projected tax expenditure in the first year of the exemption is estimated to be as follows:

[2] *https://www.weride.org.au/wp-content/uploads/2023/11/The_Australian_Cycling_and_e-scooter_Economy_in_2022_WeRide_and_EY_2023_Report_Final_web.pdf*

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003



Macroeconomic, environmental and other impacts

In addition to providing cost of living relief for individuals that move from commuting via public transport to using e-bikes, this initiative aligns with the government's net zero target. This initiative would serve as a strategic fiscal measure providing individuals with affordable and environmentally sustainable modes of transportation, across diverse demographics. By mitigating financial obstacles, this initiative incentivises the use of no emission vehicles, which not only will increase accessibility but also alleviate congestion ultimately leading to diminishing carbon footprints and a transition towards sustainable practices in the short to medium term.

Beyond the short-term, this initiative would provide some a number of longer-term benefits. These include, but are not limited to:

- Improved public health due to further reduction in pollutant emissions from road traffic.
- Improved public health due to increase in physical activities leading to reductions in healthcare expenditure.
- Environmental benefits stemming from reduced emissions.
- The increase in demand for e-bikes as a result of this measure will further support the establishment of the e-bike market in Australia, driving employment and innovation.
- Consumer spending is a key driving force of the economy. The initiative aims to also ease the cost of commuting and other private transport for employees, thereby adding to the level of available disposable income for such employees.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

NALSPA Recommendation 2: FBT exemption or reduction for the use of public transport

Secondly, we recommend that the Australian Government immediately consider introduction of an FBT exemption or capped reduction in taxable value for the use by employees of public transport (including bus, train, ferry and tram/light rail) provided by way of expense payment or residual benefit.

In Australia, the average annual cost of commuting to work by public transport for an employee is $2,073[3].

The most recent census data released by the ABS suggests also suggests that just less than 5% (554,717 people) of the Australian workforce commute using forms of public transport, such as trains, bus, ferry and trams/light rail[4].

Importantly, public transport such as bus and rail, produces less emissions than using personal cars, with buses emitting 14 times less and rail emitting 19 times less emissions[5]. However, due to difficulties in accessing public transport – especially in outer metropolitan and regional areas, its reliability, practicality and cost, and challenges from a social inclusion perspective (i.e. those living with disability), it is significantly underutilised in Australia.

And whilst the average public transport cost recovery from fares is low by international standards, averaging less than 30%, as stated by the Federal Productivity Commission, subsidising public transport is necessary because of its role as a human service that aims to provide affordable transport to most people, with subsidies also being justified on efficiency grounds, not least because of their role in partially addressing road congestion and in meeting the large fixed costs of transport networks.

By introducing a FBT exemption or reduction on public transport fares for all working Australians we would be further subsiding the use of public transport, whilst most importantly materially incentivising increased patronage

FBT policy implementation and administration.

Legislative framework of the FBT policy

Currently, there is a limited ability under subs 47(1) of the *Fringe Benefits Tax Assessment Act 1986* to exempt the use of public transport provided (by way of a residual benefit), by an employer that carries on a public transport business, where the private use of the public transport is limited to travel between the employee's home and workplace. Furthermore, this exemption does not allow the public transport use to be salary packaged.

There is also a limited exemption available under subs 47(6) of the *Fringe Benefits Tax Assessment Act 1986* where an employer provides by way of residual benefit the use of a motor vehicle other than a car and the private travel is broadly limited to travel between the employee's home and work.

[3] https://www.statista.com/statistics/1311380/australia-weekly-public-transport-costs-per-household-capital-cities/
[4] https://www.abs.gov.au/statistics/industry/tourism-and-transport/transport-census/latest-release
[5] https://www.climatecouncil.org.au/wp-content/uploads/2023/05/CC_MVSA0354-CC-Report-Road-to-Personal-Transport_V5-FA-Screen-Single.pdf

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

This exemption is able to be applied to travel **by bus** (but not rail or ferry**) and only for travel between an employee's home and place of work.** The Queensland Government, together with Translink, their public transit authority, in south-east Queensland, currently enable this benefit to any employee across any sector, domiciled locally, by way of salary packaging, providing the ability to salary package the cost of bus travel to and from work through the use of a bus travel benefit card.

To date there has been rather limited take-up of the bus travel benefit in south-east Queensland, primarily given the restrictions which the current legislation applies, including that it only applies to bus travel and must be between **an employee's home and place of work.**

Should the Australian Government deem that helping employees reducing the cost of their commute via public transport has merit and would assist to help reduce their cost of living, NALSPA recommends adopting one of two options, both with no limitations on the type of employer and with no restriction on the private use. These are:

- a specific FBT exemption for use of public transport; or
- a capped reduction in taxable value of benefits relating to the use of public transport.

Option A: FBT exemption

Option A is a specific FBT exemption for use of public transport with no limitation on the private use by the employee of the public transport. The exemption would apply to:

- expense payment benefits (where the employer reimburses the employee for the use of public transport); and
- residual benefits (where the employer provides to the employee the use of public transport).

The exemption would be provided for the use of mass transit public transport (including bus, train, ferry, and tram/light rail).

Option B: capped reduction in taxable value

Section 62 of the *Fringe Benefits Tax Assessment Act 1986* allows a reduction in taxable value of up to $1,000 per employee for in-house benefits provided to an employee and/or their associate in an FBT year, provided those in-house benefits are not salary packaged. In-house fringe benefits are those benefits the employer also provides to the public in the ordinary course of business.

Option B involves introducing a similar reduction in taxable value for expense payment or residual benefits relating to the use of mass transit public transport. The first $1,000 (or any other amount deemed appropriate) of a residual and expense payment benefit relating to the use of public transport will be effectively exempt. This approach has the benefit of limiting the cost of the concession, whilst still providing to employees some relief from the cost of commuting.

Complexities and challenges associated with the initiative

When provided through its own specific provision in the *Fringe Benefits Tax Assessment Act 1986*, rather than through the amendment of existing provisions, this proposed public transport exemption (or capped reduction) should be relatively straightforward to enact, with little complexity. The main complexity will be clearly defining the scope of the public transport to which the exemption or cap

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

relates, but this could simply be defined as transport by way of bus, train, ferry or tram/light rail that is available to the public on payment of a fare.

Practical implications associated with the initiative

Both options carry their own practical implications.

From an FBT compliance perspective, for both the exemption and capped reduction in taxable value, administrative burdens will be minimal. The main practical consideration will be employees providing to their employer's evidence of public transport expenditure on which the employer can rely to apply the exemption or capped reduction. With potentially multiple trips per day for multiple employees, the evidentiary burden may become onerous for employers and employees alike.

This burden may be overcome through the use of a "transport expense card". This card would be similar to meal entertainment cards commonly used where employees salary package meal entertainment.

The "transport expense card" would be pre-loaded with the amount to be salary packaged by the employee and can be used to pay for public transport, in a manner similar to using a personal credit card to swipe on and off various modes of public transport. As already mentioned, there is a current arrangement in place within south-east **Queensland's public transport network, facilitated by Translink in south-east Queensland,** through which an employee can salary package bus travel when travelling between home and work.

This exemption is accessed through a broader exemption for certain travel by road-going vehicle other than by a car. The recommend exemption would be an extension of this existing exemption (for which there are already systems in place), **but with specific application to all forms of mass transit public transport and with no limitation on private use.**

Estimates of take-up based on industry experience and input

ABS data suggest there are 554,717 employees who currently commute to work using public transport[6] and nearly 6.4 million workers commuting be car.

Due to the need to generate awareness of any potential legislative change and salary packaging, the number of employers who will allow salary packaging, the level of benefits available (which involves the level of spend on the item being sacrificed and the level of salary of the individual) and consumer preferences, take-up rates may vary, particularly in the early stages of the introduction of the measure. Based on previous modelling undertaken by NALSPA, we have assumed low, medium, and high take-up rates for those currently commuting by public transport to be as follows:

