



## Electric cars exemption

You don't need to pay fringe benefits tax (FBT) on eligible electric cars and associated car expenses.

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### On this page

[Eligibility](#)

[Associated car expenses](#)

[Cost of electricity to charge electric cars](#)

[Reportable fringe benefits](#)

[Electric vehicles and fringe benefits tax fact sheet](#)

## Eligibility

You do not pay FBT if you provide private use of an electric car that meets all the following conditions:

- The car is a [zero or low emissions vehicle \(#Zeroorlowemissionsvehicle\)](#).
- The first time the car is both [held and used \(#Heldandusedtheelectriccar\)](#) is on or after 1 July 2022.
- The car is used by a current employee or their associates (such as family members).
- [Luxury car tax \(#DeterminingifthecarwassubjecttoLCT\)](#) (LCT) has never been payable on the importation or sale of the car.

Benefits provided under a salary packaging arrangement are included in the exemption.

The government will complete a review into this exemption by mid-2027 to consider electric car take-up. We will provide an update when this review begins.

If you are not eligible for the exemption, for example the vehicle doesn't meet the conditions of a zero or low emissions vehicle, you may need to pay fringe benefits tax for the private use of the car. See [Cars and FBT \(/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/types-of-fringe-benefits/fbt-on-cars-other-vehicles-parking-and-tolls\)](#) for more information.

## Zero or low emissions vehicle

A vehicle is a zero or low emissions vehicle if it satisfies both of these conditions:

1. It is one of the following – a

- battery electric vehicle
- hydrogen fuel cell electric vehicle
- plug-in hybrid electric vehicle. This doesn't include hybrid vehicles that are only fuelled by liquid petrol, see [Cars and FBT \(/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/types-of-fringe-benefits/fbt-on-cars-other-vehicles-parking-and-tolls/cars-and-fbt\)](#).

2. It is a car designed to carry a load of less than one tonne and fewer than 9 passengers (including the driver).

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

## Plug-in hybrid electric vehicles – 1 April 2025 onwards

From 1 April 2025, a [plug-in hybrid electric vehicle \(/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/types-of-fringe-benefits/fbt-on-cars-other-vehicles-parking-and-tolls/fbt-on-plug-in-hybrid-electric-vehicles\)](#) will not be considered a zero or low emissions vehicle under FBT law.

However, you can continue to apply the exemption in certain conditions.

## 'Held and used' the electric car

The practical effect of this requirement is that the electric car must be used for the **first** time on or after 1 July 2022 – even if it was held before this date.

An electric car is 'held' when it is:

- owned (includes cars acquired under hire-purchase arrangements)
- leased (or let on hire)
- otherwise made available by another entity.

An electric car is considered 'used' when it is used or available for use by any entity or person.

### **Example: exemption does not apply – car first used before 1 July 2022**

Shelly purchases an electric car on 1 April 2022. She makes it available for the private use of her employee, Jack, from that date until 30 July 2022.

On 1 August 2022, Shelly sells the electric car to ABC Co. ABC Co makes the car available for the private use of its employees from 1 August 2022.

The first time the electric car was both held and used is before 1 July 2022. Therefore, any car fringe benefits are not exempt from FBT.

### **Example: exemption applies – car first used from 1 July 2022**

John ordered an electric car on 1 February 2022. The car was not subject to LCT. The car was delivered on 15 June 2022, at which time legal ownership passed to John.

John first makes the car available for the private use of his employees on 5 July 2022.

On 1 September 2023, John sells the electric car to XYZ Co. The new owner makes the car available for the private use of its employees from 1 September 2023.

The electric car was:

- first held on 15 June 2022 – when John started owning it
- first used on 5 July 2022.

The first time the electric car was both held **and** used was after 1 July 2022. Therefore, any car fringe benefits are exempt from FBT.

## **Determining if the car was subject to LCT**

To be eligible for the exemption, the value of the electric car must be below the [LCT threshold for fuel efficient vehicles \(/tax-rates-and-codes/luxury-car-tax-rate-and-thresholds\)](#) at the time it is first sold in a retail sale **and** in any subsequent sale.

If you purchase an electric car second hand, you need to determine if it was subject to [LCT \(/businesses-and-organisations/gst-excise-and-indirect-taxes/luxury-car-tax\)](#) at any time in the past.

### **Example: exemption does not apply – car was subject to LCT**

GHI Co purchases a new electric car on 1 July 2022 from a car dealership in Australia. The car's GST-inclusive value is \$85,000.

The car doesn't meet the company's needs, so on 31 July 2022 they sell the car to Kerry for \$83,000.

Kerry reviews all available ownership and sales documentation and checks the LCT threshold for fuel efficient vehicles on the ATO website.

She determines that LCT would have been payable by the dealership when GHI Co purchased the electric car, as the value of the car was above the fuel-efficient vehicle LCT threshold for 2022–23.

Any car fringe benefits arising from the private use of the car by Kerry's employees will not be exempt from FBT, as the car was subject to LCT when first sold.

## **Associated car expenses**

The following car expenses are exempt from FBT if they are provided for an eligible electric car:

- registration
- insurance
- repairs or maintenance
- fuel, including the [cost of electricity to charge electric cars \(#Costofelectricitytochargeelectriccars\)](#).

