Australian Council of Social Service

Sustainable fringe benefits tax treatment of electric cars

Submission to Treasury consultation

28 September 2026

About ACOSS

The Australian Council of Social Service (ACOSS) is a national voice in support of people affected by poverty, disadvantage and inequality and the peak body for the community services and civil society sector.

ACOSS consists of a network of approximately 4000 organisations and individuals across Australia in metro, regional and remote areas.

Our vision is an end to poverty in all its forms; economies that are fair, sustainable and resilient; and communities that are just, peaceful and inclusive.

Summary

ACOSS welcomes the opportunity to make a submission to the consultation on Exposure Draft Treasury Laws Amendments Bill 2026: Phased Changes to the FBT electric car exemption.

Fringe Benefits Tax concessions for company cars are a poorly targeted and wasteful tax expenditure and ACOSS has recommended their removal for many years now. ACOSS supports measures to accelerate emissions reductions, however, ACOSS did not support the government's decision in the October 2022 Budget to remove FBT from salary-sacrificed EVs as this was an inequitable and inefficient way to encourage their purchase. This view is supported by independent academic research and a recent Productivity Commission review of the concession.

While we welcome the 2026 Budget decision to replace the FBT exemption with a less costly concession, this concession is still not justified in view of the inequitable uptake of EVs within Australia and the faster than expected take-up of new EVs in 2026 in response to the availability of less expensive models and the war-related fuel crisis.

Research suggests that to accelerate and stimulate additional EV take-up and better support those bearing the burden of the cost of living crisis, the Government

© ACOSS 2020, Locked Bag 4777 Strawberry Hills NSW 2012
Ph (02) 9310 6200 E: info@acoss.org.au
www.acoss.org.au

should invest in more equitable mechanisms to support access to EVs and low-emissions cars and charging infrastructure. ACOSS makes the following recommendations:

Recommendation 1

The statutory formula for calculating motor vehicle fringe benefits, including EVs, should be tightened to remove the tax benefit from salary packaging of cars, with appropriate exclusions for tax concessions for charitable organisations in the public interest.

Budget impact: $2.6 billion in 2027-28

A fairer, effective and more cost-effective approach to encourage take-up of EVs, is to target public support to people on low and modest incomes and community organisations. Academic research suggests that a household in the lowest quintile could achieve savings of up to 7% of total household income by 2030 through switching to an EV.

Recommendation 2

Replace the FBT incentive with more equitable mechanisms to support access to EVs and low-emissions cars and charging infrastructure, including by:

(i) Working with state and territory governments and local councils to match the Commonwealth's target of 75% of new purchased and leased vehicles in the Commonwealth fleet to be EVs by 2025.

(ii) Providing financial incentives to the community services sector to purchase EVs.

(iii) Providing access to no-interest loans and targeted means-tested subsidies on new and second-hand cars and charging infrastructure.

(iv) Establishing a First Nations electric vehicles program to support shifting to Electric Vehicles (EVs) and required community charging infrastructure.

Discussion

Remove Fringe Benefits Tax (FBT) concessions for company cars

To remove a poorly targeted and wasteful tax expenditure, ACOSS has for many years now recommended that the formula for calculating the value of motor vehicle fringe benefits for FBT purposes should be tightened to remove concessional tax treatment for 'company cars'. This was announced, but not implemented, in the 2013 Economic Statement.

ACOSS did not support the government's decision in the October 2022 Budget to remove FBT from salary-sacrificed EVs as this was an inequitable and inefficient way to encourage their purchase.

Research from Griffith University in 2024 shows the FBT exemption on EVs disproportionately benefits those who can already afford to buy one at the expense of the wider public.[1] Analysis of a report by the Electric Vehicle Council in 2025 showed that 48.2 per cent of people who had taken out a novated lease on an EV had an income above $150,000 (the highest 8.5% of workers).[2] Recent academic research released in 2026 exploring EV uptake in NSW by postcode and other socioeconomic data points, finds a concentration of EV uptake in high-income areas.[3]