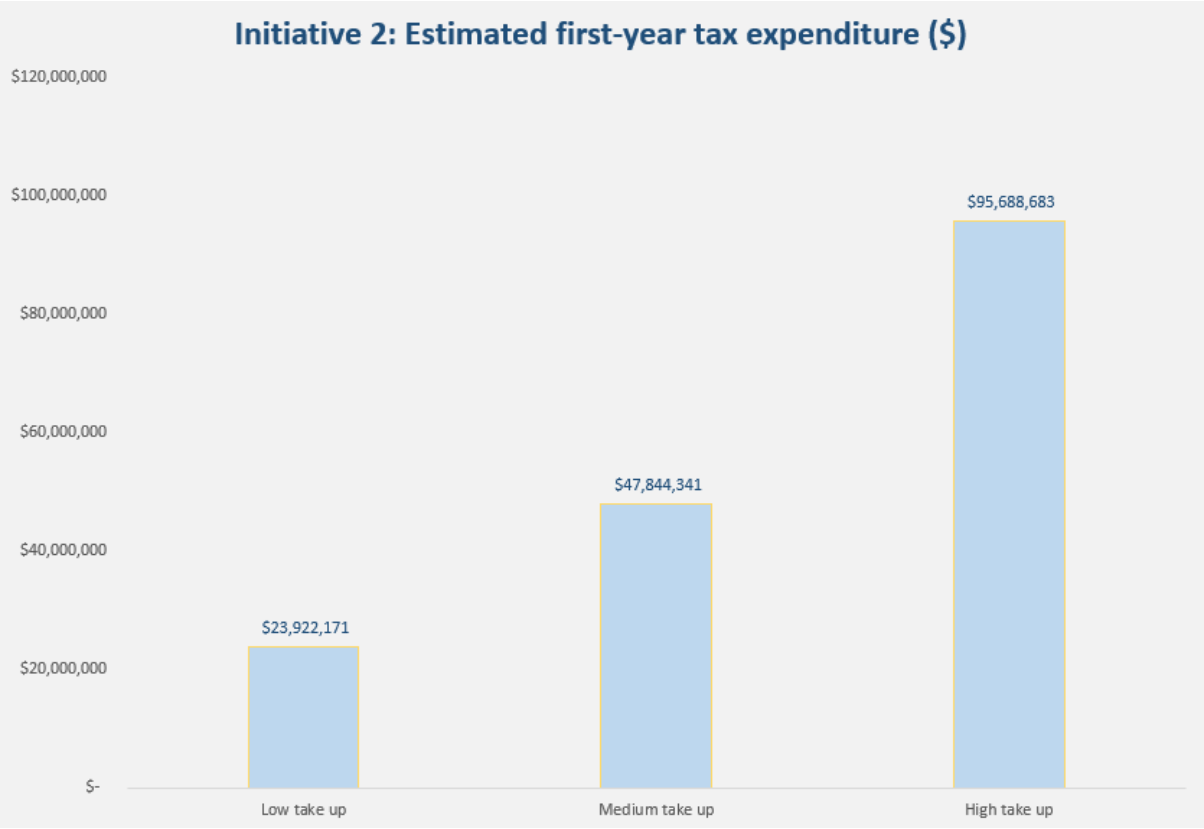
[6] https://www.abs.gov.au/statistics/industry/tourism-and-transport/transport-census/latest-release

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

	Rate	First year take-up
Low	6.25%	34,700
Medium	12.5%	69,400
High	25%	138,800

Estimated cost to government

Based on the estimated take-up rates described above and a cost of an **estimated concession (benefit) of $690 per employee per annum,** the projected tax expenditure in the first year of the concession is estimated to be as follows:



Macroeconomic, environmental and other impacts.

In addition to providing cost of living relief for individuals that commute to work using public transport, by encouraging those that commute by car to instead commute by public transport, this initiative aligns with the government's net zero intent. This initiative is expected to provide some other long-term benefits. These include, but are not limited to:

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

- Consumer spending is a key driving force of the economy. The initiative aims to ease the cost of commuting and other private transport for employees, thereby adding to disposable income for such employees.
- Encouraging more workers who are **working from home to travel to our larger cities**, back into their offices. Many cities and employers are seeking this, and it helps to reinvigorate inner-city economies.
- Encouraging use of public transportation will further alleviate road congestion, thereby reducing travel times, resulting in productivity gains for employees, further supporting economic growth.

Net Zero Pathways for Each Transport Mode:

Road – Light Vehicles

5. Do you agree with the proposed net zero pathway for light road vehicles?

5.1. NALSPA supports, in principle, the proposed net zero pathway for light road vehicles. The pathway through to 2050 is logical, and whilst Australia is picking up the pace in its transition to low and zero emissions light vehicles it is recognised that we have certain geographical and typical vehicle use challenges (and consumer preferences) which are *very* different to many other jurisdictions meaning that our pathway and its associated timings remain open to debate and will require flexibility.

We also question whether the current and likely price trajectory of EV's will result in achievement of parity with ICE vehicles by 2030 as outlined in the proposed pathway – it is highly likely that some form of government policy intervention remains necessary at that this time in order to achieve parity. We briefly explore some of these matters below:

Insights from the Australian EV and key international markets

In 2023 Australia experienced record deliveries of Automobiles, with over 1.2 million vehicles sold. EVs have also seen rapid growth, with their market share off all vehicles sold for the year at **8.2 per cent in 2023**, up from 3.6 per cent in 2022 – and this figure moving closer to 10 per cent in the 2024 calendar year. Of the 890k SUV and passenger vehicles sold in 2023, **11.5 per cent were EVs**.

A portion of this growth has been driven by the arrival of new medium electrified SUVs to the market from Tesla and BYD, together with the **FBT EV exemption** making these vehicles materially more affordable and accessible to a much larger portion of Australian households.

The growth of EV sales in Australia also reflects global markets, which are also moving at pace toward low emission forms of transport primarily through the introduction of EVs. Globally, a total of 14 per cent of all new cars sold in 2022 were electric, up from 9 per cent in 2021. Global sales have been dominated in recent years by China, accounting for 60 per cent of global electric car sales. The

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

next largest markets are Europe and the US which experienced increased electric car sales of 15 per cent and 55 per cent in 2022 respectively.[7]

Take up of EVs across Australia is likely to continue increase over the next decade due to industry dynamics, consumer preferences and policy direction through government action. As witnessed in all relevant global jurisdictions, **incentivising change through policy intervention and support** is crucial and materially aids in both accelerating and smoothing the transition; ultimately leading to a reduction in vehicle emissions on our roads, amongst other benefits.

As the consultation paper notes, the decarbonisation of the transport sector is an important enabler for Australia to reach net zero by 2050. **Government-led policy** to expand and fuel the supply, and orderly take-up of EVs and supporting infrastructure (including consumer awareness) is vital if Australia is to decarbonise the transport sector at sufficient pace to meet its emissions reductions targets.

Relevance of the New Vehicle Efficiency Standards (NVES)

Government led policy need in regard to EV take-up is further emphasised if our nation is to meet the Australian Government's ambitious **New Vehicle Efficiency Standards (NVES).**

Although Australia is picking up the pace in its transition to EVs and as noted above, recognising that we have certain geographical and typical vehicle use challenges which are different to many other jurisdictions, we are still behind comparable countries in electrifying our transport fleet and its supporting charging infrastructure, hence the need for a NVES and other measures.

The fact that Australia is behind means that the timeframe in which we undertake tha transition must be compressed and policy-led initiatives, including strong purchase and related incentives, must continue to be in place for a sustained period in order to see motorists take up EVs at a rate that will support the achievement of stated targets.

To illustrate, recent modelling commissioned by the **Australian Automobile Association**[8] shows that the Australian Government's NVES would require more than **40 per cent of new passenger vehicles** and around **50 per cent of new light commercial vehicles** to be electric vehicles in 2029 – which is a quantum leap from where EV take-up is at today, particularly for light commercial vehicles.

Without doubt the biggest challenge and opportunity will be to provide Australian new vehicle consumers, of which **almost 60 per cent are purchasing larger SUVs and Pick Ups**, to have more suitable alternatives at comparable costs including government support.

Our transition as a nation must also be undertaken in a considered manner so to ensure there is no disadvantage for consumers or organisations who aren't able to transition as simply or quickly, particularly those on **lower incomes, and those located in regional and rural Australia** who are reliant on larger fit for purpose vehicles.

[7] International Energy Association, Global EV Outlook 2023, April 2023. Accessed at: https://www.iea.org/reports/global-ev-outlook-2023/executive-summary
[8] https://www.aaa.asn.au/wp-content/uploads/2024/03/AAA-NVES-submission.pdf

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Our transition is further challenged by the fact that Australia is a fully imported, right hand drive car market, where many of the most popular types of vehicles which Australian's prefer and need for their daily transport requirements, notably larger SUV and dual cab vehicles, generally aren't available in a fully electrified form, or in an affordable manner, yet. Clearly the proposed roadmap must be able to take account of these facts.

In previous submissions to the Commonwealth Government NALSPA has provided analysis of the automotive landscape in Australia to understand the segment make-up of the domestic market and to identify those segments with low EV share.

Our analysis concluded that there is currently **more limited supply of EVs in Australia compared to other international markets** in terms of both choice of models and volume of stock, due to a range of factors including historical government EV and climate related policies, and the types of vehicles (SUV's) which Australians generally prefer.

As such, a suite of policies and incentives from government are required to be continued as illustrated above, and where necessary extended, to encourage wider consideration and purchase of EV's across Australian motorists and to ensure a wider variety of models and brands of EVs reach the Australian market, and to ultimately accelerate price parity between EVs and ICE vehicles over the medium term. We also need to be able to provide Australians with greater confidence that they will be able to re-charge their vehicles, when and where needed.