You may be able to reduce the FBT on any items that aren't exempt car expenses, if the expenditure would have been deductible to the employee if they incurred it themselves. This is called the [otherwise deductible rule \(/businesses-and-organisations/hiring-and-](#)

[paying-your-workers/fringe-benefits-tax/exemptions-concessions-and-other-ways-to-reduce-fbt/reducing-your-fbt-liability](#)

## Home charging station

A home charging station is not a car expense associated with providing a car fringe benefit for electric cars. However, it may be a [property fringe benefit \(/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/types-of-fringe-benefits/property-fringe-benefits\)](#) or an [expense payment fringe benefit \(/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/types-of-fringe-benefits/expense-payment-fringe-benefits\)](#).

## Cost of electricity to charge electric cars

The private use of an eligible electric car, and the cost of fuel (including electricity) to charge it is exempt from FBT. However, the [benefit is reportable \(#P21\)](#).

How you work out the cost of electricity depends on the type of electric car you provide:

- [Zero emission electric cars \(#Zeroemissionelectriccars\)](#)
- [Plug-in hybrid electric vehicles \(#Pluginhybridelectriccars\)](#).

### Zero emission electric cars

It can be difficult to work out the cost of electricity when an employee charges the electric car at home. This is because the electricity used to charge the electric car is combined with the total amount of electricity consumed by an employee's home and is unable to be separately identified and valued.

To make it easier for you to calculate the electricity costs you can choose to use the shortcut electric vehicle (EV) home charging rate if you're [eligible](#) (<https://www.ato.gov.au/law/view/document?DocID=COG/PCG20242/NAT/ATO/00001&PiT=99991231235958#H8A>).

The EV home charging rate is **4.20 cents per kilometre**. For more information, see [PCG 2024/2](#) (<https://www.ato.gov.au/law/view/document?DocID=COG/PCG20242/NAT/ATO/00001&PiT=99991231235958>)

*Electric vehicle home charging rate-calculating electricity costs when a vehicle is charged at an employee's or individual's home.*

If you choose to use the EV home charging rate, you can't include commercial charging station costs unless you can accurately determine the percentage of the vehicle's total charge based on the type of charging location.

Make sure you keep the necessary records to substantiate how you determined the cost of electricity used to charge the electric car.

### **Example: home charging percentage can be accurately determined**

Bill's employer provides him with an eligible electric car for his private use.

During the 2022–23 FBT year:

- the car generates a report detailing that Bill charged the electric car at home 75% of the time.
- Bill travelled a total of 10,000 km.

Bill's home charging kilometres can be determined by applying the home charging percentage of 75% to the 10,000 total kilometres travelled. His employer decides to use the EV home charging rate of 4.20 cents, as follows:

- $10,000 \text{ km} \times 75\% = 7,500 \text{ km}$
- $7,500 \text{ km} \times 4.20 \text{ cents} = \$315$ .

The component of the electricity expense for FBT purposes would be \$315.

Bill has also kept relevant records relating to commercial charging station costs so his employer can include these costs to calculate the remaining component of the electricity expense.

### **Plug-in hybrid electric vehicles**

It can be difficult to work out the cost of electricity when an employee charges a plug-in hybrid electric vehicle (PHEV) at home and the vehicle runs on a combination of electricity and petrol.

To make it easier for you to calculate the electricity costs when a vehicle is charged at an employee's home, you can choose to use our practical compliance guideline method for PHEVs, if you're eligible, see [PCG 2024/2 \(<https://www.ato.gov.au/law/view/document?DocID=COG/PCG20242/NAT/ATO/00001&PiT=99991231235958>\)](https://www.ato.gov.au/law/view/document?DocID=COG/PCG20242/NAT/ATO/00001&PiT=99991231235958) Electric vehicle home charging rate-calculating electricity costs when a vehicle is charged at an employee's or individual's home. The method enables calculation of petrol kilometres and electricity kilometres, from which total electricity cost and total fuel expenses are calculated.

Otherwise, to work out the cost of the electricity used to charge an exempt PHEV, you need to calculate the actual electricity expenses.

Make sure you keep the necessary records to substantiate how you determined the cost of fuel including electricity used to charge and run the PHEV.

## Reportable fringe benefits

Although the private use of an eligible electric car, including the associated expenses, is exempt from FBT, it is still a [reportable fringe benefit](#) ([/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/fbt-registration-lodgment-payment-and-reporting/reportable-fringe-benefits](#)).

This means, you will need to work out:

- the [notional taxable value](#) ([/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/types-of-fringe-benefits/fbt-on-cars-other-vehicles-parking-and-tolls/cars-and-fbt/taxable-value-of-a-car-fringe-benefit](#)) of the benefits associated with the private use of the exempt electric car
- whether the [benefit amount](#) ([/businesses-and-organisations/hiring-and-paying-your-workers/fringe-benefits-tax/fbt-registration-lodgment-payment-and-reporting/reportable-fringe-benefits#ato-Step2Workoutifyouneedtoreport](#)) needs to be reported.

## Electric vehicles and fringe benefits tax fact sheet

For more information on the electric cars exemption, see our [Electric vehicles and fringe benefits tax fact sheet](#) (<https://www.ato.gov.au/law/view/document?DocID=AFS/EV-FBT/00001&PiT=99991231235958>).

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