

It's electrifying



Insignia<sup>TM</sup>  
Financial

A decorative graphic on the left side of the slide features a grid of small circles. The circles are arranged in a pattern that resembles a stylized, abstract shape, possibly a car or a building, with some circles highlighted in orange and others in a light beige color. The background of the grid is dark grey.

# It's electrifying

## Understanding the electric car discount

Presentation date  
16<sup>th</sup> May 2023

Presented by  
Troy Smith  
National Manager Technical Services

# General advice warning

## Important information:

- This communication is prepared by Actuate Alliance Services Pty (ABN 40 083 233 925, AFSL 240959), a related entity of MLC Wealth Limited (ABN 97 071 514 264).
- This is for financial adviser use only – it is not to be distributed to clients.
- The communication has been prepared to provide financial advisers with technical resources, support and knowledge.
- The information in this document is current as at 16th May 2023 and reflects our understanding of existing legislation, proposed legislation, rulings etc as at the date of issue, and may subject to change. In some cases, the information has been provided to us by third parties.
- Whilst care has been taken in preparing this document, no liability is accepted for any errors or omissions in this document, and loss or liability arising from any reliance on this document.
- Any general tax information provided in this publication is intended as a guide only and is based on our general understanding of taxation laws. It is not intended to be a substitute for specialised taxation advice or an assessment of your liabilities, obligations or claim entitlements that arise, or could arise, under taxation law, and we therefore recommend your client consult with a registered tax agent.

# Contents



<b>Electric car discount</b>	<b>1</b>
<b>Salary Packaging</b>	<b>2</b>
<b>Where to from here?</b>	<b>3</b>

# Electric car discount

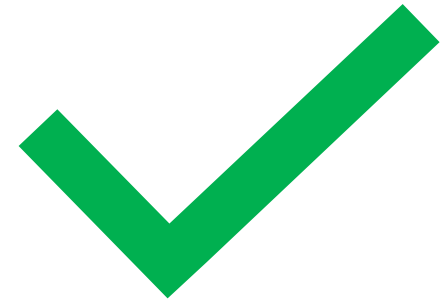
To incentivise the uptake of Electric Cars, the Government has amended tax laws to exempt qualifying electric cars from Fringe Benefits Tax (FBT) from 1st July 2022. Removing FBT on electric vehicles can increase the tax effectiveness of salary packaging these vehicles.



# Electric car discount

## To be eligible, that car must be:

- A zero or low emissions vehicle;
- Valued below the luxury car tax threshold for fuel efficient vehicles (\$84,916 in 2022/23) at first retail sale;
- Used by a current employee or their associate (such as family members);
- First held and used on or after 1 July 2022.



# Electric car discount

## The discount does not apply on:

- Other types of electric vehicles are excluded
- Hybrids that don't plug in (non-PHEV)
- Exemption only applies to 'cars'
- Electric cars that have a luxury car tax value over \$84,916 in 2022-23 (current indexed threshold)



# Electric car discount

## Zero or low emissions vehicle:

- Battery electric vehicles;
- Plug-in hybrid electric vehicles (purchased before 1st April 2025)
- Hydrogen fuel cell electric vehicles;





# Electric car discount

## Cars that don't qualify as a Zero or low emissions vehicle:

- Internal Combustion Engine (ICE)
- Hybrid electric cars (without plug-in capability)



# Question 1

**Which of these vehicles qualify under the electric car discount?**

- a. A Volvo EV Truck (Electric/Battery powered)
- b. A Tesla with a cost of \$98,000
- c. A Toyota Corolla Hybrid (Non-PHEV)
- d. All of the above
- e. None of the above

# Question 1

**Which of these vehicles qualify under the electric car discount?**

- a. A Volvo EV Truck (Electric/Battery powered)
- b. A Tesla with a cost of \$98,000
- c. A Toyota Corolla Hybrid (Non-PHEV)
- d. All of the above
- e. **None of the above**