In alignment with these priorities and needs, NALSPA supports as a matter of principle:

- **measures that encourage global Original Equipment Manufacturers (OEMs**) to supply the Australian market with the vehicle types favoured by Australians and Australian businesses;
- **federally led, appropriately targeted financial and non-financial incentives** (fit for the Australian context) in order to continue to improve affordability and further accelerate the rollout of EVs within Australia in order to achieve the Government's own emission reduction targets. This includes necessary support for EV purchasing (including Plug-In Hybrid Electric Vehicles), home charging and critically public EV charging infrastructure;
- **further modernisation of the taxation regime** to take account, and support the uptake, of ownership and operation/maintenance of EVs, noting that any taxation reform should encourage a range of ZLEV technologies without penalising ICE-vehicle drivers during the transition period; and
- **the need for broader education programs/campaigns on the transition to EVs** with the salary packaging/novated lease sector, with its reach to clients and customers throughout all regions of Australia, having a meaningful role to play together with Governments, peak bodies, automotive industry stakeholders and the broader community.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

6. The Australian Government is currently developing an Australian New Vehicle Efficiency Standard and has already begun to implement actions in the National Electric Vehicle Strategy.

6.1. What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to reduce light vehicle emissions?

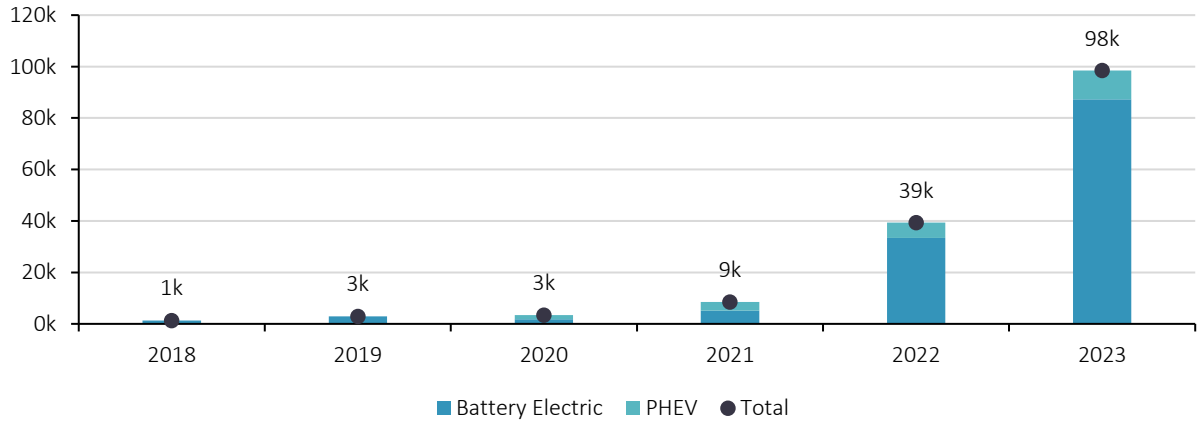
NALSPA Recommendation 1: Continuation of support for and generation of greater awareness of the existing FBT Exemption on eligible EV and PHEVs:

What's been the impact of the FBT EV Exemption?

In recent years, some states and territories have introduced standalone subsidies and tax/fees exemptions for the sales of EVs. However, in 2022 (legislated December 2022), the Australian Government introduced the first real incentive at a federal level to increase EV uptake – the FBT exemption for ZLEVs that are salary packaged and those provided by employers (i.e. fleet vehicles).

The introduction of the FBT exemption for eligible EVs, coupled with greater availability of more affordable EV's (light vehicles), has seen a material increase in sales of EVs in Australia, with both BEV and PHEV sales more than doubling in 2023 (refer Chart A1).

Chart A1: Australian Yearly EV Sales (BEV and PHEV)



Source: VFACTS

The FBT exemption has played a remarkable role in opening up who can purchase an EV by moving more EVs in affordable brackets, driving increased uptake across middle income, everyday working Australians.

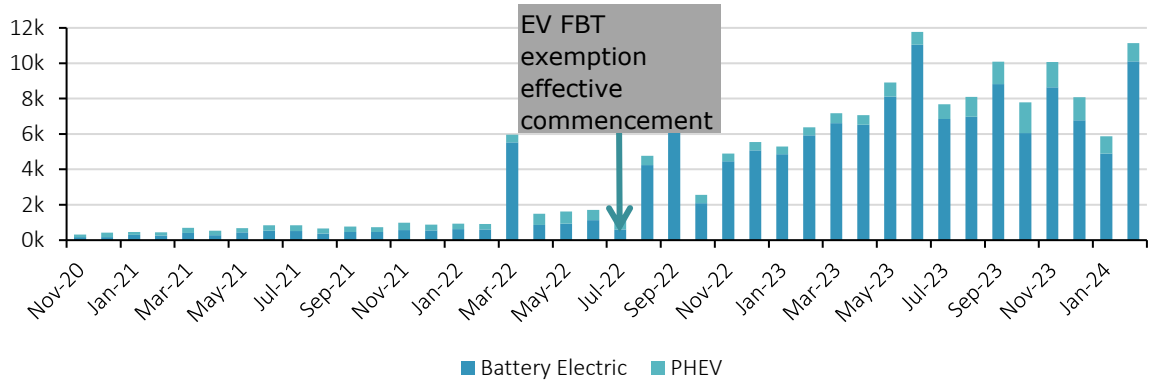
As already outlined, in June 2022, immediately prior to the exemption, according to VFACTS data, BEV/PHEV sales represented just 2.4 per cent of total SUV and passenger sales in the Australian market – whilst in February 2024, total BEV/PHEV sales represented total BEV/PHEV sales represented 8.54 per cent of total SUV and passenger sales in the Australian market – greater than a 350 per cent increase.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Through data collected from members and recognising that it took some time to generate awareness of the exemption following it becoming law on 11 December 2022, NALSPA estimates that since mid-2023 at least 40 per cent or more of all BEV and PHEV SUV and passenger car purchases have been salary packaged through accessing the FBT exemption.

EV sales experienced immediate growth post the initial introduction of the exemption in 2022 (refer Chart A2). Since its passage, more than 181,000 EVs have been sold in Australia compared to less than 30,000 units in total prior to the FBT exemption – including 58,400 EVs sold in the six months of 2024 to date. This growth will help to develop a more vibrant used EV market, further enabling more working and lower income Australians to transition to a ZLEV.

Chart A2: Australian monthly EV sales (BEV and PHEV) to February 2024



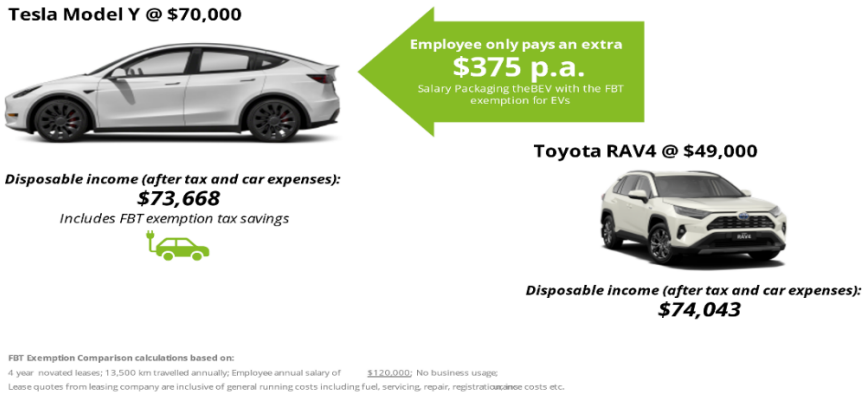
Source: VFACTS

Figure A1: Total Cost of Ownership with FBT Exemption – Tesla Model Y vs Toyota RAV49

Whilst the full impact of the FBT exemption for EV's will vary depending on personal circumstances including income, analysis indicates that the tax saving on a salary packaged EV can make a $70,000 EV (BEV or PHEV) similar or less to a $50,000 ICE vehicle when considering the individuals disposable income after vehicle purchase and running costs (refer Figure A1).

9 FBT Exemption Comparison calculations based on:
4 year novated leases, 13,500 km travelled annually, Employee annual salary of $120,000 pa, No business usage
Lease quotes from leasing company are inclusive of general running costs including fuel, servicing, repair, registration, insurance costs etc.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003



Source: Deloitte Motor Industry Services

The FBT Benefit for Lower Priced EV's

With the FBT exemption for EVs encouraging new lower priced EV brands to Australia, the savings become even more paramount. For medium SUV segment motorists transitioning to a BYD Atto 3 ($52,000 drive away) from a Toyota Rav4 ($59,000 drive away), the total savings amount to over $24,000 over 4 years of ownership. The same motorist will also see savings of almost $4,000 per annum even if they transition to a Tesla Model 3 with the FBT exemption for EVs.

