EXPOSURE DRAFT

Inserts for

Treasury Laws Amendment Bill 2026: Phased changes to the FBT electric car exemption

Contents

Schedule #—Phased changes to the FBT electric car exemption 2

Part 1—Termination of exemption for zero and low emissions vehicles 2

Fringe Benefits Tax Assessment Act 1986 2

Part 2—Reduced reduction for benefits provided on or after 1 April 2029 7

Fringe Benefits Tax Assessment Act 1986 7

Commencement information

Column 1	Column 2	Column 3
Provisions	**Commencement**	**Date/Details**
1. Schedule #, Part 1	The later of: (a) 1 April 2027; and (b) the first 1 January, 1 April, 1 July or 1 October to occur after the day this Act receives the Royal Assent.	
2. Schedule #, Part 2	1 April 2029	

Schedule #—Phased changes to the FBT electric car exemption

Part 1—Termination of exemption for zero and low emissions vehicles

Fringe Benefits Tax Assessment Act 1986

1 Section 8A

Repeal the section.

2 Subsection 9(1) (formula)

Repeal the formula, substitute:

$$\left(\text{Statutory fraction} \times \text{Base value of the car} \times \frac{\text{Number of days during that year of tax on which the car fringe benefits were provided by the provider}}{\text{Number of days in that year of tax}} \right) - \text{Amount (if any) of the recipient's payment}$$

3 After subsection 9(1)

Insert:

(1A) If the amount calculated under subsection (1) is less than nil, the amount is taken to be nil.

4 Before paragraph 9(2)(a)

Insert:

(aa) the statutory fraction is 0.2; and

5 After section 9

Insert:

9A Phased reduction of taxable value of car fringe benefits—zero or low emissions vehicles

(1) Subsection (4) applies to reduce the statutory fraction in paragraph 9(2)(aa) in relation to the taxable value of one or more car fringe benefits in relation to an employer in relation to a year of tax that relate to a particular car held by a particular person if one or more of those benefits is covered by subsection (2).

Phased benefits

(2) This subsection covers a benefit (a ***phased benefit***) if:

(a) the car is a zero or low emissions vehicle when the benefit is provided; and

(b) the benefit is provided in respect of the employment of a current employee; and

(c) the base value of the car determined under paragraph 9(2)(a) at the earliest holding time is not more than the fuel-efficient car limit (within the meaning of the *A New Tax System (Luxury Car Tax) Act 1999*) for the financial year in which the earliest holding time occurs.

Percentage reduction applicable to a phased benefit

(3) The percentage applicable to a phased benefit is:

(a) if the base value mentioned in paragraph (2)(c) is not more than $75,000—100%; or

(b) otherwise—25%.

Reduction of statutory fraction

(4) Reduce the statutory fraction by:

(a) if all of the car fringe benefits mentioned in subsection (1) are phased benefits and the same percentage is applicable under subsection (3) to all of them—that percentage; or

(b) otherwise—the average reduction percentage worked out under subsection (5), rounded to the nearest 0.001 percentage point, rounding up if the fourth decimal place is 5 or more.

Note: For example, reducing the statutory fraction of 0.2 by 25% results in a statutory fraction of 0.15.

Average reduction percentage

(5) Work out the percentage (the ***average reduction percentage***) using the formula:

$$\frac{\text{sum of reduction percentages}}{\text{number of days}}$$

where:

number of days means the number of days during that year of tax on which the car fringe benefits mentioned in subsection (1) were provided.

sum of reduction percentages means the sum of the percentage applicable under subsection (3) to the phased benefit provided on each day in the year of tax on which a phased benefit was provided.

Definitions

(6) In this section:

battery electric vehicle means a motor vehicle that:

(a) uses only an electric motor for propulsion; and

(b) is fitted with neither a fuel cell nor an internal combustion engine.

hydrogen fuel cell electric vehicle means a motor vehicle that:

(a) uses an electric motor for propulsion; and

(b) is equipped with a fuel cell for converting hydrogen to electricity; and

(c) is not fitted with an internal combustion engine.

zero or low emissions vehicle means:

(a) a battery electric vehicle; or

(b) a hydrogen fuel cell electric vehicle.

6 Subsection 53(1)

Omit "or section 8A".

7 Subsection 135P(3)

Repeal the subsection, substitute:

Concessional fractions for zero or low emissions vehicle benefits are disregarded

(3) In working out the employee's individual fringe benefits amount for the purposes of this section, disregard section 9A (Phased reduction of taxable value of car fringe benefits—zero or low emissions vehicles).

8 Paragraph 135Q(1)(c)

Omit "and section 8A".

9 Subsection 135Q(1) (note)

Omit "Section 8A exempts car benefits for zero or low emissions vehicles.".

10 Subsection 136(1)

Repeal the following definitions:

(a) definition of ***battery electric vehicle***;

(b) definition of ***hydrogen fuel cell electric vehicle***;

(c) definition of ***zero or low emissions vehicle***.

11 Application

(1) The amendments made by this Part apply to benefits provided on or after 1 April 2027.

(2) Despite subitem (1), the amendments do not apply to a car benefit, in relation to an employer in relation to a year of tax, that relates to a car, if:

(a) any car benefit, in relation to the employer in relation to the year of tax in respect of employment of an employee by the employer, that relates to the car is constituted by the application or availability of the car for a period; and

(b) the last time at which the employer, the employee, or an associate of the employer or of the employee committed to the application or availability of the car for that period, in respect of the employment, occurred before 1 April 2027.

Note: The effect of this subitem is that the amendments do not apply until the first year of tax starting after the employer, employee or associate first commits, on or after 1 April 2027, to the application or availability of the car.

(3) If, under subitem (2), the amendments do not apply to a car benefit, the amendments also do not apply in relation to any of the following benefits to the extent that the benefit is attributable to a period when that car benefit was provided:

(a) a car expense payment benefit in respect of the car;

(b) a car property benefit in respect of the car;

(c) a car residual benefit in respect of the car.

Part 2—Reduced reduction for benefits provided on or after 1 April 2029

Fringe Benefits Tax Assessment Act 1986

12 Subsection 9A(3)

Repeal the subsection, substitute:

(3) The percentage applicable to a phased benefit is 25%.

13 Application

(1) The amendment made by this Part applies in relation to benefits provided on or after 1 April 2029.

(2) Despite subitem (1), the amendment does not apply to a car fringe benefit, in relation to an employer in relation to a year of tax, that relates to a car, if:

(a) any car fringe benefit, in relation to the employer in relation to the year of tax in respect of employment of an employee by the employer, that relates to the car is constituted by the application or availability of the car for a period; and

(b) the last time at which the employer, the employee, or an associate of the employer or of the employee committed to the application or availability of the car for that period, in respect of the employment, occurred before 1 April 2029.

Note: The effect of this subitem is that the amendment does not apply until the first year of tax starting after the employer, employee or associate first commits, on or after 1 April 2029, to the application or availability of the car.