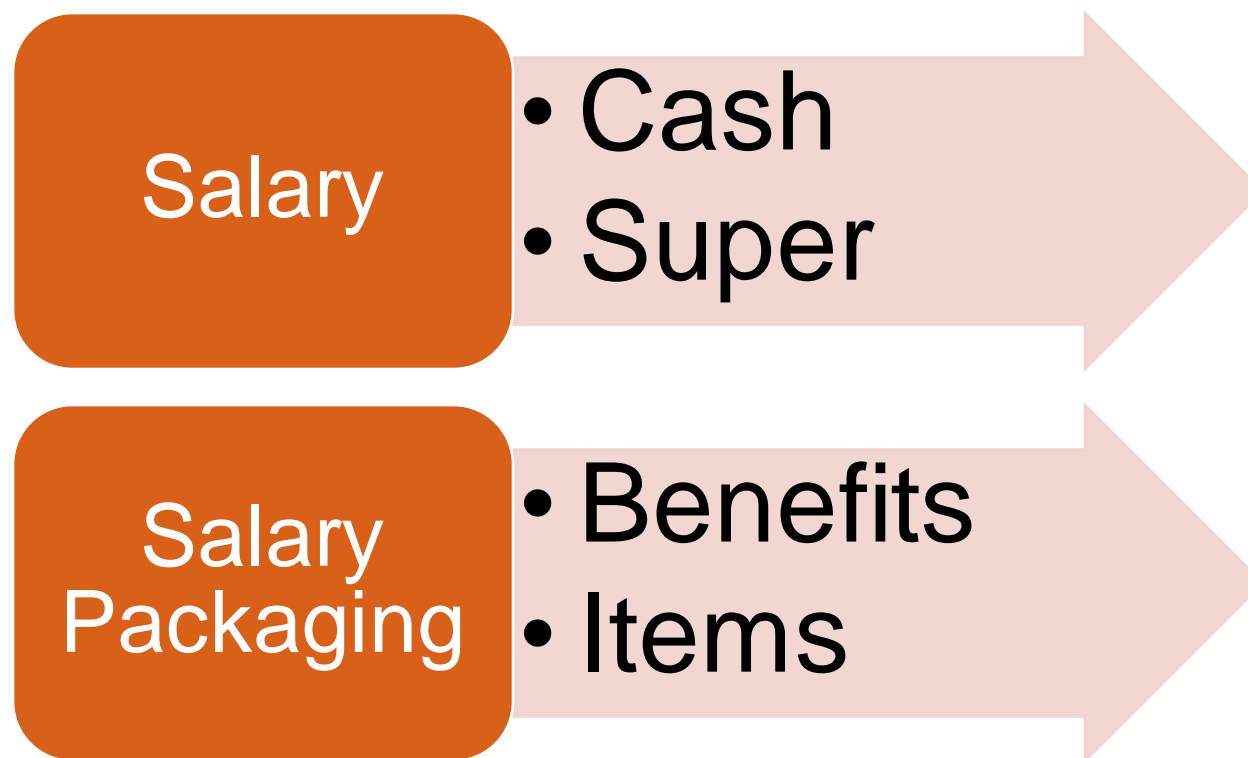


# Salary Packaging

# Salary Packaging

## What is salary packaging?

An arrangement between an employer and employee for the employer to provide certain benefits to the employee or associate of the employee in lieu of cash salary.



# Salary Packaging

## Items to salary package

- Income protection, professional memberships, airport lounge membership, laptops, qualifying self education expenses
- Items with 'capping threshold'
  - Capping threshold of \$17,000 (Non grossed up \$9,010 / \$8,172)
  - Capping threshold of \$30,000 (Non grossed up \$15,900 / \$14,422)
  - Meal entertainment cap of \$5,000 (Non grossed up \$2,649)
- Car Benefit
  - A car fringe benefit commonly arises where an employer makes a car (owned or leased) available for the private use of an employee.
    - For example, a Novated lease agreement