Figure A2: Comparing EV lease costings to ICE lease costings

Annual Income	
Salary	$127,000
Lease Costs – All-Inclusive Pre-Tax Deduction	-$14,585
Taxable Income	**$112,415**
Annual Taxes and Expenses	
Tax and Medicare Levy Payable ($45,001 -$120,000 Tax Bracket)	-$29,250
Post-Tax Additional Electricity Costs	-$798
Annual Outcomes	
Total Disposable Income	**$82,367**
Reportable Fringe Benefits Amount (RFBA)	$21,689 ($7,104 higher ATI)

Annual Income	
Salary	$127,000
Pre-Tax Deductions	
Deduction for balance of fully maintained vehicle under a novated lease	-$7,326
Taxable Income	**$119,674**
Annual Taxes and Expenses	
Tax and Medicare Levy Payable ($45,001-$120,000 Tax Bracket)	-$31,755
Post-Tax Employee contribution	-$11,878
Annual Outcomes	
Total Disposable Income (Employment Income – Tax/Medicare – Post-Tax Expenses)	**$76,041**

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Tesla Model 3 @ $64,000

Employee saves
$3,818 p.a.
Salary Packaging the BEV with the FBT exemption for EVs

Disposable income (after tax and car expenses):
$79,859
Includes FBT exemption tax savings

Annual Income	
Salary	$127,000
Lease Costs – All-Inclusive Pre-Tax Deduction	-$18,413
Taxable Income	**$108,587**
Annual Taxes and Expenses	
Tax and Medicare Levy Payable ($45,001 -$120,000 Tax Bracket)	-$27,930
Post-Tax Additional Electricity Costs	-$798
Annual Outcomes	
Total Disposable Income	**$79,859**
Reportable Fringe Benefits Amount (RFBA)	$26,710 ($8,297 higher ATI)

Toyota Rav4 Edge @ $59,390

Disposable income (after tax and car expenses):
$76,041

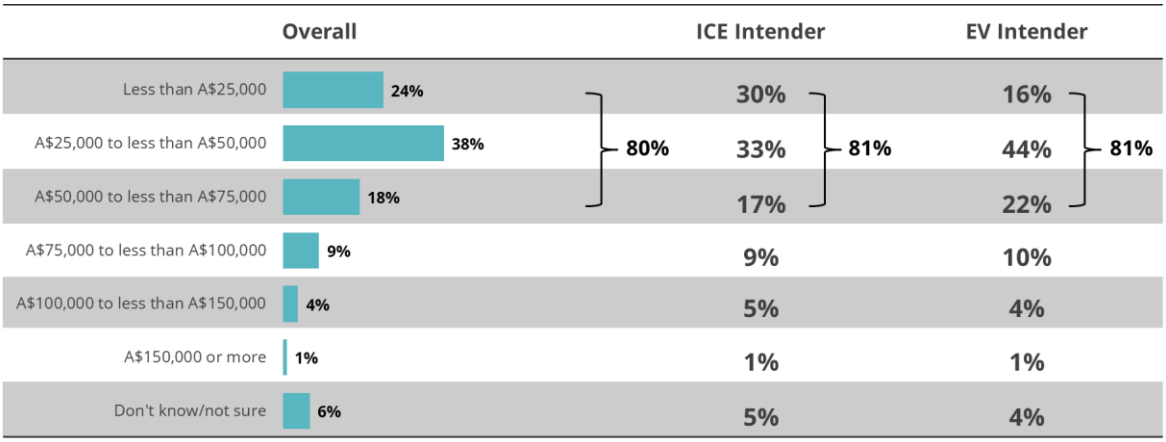
Annual Income	
Salary	$127,000
Pre-Tax Deductions	
Deduction for balance of fully maintained vehicle under a novated lease	-$7,326
Taxable Income	**$119,674**
Annual Taxes and Expenses	
Tax and Medicare Levy Payable ($45,001-$120,000 Tax Bracket)	-$31,755
Post-Tax Employee contribution	-$11,878
Annual Outcomes	
Total Disposable Income (Employment Income – Tax/Medicare – Post-Tax Expenses)	**$76,041**

Source: Deloitte Motor Industry Services

This impact of the FBT EV exemption is also significant when considering the purchase price brackets, that consumers are commonly shopping in for light vehicles.

Based on surveying conducted in Australia by Deloitte Motor Industry Services (Chart A3), some 60 per cent of consumers intending to purchase an EV are looking to spend less than $50,000 and notably without the FBT exemption less than 10 per cent of EV models are currently priced within that bracket. And according to Deloitte, with an estimated 81 per cent of consumers looking to spend under $75,000, the FBT exemption is imperative to continue to move those EVs under the $89,332 LCT threshold into that bracket.

Chart A3: Preferred price ranges for next vehicle



Source: Deloitte Motor Industry Services

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Furthermore, NALSPA members have received significant feedback from employee customers who have, through novated leasing, have more clearly identified the cost savings on fuel and maintenance experienced through an EV, as the running costs are packaged within the vehicle making this saving more noticeable than in ongoing transactions.

The FBT exemption has had a demonstrably strong effect on passenger EV sales in Australia since its introduction. Whilst the Australian Government is required to complete a review into this exemption by mid-2027 to consider electric car take-up, we believe it is imperative that the policy remains in place permanently until significant progress is made towards achieving price parity between EVs and ICE vehicles in order to give suppliers and customers certainty and shore up a rapid transition.

At this point in time, given the significantly greater expense of producing an EV, particularly as a result of battery and advanced technology requirements, **NALSPA members are not witnessing material change in the large price differential between EV and ICE,** with OEM's unable to accurately quantify when we will see greater alignment in their pricing for motorists.

It is also important to note impacts in overseas jurisdictions that have removed incentives. For example, Germany has removed PHEV incentives at the end of 2022 and BEV incentives at the end of 2023, with EV share of total car sales in January 2024 below what it was 2 years ago. Similarly, the UK has also seen year-on-year EV sales decline with its wind back in incentives, seeing incentives ending in 2023.

Additionally, the continuation and further awareness generation of the FBT exemption for EV's will enable more everyday working Australians to consider an EV for their next purchase and encourage existing and new OEM's to expand their new affordable EV model introduction into Australia due to the competitive position these EVs have off the back of the EV exemption.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999

Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

NALSPA Recommendation 2: Aligning the FBT EV Exemption for PHEVs to BEVs until at least 2027

NALSPA considers that **PHEVs** have a critical role to play as transition fuel efficient and low emission vehicles whilst price parity between ICEs and EVs is achieved, particularly given the types of vehicles Australians drive.

PHEVs offer two sources of power, combining a conventional ICE with a battery-powered electric motor. In addition, power-split hybrid technology connects the petrol engine, electric motor, and generator together.

PHEVs offer enough electric-only, zero-tailpipe emission driving for most daily journeys. They're efficient too, achieving improved fuel economy and lower CO2 tailpipe emissions than typical ICE (https://www.ford.com.au/showroom/electric/phev/).

Notably, PHEVs enable many hesitant consumers to transition to electrification in a more gradual fashion, particularly those who are content to drive using electric power most of the time but occasionally travel longer distances and are nervous to rely fully on electric – which remains many Australians at this time.

However, from 1 April 2025, PHEVs will no longer be considered a zero or low emission vehicle under FBT law (whilst the exemption for BEV only will continue past this date). Given the important role PHEVs can play as a transition technology vehicle and particularly among SUV purchasers, it is NALSPA's firm view is that there is need for the FBT exemption on these vehicles to be extended beyond this point.

This view is underlined if we consider the volume of lower emissions vehicles which are needed to be purchased over the next few years if Australia is to meet its emissions targets, including the proposed NVES, and open up access to the new vehicle types that Australians require.

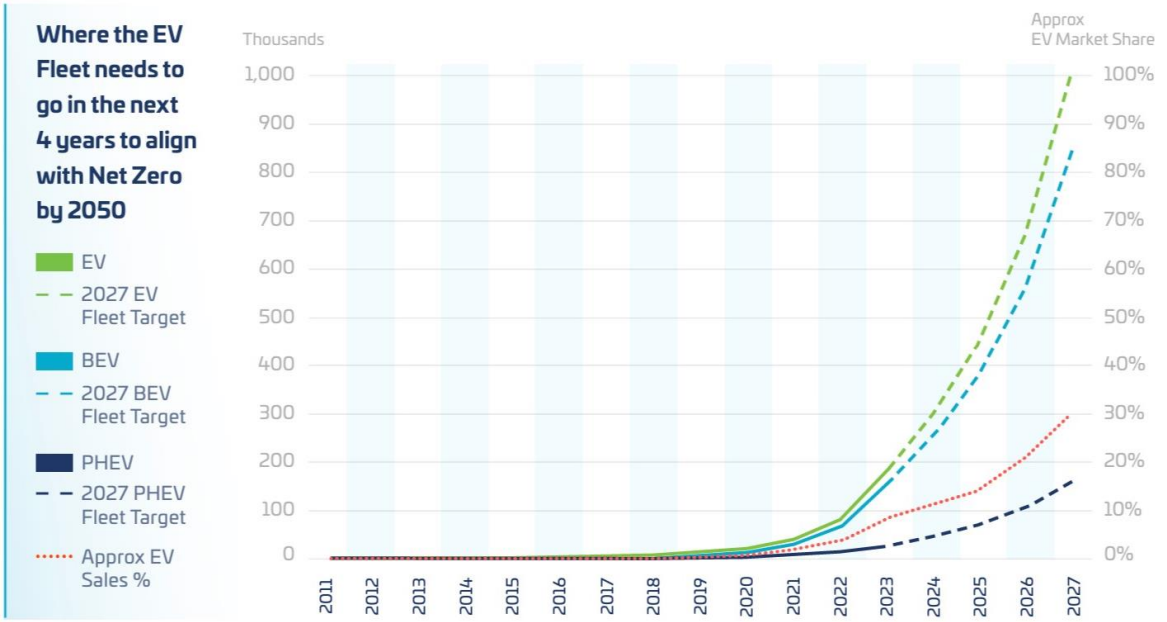
To illustrate this the **Electric Vehicle Council** advocates that Australia should aim for 1 million EVs to be on Australia's roads by the end of 2027 (approximately 5 per cent of Australia's passenger and light commercial vehicle fleet). This would see Australia needing to achieve around 30 per cent EV market share by the end of 2027. These targets would put Australia on a feasible pathway towards achieving around 2.5 million EVs by 2030 (equivalent to approximately 50-60 per cent of all new vehicles purchased being EVs), which is a critical milestone on the journey towards a 100% zero-emission vehicle fleet by 2050.

