

NEW ELECTRIC CAR DISCOUNT

Another great reason to get a novated lease



Here's some helpful answers to commonly asked questions about the new FBT exemption available when taking out a novated lease on electric, plug-in hybrid and hydrogen cars.

Why should I novate an electric vehicle?

Novated leasing is an effective way to get into a car, as it bundles your finance and budgeted running costs into one easy payment on payday. This allows you to pay some of the costs from your pre-tax salary, reducing the GST and income tax you pay.

While Fringe Benefits Tax (FBT) does apply to a novated lease, even when this is considered, a lease can still be a great way you could save thousands on your car.

The good news is that the Federal Government has recently introduced a change (the Treasury Laws Amendment also known as Electric Car Discount Act 2022) which applies to the leasing of certain zero or low-carbon emission cars including, battery electric, hydrogen fuel cell, and plug-in hybrids. This change means that these types of cars, leased after 1 July 2022, are now FBT-exempt, making a novated lease an even more financially attractive option.

More information regarding the Act can be found at:

[https://www.ato.gov.au/General/Fringe-benefits-tax-\(FBT\)/FBT-exemptions-and-concessions/Electric-cars-exemption/](https://www.ato.gov.au/General/Fringe-benefits-tax-(FBT)/FBT-exemptions-and-concessions/Electric-cars-exemption/)

Which cars will be FBT-exempt?

Zero or low-carbon emission cars including:

- ⊕ Battery electric cars
- ⊕ Hydrogen fuel cell electric cars
- ⊕ Plug-in hybrid electric cars (only exempt until 1 April 2025)

And, the ATO considers a 'car' to be:

- ⊕ A passenger vehicle under 1 Tonne (e.g. sedan or station wagon) that carries fewer than nine passengers
- ⊕ A goods vehicle under 1 Tonne (e.g. ute) with a carrying capacity of less than one tonne

When does the FBT exemption take effect? And, when does it end?

At this stage, the FBT exemption is available for 3 years on eligible cars leased from 1 July 2022.

A review of the legislation will be undertaken in 3 years to determine if this tax concession will continue.

What happens to my novated lease when the current exemption ends?

Plug-in hybrid cars

The FBT exemption on plug-in hybrid cars will cease on 1 April 2025.

However, leasing arrangements made between 1 July 2022 and 1 April 2025, will be honoured for the term of the lease, even if the lease term ends after 1 April 2025. An FBT exemption will not apply to these cars if they are refinanced or if you extend the lease after that date.

Battery and hydrogen fuel cell electric cars

The FBT exemption for battery electric and hydrogen fuel cell electric cars will be reviewed after three years and a decision made on whether this tax concession will be continued. The Act does not currently provide any clarification of what will happen beyond this review for these vehicle types.

Does the FBT exemption apply to all zero or low-carbon emission cars?

No. The FBT exemption only applies to eligible zero or low-carbon emission cars with a new car retail value below the luxury car tax threshold of \$89,332 (current as at 2023–24; subject to change annually).

Or, in the case of used vehicles, only where the previous owner/s didn't pay luxury car tax.

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Are used cars eligible?

The FBT exemption applies to eligible used cars as long as the car:

- ⊕ was owned and available for use for the first time on or after 1 July 2022; and,
- ⊕ has never been subject to luxury car tax (\$89,332 as per the 2023–24 threshold; subject to change annually).

On used vehicles, it is your responsibility (as the novated lessee) to ensure that these ATO requirements are met.

How does this affect my reportable income?

While you can take advantage of the FBT exemption, the value of the exemption must still be reported as a Fringe Benefit on your annual Payment Summary. As such, this may have an impact on other government tax benefits you receive, such as:

- ⊕ Medicare levy surcharge
- ⊕ Private health insurance rebate
- ⊕ Div 293 tax for superannuation contributions
- ⊕ Eligibility for family assistance payments
- ⊕ Child support
- ⊕ Amounts you pay against your Fee-Help debt

You should seek independent financial advice for further information.

What are the impacts on my employer?

Your employer will still be required to report the value of the Fringe Benefit as part of their usual FBT reporting to the ATO.

Does the ATO Car Limit still apply to my employer?

The ATO Car Limit is still applicable to your novated lease as this is not related to FBT.

Where your employer is a tax-paying entity, they can usually claim the cost of employee wages. However, where the cost of a wage is foregone (as is the case for a novated lease), your employer would normally be able to claim the lease instalments paid under a novated lease.

Where the car value exceeds the ATO Car Limit (\$68,108 as of 2023–24; subject to change annually) for tax purposes, your employer won't be able to claim the finance portion of the lease payment. They'll only be able to claim the interest and tax depreciation of the car. This results in your employer being unable to claim the full tax deduction on the finance portion.

As your employer would essentially be out of pocket for any novated lease that is over the 'Car Limit', a luxury car charge will be applied to your lease to offset this and remitted back to your employer.

Are there any other concessions on duties and charges available?

There may be a range of other concessions (e.g. registration discounts) or charges (e.g. road user) depending on the Australian state or territory in which your car is registered. Please check with your relevant state road traffic authority for more information.

I have an eligible car on order. Can I take advantage of this FBT exemption when the car is delivered?

Absolutely. If your car is eligible (based on the above-mentioned eligibility criteria) then we will automatically make the necessary adjustments for you and provide you with updated documents.

As the Act has only recently passed, we're in the process of making the necessary changes to our systems. As soon as our systems have been updated, we'll contact all customers with an eligible car, whether already delivered or on order. In the meantime, we thank you for your patience.

I have an existing novated lease on an eligible car. How do I take advantage of the FBT exemption?

As soon as our systems have been updated to apply the FBT exemption, we'll automatically recalculate your lease, adjust your post-tax contributions and advise you of the changes.

We'll then work closely with your employer and their payroll department to make the necessary adjustments to your salary deductions, ensuring you take advantage of the FBT exemption, backdated to 1 July 2022 or the start date of your lease, whichever is the latter.

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