## Question 2

Mitch has decided to salary package a new iPad (for work), airport lounge membership and the salary packaging fee. Calculate the FBT applicable:

iPad	\$1,500
Qantas club membership	\$ 700
Salary Packaging fee	\$ 300
<b>Total</b>	<b>\$2,500</b>

- a. Nil
- b. \$141 (47% x \$300)
- c. \$470 (47% x \$1,000)
- d. \$1,125 (45% x \$2,500)
- e. \$1,175 (47% x \$2,500)

## Question 2

Mitch has decided to salary package a new iPad (for work), airport lounge membership and the salary packaging fee. Calculate the FBT applicable:

iPad	\$1,500
Qantas club membership	\$ 700
Salary Packaging fee	\$ 300
<b>Total</b>	<b>\$2,500</b>

- a. **Nil**
- b. \$141 (47% x \$300)
- c. \$470 (47% x \$1,000)
- d. \$1,125 (45% x \$2,500)
- e. \$1,175 (47% x \$2,500)



# Salary Packaging

## Salary Packaging a car benefit

- Novated lease agreement
  - A tripartite agreement (3 way) between an employer, an employee and a finance company
    - Statutory Cost Method
    - Operating Cost method
- Car expenses that are exempt from FBT:
  - Registration
  - Insurance
  - Fuel (including electricity to charge and run electric cars)
  - Repairs or maintenance

# Salary Packaging

## Salary Packaging and advice

- Avoiding discussing the lease
  - Could be considered credit advice
- Other advice areas, which could be considered credit advice
  - Investment Property
  - Personal loan / Credit Card

## Salary Packaging and Tax advice

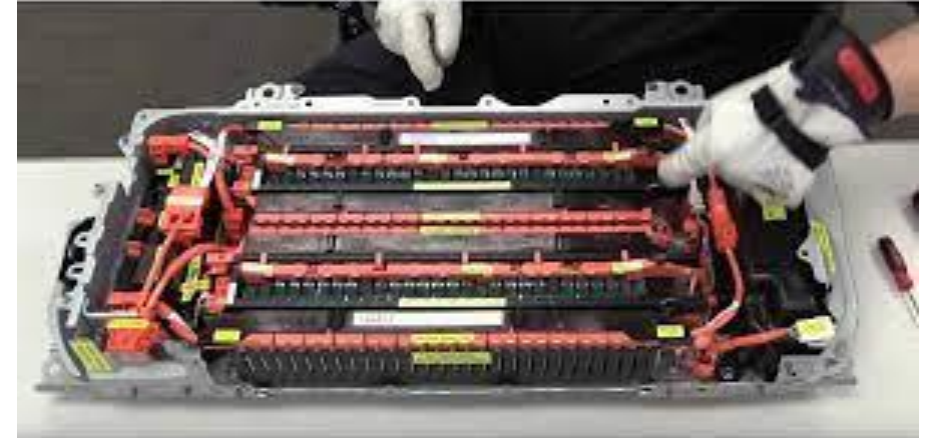
- Authorised as QTRP?
- Discuss the implications of a salary package agreement
  - Tax Implications (ITAA1997)
  - FBT Implications (FBTAA 1986)



# Salary Packaging

## Salary packaging electric vehicles: Replacement batteries

- Repair (FBT exempt)
  - Adds only minor and incidental improvement
- Improvement (FBT applies)
  - Significantly more power and energy storage and a longer lifecycle



# Salary Packaging

## Salary packaging electric vehicles: Items that are not car expenses

- Global positioning system subscription
- Car Parking
- Purchase of an electric vehicle charging station (such as an at home charging station)
- Electric charging cord (generally not a car expense)