As shown in **Chart B.1**, PHEV's are considered to have a smaller but vital role in the transition of the Australian EV fleet – however without appropriate purchase incentives in place such as the FBT exemption, **it is difficult, if not impossible**, to contemplate a scenario where such an uptake in PHEV purchases as forecast below can possibly be achieved.

To illustrate, a total of 11,212 PHEV's were sold in Australia in 2023 with the support of the FBT EV exemption. The EVC projections below would necessitate in the order of 50,000 PHEV's per annum being purchased by 2027 – a seemingly impossible target without appropriate purchase incentives.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

EV Fleet under Net Zero



Note: the figures provided above are not forecasts but illustrate a feasible scenario that Australia will need to follow to provide the best possible chance of achieving our climate targets, including Net Zero by 2050, through lower transport sector emissions.

Source: Electric Vehicle Council "Aligning Australia's EV fleet with 'Net Zero by 2050'"

PHEV's appeal to motorists where the right fit for purpose low emissions vehicle exists

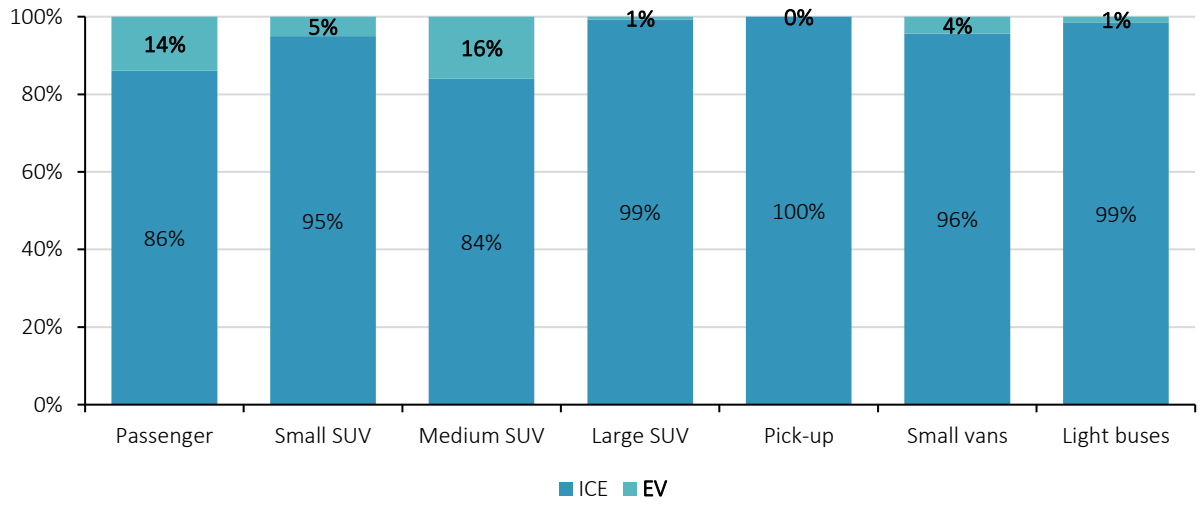
Rapid EV growth is difficult in Australia without enabling equitable access to EVs across the spread of popular vehicle segments in Australia.

The share of BEV sales, made up predominantly of Tesla and BYD, is concentrated to the passenger and medium SUV segments (refer 0). There is currently very little market penetration into large SUV and Pick Up, which made up almost 40 per cent of Australian vehicle sales in 2023. It is important to note that both the Tesla Model Y and BYD Atto3 barely qualify for medium SUV based on the vehicle dimensions, with larger sized Medium SUVs being preferred by consumers such as Toyota Rav4, Kia Sportage and Mitsubishi Outlander, therefore taking greater share.

A lack of equitable EV models in the large SUV and Pick Up segments are limiting motorists' ability to transition their fit for purpose work or family vehicles to fully electric. Further, large SUV and Pick Up segment sales over-index in regional areas, lessening opportunities currently for those motorists to access BEVs in particular.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Splits of EV (BEV and PHEV) sales (%), CY2023



Source: FCAI VFACTS Report

However, in these larger segments where electrified options do exist, Australian motorists are prepared to consider them.

To illustrate, the 7 seat Mitsubishi Outlander SUV PHEV has grown in popularity with sales increasing to over 500 per month in the Australian marketplace as available stock has gone up. Eligible for the FBT exemption for EV's starting at $62,000, it is an important example of the opportunity PHEV provides for customers requiring larger vehicles, to access lower emitting vehicles.

Currently the FBT exemption for EVs enables consumers to purchase the popular mid spec Mitsubishi Outlander Aspire PHEV priced at $69,130 for a similar monthly cost after tax savings to a $49,000 ICE Toyota RAV4 (refer Figure B.1). We also note that the Outlander PHEV is close to $20,000 more expensive to buy in plug-in hybrid form compared with its petrol only equivalent.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Total cost of ownership (PHEV) with FBT exemption – Mitsubishi Outlander Aspire vs Toyota RAV410

Source: Deloitte Motor Industry Services

Anecdotal feedback has shown that the 84km pure electric range of the Outlander PHEV is enabling consumers to use it almost entirely on electric drive – "after 6 months I had to stop charging the vehicle so I could replace the old tank of petrol that had been there since I got the vehicle" quoted one Mitsubishi owner interviewed.

As additional PHEV model segments have entered the Australian market and with the support of the FBT EV exemption, NALSPA members are witnessing a strong uptake in demand for PHEV. To illustrate:

- In the first half of 2024, total Australian PHEV sales were up nearly **130 per cent** compared to the same period a year earlier
- In June 2024 PHEVs comprised **17 per cent** of all Australian electrified passenger and SUV sales, up from **6.6 per cent** in June 2023
- In the 2nd half of 2023, PHEV's comprised **16 per cent** of total new EV (BEV & PHEV) leases via NALSPA members, compared with just **9 per cent** in the first half of the year

---

10 FBT Exemption Comparison calculations based on:

- *4 year novated leases*
- *13,500 km travelled annually*
- *Employee annual salary of $120,000*
- *No business usage*
- *Lease quotes from leasing company are inclusive of general running costs including fuel, servicing, repair, registration, insurance costs etc.*

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

- In the 2nd half of 2023, PHEV's represented **6.3 per cent** of all new novated leases (ICE, BEV & PHEV) via NALSPA members, up from just **2.3 per cent** in the first half of 2023

It has also been noted that PHEVs have grown in popularity amongst electric SUVs. For the 6 months to 30 June 2024, PHEVs made up nearly **22 per cent of electrified SUVs** (compared to just 2 per cent of passenger EV sales) and up from 10.6 per cent in the first half of 2023. With SUV segments making up 58 per cent of all Australian vehicle sales in 2023 and 70 per cent of electric vehicle sales, supporting affordable PHEVs will help further electrify more SUVs which are the most difficult of passenger vehicles to electrify.

PHEVs also present a positive opportunity specifically in the Pick Up segment, which makes up almost a quarter of vehicle sales in Australia, to users who require these vehicle's cargo, towing and accessibility capabilities for work and lifestyle.

Importantly in 2025, both the Ford Ranger and BYD Ute are set to launch PHEV variants, that will have towing capacities of 3-3.5 tonne – however this timing is somewhat unfortunate with the FBT exemption on PHEV's currently scheduled to cease in early 2025 thereby likely significantly impacting take-up and reducing the number of lower emissions vehicles in the Australian carpark. In relation to the Ranger, once the battery pack is depleted, its turbocharged 2.3-litre four-cylinder petrol engine is estimated to deliver more than 600km of driving range.

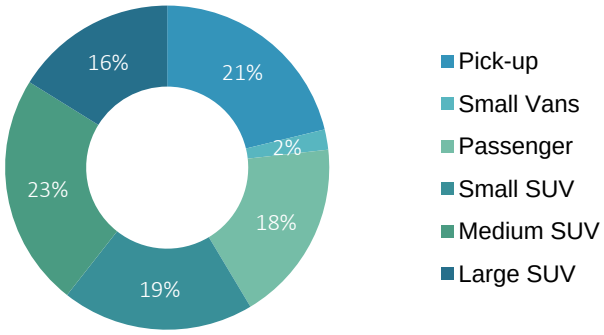
Access to the FBT Exemption for PHEV Utes of these types in NALSPA's view is imperative to enable these fit for purposes vehicles to be strong alternatives to diesel ute buyers in particular. For example, analysis per Figure B.2 shows that a consumer purchasing a Ranger PHEV priced at $86,000 (assumed price) via a novated lease, would be over $4,000 ahead per annum with the FBT exemption for EVs against a $76,999 Toyota Hilux Rogue (ICE).

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Total cost of ownership (PHEV) with the FBT exemption - Ford Ranger PHEV vs Toyota Hilux I.C.E.11

Source: Deloitte Motor Industry Services

Shares of NV sold by segment (CY2023)



Source: FCAI VFACTS Report

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Greater PHEV model and vehicle ranges are slated for the Australian market

Vehicle brands are also seeing PHEV as an effective means of significantly reducing emissions in larger vehicles, with more such product set to land in Australia in the balance of 2024 and 2025/26, with some notable models below that have the potential to support EV uptake and the achievement of the NVES targets. These models will add to the list of top selling PHEVs that are all larger vehicles.

Top selling PHEVs in Australia 2023

Vehicle make and model	Size
Mitsubishi Outlander PHEV (inc 7 seater)	Medium SUV
MG HS Plus EV	Medium SUV
Mitsubishi Eclipse Cross	Small SUV
Mazda CX60	Medium SUV
Volvo XC60 Recharge	Medium SUV
Kia Sorento PHEV	Large SUV
Cupra Formentor VZe	Medium SUV
Volvo XC90 Recharge	Large SUV

Source: FCAI

Potential new high-volume PHEVs coming to Australia 2025/6 include

Vehicle make and model	Size
Kia Sportage	Medium SUV
Cupra Terramar	Medium SUV
Hyundai SantaFe	Medium SUV
Mazda CX-80	Large SUV
Volkswagen Touareg	Large SUV

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

BYD Shark Ute	Pick Up
Ford Ranger	Pick Up
Ford Everest	Large SUV
Jeep Cherokee	Medium SUV
Mitsubishi Triton	Pick Up

Source: Deloitte Motor Industry Services/Blueflag

The emissions reduction benefits of transitioning to PHEV

We note from the Australian Government's February 2024 Consultation Paper 'Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard Consultation Impact Analysis' that plug-in hybrids see on average a material **reduction** in CO2 emissions over their lifecycle compared with equivalent petrol vehicles. So, whilst clearly not at the CO2 emissions reduction levels of a BEV, they do have a desirable positive impact on our carbon footprint.

Furthermore, with the average Australian travelling 37km per day, it is expected that many PHEVs in Australian households will be able to run almost exclusively on electric power with overnight charging.

This is supported by work conducted by Mitsubishi Motors Australia in their Road to Net Zero White Paper. As part of this Paper and to understand the specific impact of PHEV technology in Australia, Mitsubishi commissioned an independent survey by research company Potentiate of Outlander PHEV drivers.

According to the results of the research, the average total distance driven per week was 155 kms of which 131 kms **or 84 per cent of the total distance was driven in EV mode using 100% electricity supplied** by the battery. As this data indicates, switching to PHEVs would help Australia to accelerate reductions in emissions before 2030 – specifically it would take the average driver of such vehicles 84 per cent down the road to zero immediately.

We note that this analysis conducted by Mitsubishi **presents a very different daily driver use of PHEV technology compared to say European markets** where studies there have shown relatively lower use of PHEV's on electricity only – we think this is a result of significant differences in the Australian market with Europe including the fact that a bulk of PHEV's in that market are operated by fleets where regular charging proves to be much more of a challenge compared with the overwhelming private use of such vehicles here together our local significantly higher availability of off-street at-home charging.

Furthermore, and importantly for the Australian market we are about to see electrification via PHEV technology in hugely popular and harder to electrify Pick Ups, namely:

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

- The BYD PHEV Ute is anticipated to have an electricity only range of around 100km's, enabling regional and outer suburban consumers to significantly capitalise on electric powered motoring whilst having a backup for when they occasionally travel further kilometres.
- The new Ford PHEV Ranger is likely to have an electricity range of around 45km's, which has been determined by Ford based on research with existing Ranger owners which demonstrates that they average 40kms per day, thereby enabling a full day on electricity only (for a typical day).

This presents a significant opportunity for those consumers driving fit for purpose Pick Ups in particular to move from diesel vehicles emitting around 170 Co2 g/100km to PHEV Utes that are expected to be closer to 35 CO2 g/100km (such as the Mitsubishi Outlander). However, with the FBT exemption on PHEVs currently set to cease in April 2025, the resultant price premium is likely to significantly reduce the likelihood that consumers will opt for these greener Utes as outlined.

Global supply impacts and inflation, impacted on battery cost, slowing the rate of price parity for batteries in 2022, further delaying the rate at which EV prices are reaching price parity with ICEs. From 2010-2021 battery prices had reduced by 88%.12 With rising raw material costs that make up around 80% of a battery costs, expectations are that price parity will likely be delayed by the blip in battery price reductions.13 This amplifies the requirement for continued government support, particularly for larger vehicles, such as Pick Up's in PHEV form, that will rely on bigger, more expensive batteries to achieve acceptable travel range levels.

In summary, NALSPA believes there is sufficient argument and rationale for the continuation of the current FBT exemption on PHEV and for its alignment with the BEV exemption which will be reviewed after its first 3 years of operation with the resultant review due to be tabled with the Government by mid-2027.

Without such extension the environmental outcomes for Australia's transport sector will be harmed and progress towards Net Zero slowed.

12 BNEF (2023) Electric Vehicle outlook. Accessed through BNEF.
13 BNEF (2022), Increase in Battery Prices Could Affect EV Progress. Accessed at Increase in Battery Prices Could Affect EV Progress | BloombergNEF (bnef.com)

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Other NALSPA considerations/recommendations:

Amendment of the ATO Practical Compliance Guideline 2024/2 to include PHEV charging

The ATO publishes Practical Compliance Guidelines (PCGs) which provide guidance to taxpayers on how to comply with tax laws.

The ATO recently finalised and issued a compliance guideline (2024/2) to help individuals and employers calculate the electricity costs of charging an EV at an employee's or individual's home, however it specifically excluded PHEV. The Guide provides a cents per kilometre rate of 4.2 cents per kilometre than can be applied to calculate the electricity costs of charging an EV.

This disadvantages PHEV owners (for example those with a novated lease and/or those doing business related kms) as they are unable to claim the ATO's 4.2 cents per kilometre travelled for home charging costs which the Compliance Guideline allows for BEV's.

In NALSPA's view, the Guideline should align with the FBT exemption for PHEVs to encourage greater electricity use only of PHEV's and to enable owners to claim their charging be it for novated lease holders or business use kms.

Removal of RFBA for FBT exempt EVs

An employee will have a reportable fringe benefit amount (RFBA) if the total taxable value of certain fringe benefits provided to the employee is greater than $2,000. An employee's RFBA is used to calculate or determine a number of liabilities or levies, including:

- Medicare levy surcharge;
- Division 293 tax on superannuation contributions;
- Repayments for Higher Education Loan Program, Trade Support Loan and other various student loans; and/or
- Child support obligations.

Furthermore, an employee's entitlement to, or eligibility for, the following are dependent on the employee's RFBA:

- Parental leave pay;
- Family Tax Benefit Part A and Part B family assistance payments;
- Private health insurance rebate; and/or
- Offset of non-commercial business losses.

In its current form, the FBT EV Exemption requires an employer to disregard the FBT exemption for ZLEV benefits when determining whether an employee has a reportable fringe benefit amount (RFBA). Therefore, the "taxable value" of a ZLEV benefit is considered by an employer for RFBA purposes as if the exemption was not applied.

As reasoned in the Explanatory Memorandum accompanying the Bill, this is to "ensure fairness in the tax and transfer systems", given that an employee's RFBA is used to calculate various entitlements or liabilities. However, in our view based on member experience this approach is meaning that:

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

- some employees are having the financial benefit of the FBT exemption in-effect reduced (which in part defeats its original intention), or
- are being discouraged to consider transitioning to an EV given the potential financial impact.