# Salary Packaging

## Calculating Fringe Benefits Tax (Statutory Method)

- How to calculate FBT ... for non qualifying cars!
- To calculate the taxable value, the car value (assumed \$70,000) is applied to the follow formula:

$$= \text{Car Value} \times 20\% \times \text{number of days of private use} / \text{FBT days in year}$$

$$= \$70,000 \times 20\% \times 356 / 365$$

$$= \$14,000$$

- To calculate the FBT payable, the total taxable value of fringe benefits is multiplied by the lower gross up rate as follows:

$$= \text{Taxable value} \times 2.0802 \times 47\%$$

$$= \$14,000 \times 2.0802 \times 47\%$$

$$= \$13,687$$

# Salary Packaging

## Reportable Fringe Benefits

- If the total taxable value of fringe benefits provided for an employee exceeds \$2,000 in an FBT year (1 April to 31 March), the grossed up taxable value must be reported on the employee's payment summary for the corresponding year (1 July to 30 June).
  - . Government co-contribution
  - . Medicare levy surcharge
  - . Spouse contributions tax offset
  - . Commonwealth Seniors Health Card\*
  - . Low income superannuation tax offset
  - . Senior Australian and pensioners tax offset
  - . Family Tax Benefit, Child Care Benefit, Youth Allowance (parental income test).
  - . Child support obligations
  - . Higher Education Loan Programme (HELP) and related repayments.
  - . Carer Allowance
  - . Dad & Partner Pay & Paid Parental Leave

# Salary Packaging

## Reportable Fringe Benefits

- To calculate the reportable fringe benefits amount, the total taxable value of fringe benefits is multiplied by the lower gross up rate as follows:
  - Total taxable value of fringe benefits  $\times$  1.8868





# Salary Packaging

## Reportable Fringe Benefits

- To calculate the taxable value of the car benefit, you must use either:
  - Statutory Formula (based on the car's cost price)
  - Operating cost method (based on the costs of operating the car)
- *Raj is allowed to use an electric vehicle for private purposes throughout the FBT year ending 31 March 2024. The use of the car meets the requirements of the FBT electric vehicle exemption, therefore Raj's employer will not pay FBT on the car benefit. However, for reportable fringe benefits amount purposes, Raj's employer works out (using the statutory formula method) that the value of the car benefits received is \$10,000. This is grossed-up using the type 1 gross-up rate to \$18,868 and reported through Single Touch Payroll. Raj reports a taxable income of \$160,000 in his 2023-24 tax return. He also includes a reportable fringe benefits total, at the appropriate label, of \$18,868.*

**Source: ATO FactSheet (Electric Vehicle and fringe benefits tax)**



# Question 3

**In the previous example, Raj has a car benefit of \$10,000 and grossed up reportable fringe benefits of \$18,868.**

**He is a single dad with one child (14 years of age) and has employment income of \$100,000.**

**What is the impact upon his receipt of Family Tax Benefit Part A & B?**

- a. No impact
- b. FTB Part A will be lost and Part B will be retained
- c. FTB Part A will be retained and Part B will be lost
- d. Both payments will be lost
- e. It is too difficult to calculate!

## Question 3

In the previous example, Raj has a car benefit of \$10,000 and grossed up reportable fringe benefits of \$18,868.

He is a single dad with one child (14 years of age) and has employment income of \$100,000.

What is the impact upon his receipt of Family Tax Benefit Part A & B?

- a. No impact
- b. FTB Part A will be lost and Part B will be retained
- c. FTB Part A will be retained and Part B will be lost
- d. Both payments will be lost**
- e. It is too difficult to calculate!

# Salary Packaging



Time to crunch some numbers



# Meet Xavi



## Eligibility

- Qualifying electric car
- Leased 1<sup>st</sup> July 2022
- Taxable value of car \$70,000



## Lease details

- Lease term of 5 Years
- 28.13% residual
- 7% Interest rate
- \$1,460 monthly cost
- Fully maintained lease

# Analysis



## Details

- Car cost \$70,000
- Annual cost \$17,520
- Statutory method applied
- 47% MTR
- Statutory method applied
- Monthly lease \$1,460
- 5 year term
- 28.13% residual
- 7% interest rate