Where an employee is subject to one of the afore mentioned liabilities or levies, and they were to procure an EV under the FBT exemption it will likely generate a significant RFBA and potential economic impact for the various programs noted (e.g., decreased childcare rebate; increased education-loan repayments; etc.). In the alternative, employees may be forced into making post-tax contributions to offset some of this impact, such that the net cost to the employee increases.

Using a comparative EV v ICE differential of $20,000 in cost price under a novated lease where the exemption is applied, this could be a $7,547 RFBA. Assuming an individual whose “repayment income” for education-loan purposes was $59,000, this increases their notional “repayment income” to $66,547, translating to a move from a 1 per cent repayment rate (on $59,000) to a 2.5 per cent repayment rate on ($66,547). This is an illustration of the significant impact that could result and does not correlate to the intention to “ensure fairness”.

It is also important to note that this impost is most likely to be relevant to lower-middle income earners who are arguably more likely to face the consequences of having a RFBA amount (for example, at the higher income end, certain programs such as the childcare subsidy are not claimable and so a RFBA is unlikely to be as relevant).

To address this, we believe that the Australian Government should consider excluding exempt car fringe benefits for ZLEVs from reporting requirements, providing a reduction in the RFBA to be reported (e.g. a 50 per cent reduction), or alternatively, limiting the instances where there is a need for reporting.

Nationally aligned vehicle registration and stamp duty exemptions

Vehicle taxation exemptions should be utilised to support price parity and consistently applied nationally as discussed. As has been effective in many global jurisdictions, it is recommended that EVs be provided with a ‘honeymoon exemption’ from stamp duty and vehicle registration fees at purchase. Consideration should also be given to a national moratorium on Road User Charges (and similar costing mechanisms) until at least 2030 (or when EVs represent say 25%-30% of all new car sales in Australia) to give consumers who are purchasing EVs, currently at a premium price, confidence in having running cost savings for an extended period.

Instant Asset write-off extension to 2030 for EVs

The instant asset write-off provisions (that were introduced as a COVID-19 stimulus) were a considerable factor in driving sales of commercial dual cab ute in Australia, to the point where the Toyota Hilux and Ford Ranger were the top two selling vehicles in the country. Extending this for EVs would provide support for the corporate and government fleet sectors to further lead the EV transition.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Support Transport's Net Zero Pathways:

Transport Infrastructure:

7. Do you agree with the proposed net zero pathway for transport infrastructure?

NALSPA in principle supports the following proposed net zero pathway for transport infrastructure.

8. What additional actions by governments, communities, industry and other stakeholders need to be taken now and in the future to reduce transport infrastructure emissions and ensure that transport infrastructure is ready for and enables low-emission transport modes?

Developing charging infrastructure and incentives for at home charging

NALSPA members report that one of the most common questions and concerns they receive from potential EV buyers is whether they are able to capitalise into their lease (and therefore for it to be treated on a pre-tax basis and included in their regular lease outgoings) is the cost of purchasing and installing home EV charging facilities (known as a Level 2 Charger) and related services.

The short answer in response is currently no, with the explanation as to why this is the case under existing law outlined further below ('Extending the FBT EV exemption to include costs associated with ZLEVs – incentivising home charging and related costs').

A Background to Home EV Charging and associated costs

By way of background, level 2 EV chargers (level 1 charging being is where you plug your EV into a normal household power socket) can generally fully charge a modern passenger EV in the overnight off-peak window. However, the cost to install a Level 2 charger is a significant factor for many future EV owners.

An installed level 2 smart charger that can manage of-peak charging and invert solar can generally cost from $1500-$2500 installed, with the potential to escalate further if three phase power upgrades are required in an older home (or other complications).

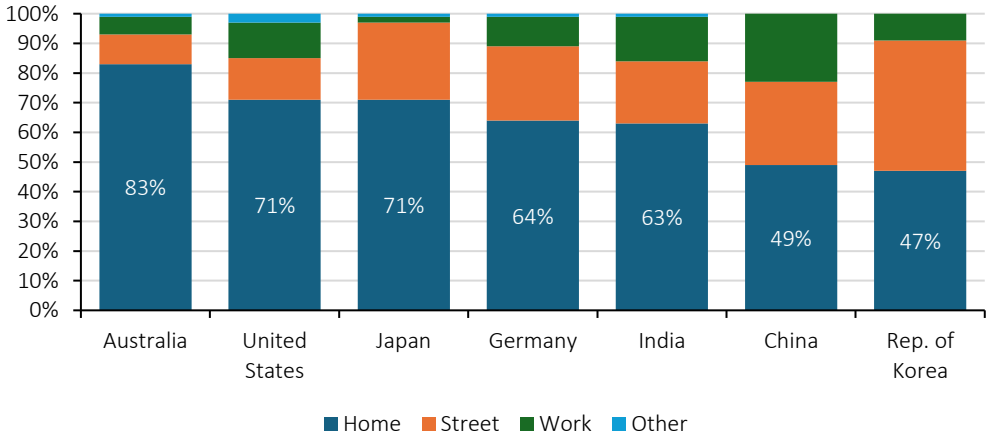
Importantly, and somewhat different to many other countries, Australian consumers, with higher levels of household ownership and off-street parking anticipate harnessing home and workplace charging at a much greater level. Almost 90 per cent of consumers expect to charge their EVs at home or work, with household charging expected to make up 83 per cent.

Other countries such as Norway, Sweden, Germany and the UK have provided home and workplace charging infrastructure subsidies whilst in Australia home charging units attract no such support, adding expense to the most efficient, convenient and accessible form of charging.

Even more important is the fact that 55% of consumers also expect to utilise renewable energy when charging at home, enhancing the potential decarbonisation impact if home charging and solar panels are coupled.

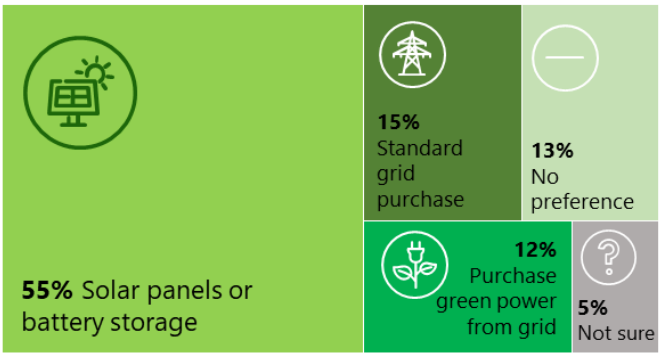
nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Consumer expectations of EV charging locations



Source: Global Automotive Consumer Study, Deloitte Australia, 2023

Australian Consumer Energy Sourcing Preference for EV Charging



Source: Global Automotive Consumer Study, Deloitte Australia, 2023.

Surveys are commonly showing that existing Australian EV owners who have solar panels are doing the majority of their charging during the day to harness the low cost, low impact of solar powered charging.[14]

Fast public charging outlets are becoming more widely available; however, it is generally more expensive to charge an EV at a public charging station than at home.[15] Private charging will play a critical role in supporting equitable access to charging infrastructure and ensuring customers can charge their EVs regardless of location, housing-type or travel patterns.

14 Electric Vehicle Council. Electric Vehicle Council (2022) Insights into electric vehicle ownership: a survey of Tesla Owners Club Australia members in partnership with the EV Council
15 https://www.greenvehicleguide.gov.au/pages/LowAndZeroEmissionVehicles/ElectricVehicleInformation

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

In rural areas, in particular, where access to home charging is more available due to a higher share of freestanding houses and public charging may be limited, and where the need to more frequently charge is higher given their likelihood to travel significantly larger distances, access to home charging infrastructure will be a key enabler for EV adoption.

Extending the FBT EV exemption to include costs associated with ZLEVs – incentivising home charging and related costs

The FBT exemption for eligible ZLEVs includes 'any associated benefit in running the car for the period the car fringe benefit was provided". This extends the exempt FBT EV arrangements to "car expenses", which are defined in section 136(1) of the FBTAA as being "an expense incurred in respect of (a) the registration of, or insurance in respect of, the car; (b) repairs to or maintenance of the car; or (c) fuel for the car".

However, whilst the intention of the FBT exemption is to remove any tax barriers in relation to the provision of ZLEVs to employees (including under salary-packaging arrangements), this intent has not been met, due to the fact that numerous associated running costs do not arguably meet the FBT definition of a "car expense". Examples of such costs include, but are not limited to:

In-home charging infrastructure and support services (e.g., in addition to the equipment cost, the ancillary costs of installation, equipment upgrade where necessary and ongoing maintenance);

- charging cables & Adaptor plugs;
- vehicle battery replacements; and
- vehicle subscription costs (e.g., Tesla's Premium Connectivity subscription to enable access to Live Traffic Visualisation, Satellite-View Maps, etc.).

Whilst each of the above costs might arguably fall within the intent of the phrase "associated benefit in running the car" where provided by the employer, there remains considerable uncertainty whether each of these benefits meets the FBT definition of a "car expense" and, due to limited existing ATO guidance, it has been generally accepted by novated lease providers and their professional advisors, that these costs should be deemed as not exempt, in the absence of ATO or Government advice to the contrary.

For example, as noted above, "car expense" is defined to mean an expense incurred "in respect of ... fuel for the car". Further, the phrase "in respect of", in the context of employment "includes by reason of, by virtue of, or for or in relation directly or indirectly to …". Applying these definitions, it is arguable that in- home charging costs are included "by reason of" or "in relation directly to" recharging (i.e., "fuel").

However, this is open to debate and different interpretations, thereby creating uncertainty. Novated lease providers take the view that the ATO limits the application of the FBT exemption for charging costs just to the actual electricity expense only, as per the *ATO Practical Compliance Guideline 2024/2* which allows 4.2 cents per kilometre to be applied to calculate the electricity costs of charging an EV.

It is the experience of NALSPA members that the absence of an FBT exemption surrounding home charging hardware and installation costs is **impacting upon the attractiveness of acquiring an EV**,

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

given there are a number of additional out of pocket costs which leaseholders must meet out of their post-tax income.

NALSPA members report that for some prospective EV buyers these additional out-of-pocket expenses cause them to re-consider their purchase, or to not install home charging and instead rely more heavily on public charging infrastructure.

As already noted in recognition of the obstacle which 'associated EV costs' are to motorists in regard to their purchase consideration of an EV, many overseas jurisdictions already have in place subsidy arrangements with regards to home EV charging costs – these include Norway, France, California, Germany, Sweden, China and Iceland, to name a few.

NALSPA highly recommends that consideration be given to extending the application of the FBT exemption to associated costs (in particular home charging infrastructure and installation costs) through including a different definition of "car expenses" for ZLEVs, which is broader and includes all the costs noted.

We believe this consideration should also extend to the potential inclusion of **solar batteries** given the fact that some 55% of households also expect to utilise renewable energy when charging at home, enhancing the potential decarbonisation impact if home charging and solar panels are coupled. Inclusion of these items within the exemption would provide important additional incentive for the utilisation of renewable energy sources to charge EVs at home.

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999

Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Achieving Net Zero Together:

Travelling in Partnership:

9. What are the best ways for the Australian Government to work collaboratively with industry, business, governments and communities to implement the proposed pathways?

And

9.1 What are good domestic or international examples of partnership and collaboration on transport and transport infrastructure emissions reduction that could inform the final Roadmap and Action Plan?

NALSPA believes there is overwhelming need for the Roadmap to consider inclusion of a focussed education platform developed collaboratively on the ease and benefits of transitioning to low and zero emissions vehicles.

NALSPA is of the firm view that the Australian Government must consider coordinating a nationwide education platform, in conjunction with the States, consumer and community groups, the novated leasing sector, automotive sector and related stakeholders.

The education platform should seek to inform consumers and the general public about low and zero emissions vehicles and other options to reduce emissions, including E-Bikes, public transport, other transport options etc. Given the broader policy initiatives being considered at this time, a coordinated education platform in Australia is also required.

In relation to **light vehicles specifically**, the first movers have already begun adopting EVs, however EVs provide a good example of where their operation, running costs, total cost of ownership and charging are still unknowns to a significant proportion of the Australian population – and importantly a number of myths concerning the ownership and operation of EVs abound today.

We note that Associations such as the Electric Vehicle Council, of which NALSPA is a member, together with key motorist peak bodies, OEM's, State governments, automotive dealers and a host of other stakeholders, including NALSPA members, are all doing their bit to better inform Australian motorists of the transition to EV. However, we believe there is significant benefit in there being a nationally co-ordinated education and awareness platform/program which all of the above stakeholders can further leverage – and clearly much wider than just EV's.

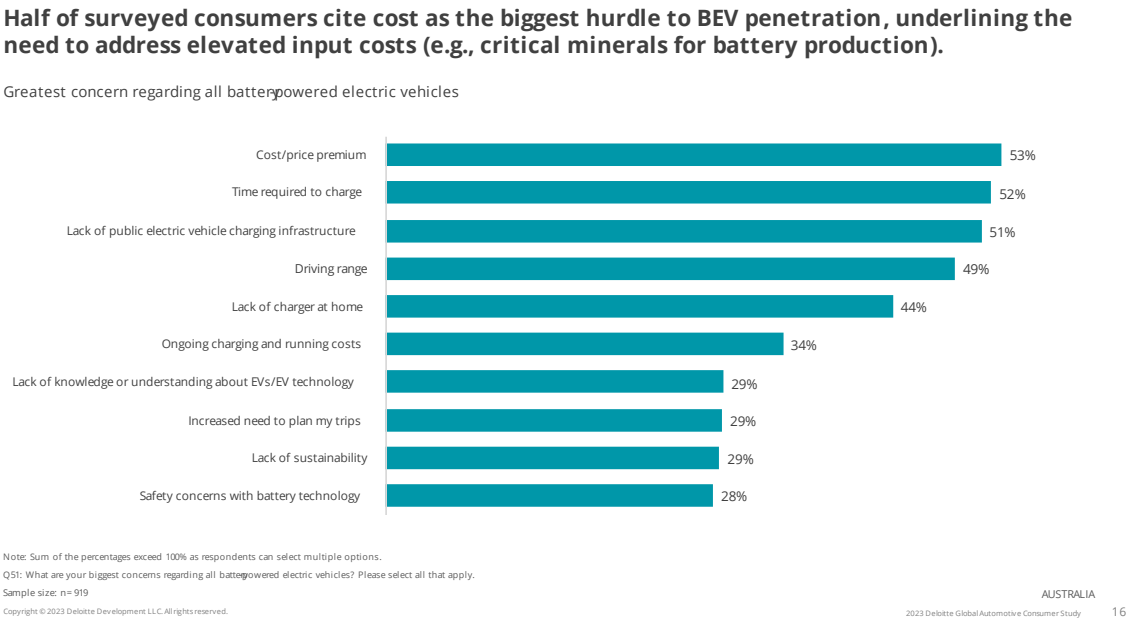
The UK Government, in collaboration with the automotive industry ran a successful online education platform called 'Go Ultra Low'. The platform allowed for information provision, including information on available subsidies and tax breaks, and consumers could also access tools and comparison calculators to determine the costs and cost comparison with ICEs.

The ICCT reports that the 2016 campaign survey results showed 51% of 'campaign recognisers' stated the campaign changed 'the way they think about electric vehicles'; 53% said the campaign

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

increased their interest in considering an electric vehicle for their next purchase; and 66% took action to find out more about electric vehicles.[16]

Research into the common concerns consumers identify in transitioning to electric suggest that many may be misconceptions that with education could be overcome. For example, battery range rates highly even though most EV's with 400-500km range satisfy the average Australians 37km daily drive.



Jurisdictions that have shown commitment to increasing electric vehicle uptake in other ways – such as through vehicle fuel efficiency/CO2 emissions standards, subsidies and rebates, electric vehicle charging installation, and other preferential policies for electric vehicles, then often incorporate a consumer awareness/education component.

In short, we think there is significant opportunity for collaboration to exist around creation of a long-term education and awareness program which will be critical to Australia's reaching its net zero target in the timeline /as outlined.

16 ICCT, Literature review of electric vehicle consumer awareness and outreach activities, 2017, <https://theicct.org/wp-content/uploads/2021/06/Consumer-EV-Awareness_ICCT_Working-Paper_23032017_vF.pdf>

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003

Measuring Success:

10. What measures and metrics should be used to evaluate the final Transport and Infrastructure Net Zero Roadmap and Action Plan?

And

10.1 What other data and evidence could governments use and how could this offer further insights on the pace, scale and location of transport emissions reduction pathways?

Using the take-up, transition to and consideration of electric vehicles as an example, NALSPA suggests that performance metrics or indicators may include:

- Price differential between EV's and comparable ICE vehicles.
- The number of vehicles in each vehicle segment in the Australian market (price and vehicle type) over time.
- Percentage of EVs as a percentage of all new vehicle sales - by vehicle type, by state, by region and nationally.
- Percentage of EVs as a percentage of all used vehicle sales - by vehicle type, by state, by region and nationally.
- Percentage of EVs compared to total vehicles in the Australian market.
- Dollar amount of investment in local EV technology.
- The availability of public infrastructure to rapidly re-charge vehicles – i.e., multi-bay charging stations every approximately 50 kilometres along arterial roads, and 3-5 kilometres in urban areas.
- Percentage of EVs (and/or components) manufactured in Australia compared to overseas.
- Number of Australian businesses (i.e., ASX top 300 companies) and Australian Government bodies who have publicly announced and/or implemented EV fleet policies.
- Model Range of EVs available in Australia.
- Measure of EV's across all Government fleets.

ENDS

nalspa.com.au | e. secretary@nalspa.org.au | m. +61 4 6620 7822 | ph. +61 3 9097 3999
Locked Bag 32004, Collins Street East
Melbourne, VIC 8003