Salary Packaging Novated Lease (47% MTR)		
	Non qualifying car	Qualifying electric car
<b>Annual lease (pre tax deduction)</b>	\$17,520	\$17,520
<b>Fringe Benefit Tax (pre tax deduction)*</b>	\$13,687	\$0
Total (pre-tax)	\$31,207	\$17,520
<b>Cost (Post tax dollars)</b>	<b>\$16,539</b> <b>(\$31,207 less 47% Tax)</b>	<b>\$9,286</b> <b>\$17,520 less 47% tax)</b>

\*Includes \$13,687 FBT (\$14,000 x 2.0802 x 47%)

# Analysis



## Details

- Car cost \$70,000
- Annual cost \$17,520
- Statutory method applied
- 39% MTR
- Statutory method applied
- Monthly lease \$1,460
- 5 year term
- 28.13% residual
- 7% interest rate

Salary Packaging Novated Lease (39% MTR)		
	Non qualifying car	Qualifying electric car
<b>Annual lease (pre tax deduction)</b>	\$17,520	\$17,520
<b>Fringe Benefit Tax (pre tax deduction)*</b>	\$13,687	\$0
Total (pre-tax)	\$31,207	\$17,520
<b>Cost (Post tax dollars)</b>	<b>\$19,036</b> <b>(\$31,207 less 39% Tax)</b>	<b>\$10,687</b> <b>\$17,520 less 39% tax)</b>

\*Includes \$13,687 FBT (\$14,000 x 2.0802 x 47%)

# Analysis



## Details

- Car cost \$70,000
- Annual cost \$25,800
- Statutory method applied
- 39% MTR
- Annual cost \$25,800
- Statutory method applied
- Monthly lease \$2,150
- 3 year term
- 46.88% residual
- 7% interest rate

Salary Packaging Novated Lease (39% MTR)		
	Non qualifying car	Qualifying Electric Car
<b>Annual lease (pre tax deduction)</b>	\$25,800	\$25,800
<b>Fringe Benefit Tax (pre tax deduction)*</b>	\$13,687	\$0
Total (pre-tax)	\$39,487	\$25,800
<b>Cost (Post tax dollars)</b>	<b>\$24,087</b> <b>(\$39,487 less 39% Tax)</b>	<b>\$15,738</b> <b>\$25,800 less 39% tax)</b>

\*Includes \$13,687 FBT (\$14,000 x 2.0802 x 47%)

## Question 4

Toni has decided that she will salary package an entry level battery powered vehicle. The cost of the car is \$45,000. The lease cost is \$1,400 per month (\$16,800 per annum), which commences on 1<sup>st</sup> July 2024.

What is the amount of her monthly pre tax salary deduction?

- a. \$1,400
- b. \$2,058 (\$1,400 + 47%)
- c. \$2,114 (\$1,400 + (Monthly 20% Statutory fraction of \$741))
- d. \$2,114 (\$1,400 + (Monthly 20% Statutory fraction of \$741 less employee contribution))



# Question 4

Toni has decided that she will salary package an entry level battery powered vehicle. The cost of the car is \$45,000. The lease cost is \$1,400 per month (\$16,800 per annum), which commences on 1<sup>st</sup> July 2024.

What is the amount of her monthly pre tax salary deduction?

- a. **\$1,400**
- b. \$2,058 (\$1,400 + 47%)
- c. \$2,114 (\$1,400 + (Monthly 20% Statutory fraction of \$741))
- d. \$2,114 (\$1,400 + (Monthly 20% Statutory fraction of \$741 less employee contribution))



**Where to from here?**

# Where to from here?

## Electric car discount checklist

- Check with your professional standards team
- Obtain lease information
  - Verify calculations. Consider impact on cashflow
  - However, exercise caution. Providing advice on lease may be considered credit advice
- Determine if FBT applies
  - Check eligibility for electric car discount
  - Determine if FBT exemption applies
- Calculate reportable fringe benefits amount
- Consider impact of reportable fringe benefits on income
- Consider if there is a cost to salary package
- Consider other items that can be packaged



**Thank you**

# Contact details



**Phone Number:**  
1800 645 597



**Email:**  
[techconnect@insigniafinancial.com.au](mailto:techconnect@insigniafinancial.com.au)