Researchers at NATSEM modelled what it would take to stimulate electric vehicle (EV) uptake, using policies in the Australian Capital Territory (ACT) as a basis for their modelling. They found that high-income households are far more likely to replace their cars within five years and far more likely to switch to electric even without incentives – and that for them, the incentives didn't make much difference. They concluded that policies that increase the electric vehicle take-up in lower-income households, including access to affordable cars, targeted subsidies and no-interest loans, are likely to have the greatest effect, and also likely to benefit these households by freeing them from the need to pay for fuel. [4]

---

[1] EV tax break suits top tax brackets, leaving the rest in the dust - Griffith News

[2] Electric vehicle FBT: Cost of Labor's EV policy blows out, benefits wealthy

[3] Masters, L.J., et al (2026) Who's Plugging in? Exploring Socio-Economic and Demographic Patters of Early EV adopters in Australia , Sustainability 2026, 18(8), https://doi.org/10.3390/su18083744

[4] https://theconversation.com/what-would-it-take-to-get-australians-to-buy-electric-cars-canberra-provides-a-guide-178778

Since that research was undertaken, take up of new EVs has dramatically increased in response to lower prices and fuel price increases arising from war in the Middle East.[5]

The Productivity Commission's statutory review of the FBT exemption for electric vehicles (EVs) found that the concession is an inequitable and inefficient way to reduce transport-related carbon emissions.[6]

It estimated that the exemption likely costs taxpayers between about $1,000 and $20,000 per tonne of avoided CO2-e, greatly exceeding the cost of other ways of reducing emissions, and recommended that the exemption should be phased out. The Commission found that the FBT exemption only rewarded the purchase of EVs by people who can access salary packaging or novated leases, especially expensive cars (up to the exemption's threshold of around $90,000).

The exemption cost the Budget far more than originally estimated, rising to a projected $1.35 billion in 2025-26.

We welcome the 2026 Budget decision to phase out the FBT exemption for EVs and replace it with a less costly concession but consider that support targeting people with lower incomes and community organisations is likely to be a more cost-effective way to accelerate the take-up of EVs.

Recommendation 2

The statutory formula for calculating motor vehicle fringe benefits, including EVs, should be tightened to remove the tax benefit from salary packaging of cars, with appropriate exclusions for tax concessions for charitable organisations in the public interest.

Budget impact: $2.6 billion in 2027-28

Accelerate access to affordable EVs for people on low incomes

People experiencing disadvantage face significant transport inequality. They are less likely to live close to public transport and community hubs and are often time-poor and reliant on private transport. The current fuel crisis is exacerbating this inequality. For these reasons, people on low incomes could greatly benefit from access to low-emission and EVs, which have significantly lower running costs. Some international modelling has shown that a household in the lowest quintile could achieve savings of up to 7% of total household

[5] Federal chamber of automotive industries (2026), *EV sales remain strong.*

[6] Productivity Commission (2026), *Review of the electric car discount*.

income by 2030 through switching to EVs, if the barriers to access could be addressed.[7]

Researchers cited above on the take-up of EVs in New South Wales conclude that:

''All these insights suggest that income-based subsidies and incentives could help bridge the adoption gap for lower-income populations, supporting targeted policy interventions such as income-tested incentives or subsidies.''[8]

The introduction of fuel efficiency standards will benefit people on low incomes in the long-term but complementary measures are needed to boost access in the short-term. Existing electric vehicle incentives are regressive and should be replaced with measures to quickly increase the supply of second-hand EVs. We welcomed the Clean Energy Finance Corporation (CEFC) funding to the Commonwealth Bank to provide lower interest loans to people earning less than $100,000 to purchase new or second-hand EVs and install charging infrastructure announced in 2024 but significantly more is needed to help low-income households to access EVs. [9]

Germany is in the process of implementing a $3 billion fund targeted to low- and middle-income households including subsidies and a social leasing program.[10] France,[11] Italy and Sweden[12] have also recently introduced similar programs targeted at low- and middle-income households.

To accelerate uptake of EVs and relieve cost of living pressures for those who are bearing the brunt, the Government should scrap the FBT subsidy altogether and instead invest in helping people on low- to middle incomes access electric vehicles and other forms of accessible and clean transportation.

Recommendation 2

Replace the FBT incentive with more equitable mechanisms to support access to EVs and low-emissions cars and charging infrastructure, including by:

---

[7] Bauer, G., Hsu, C. W., & Lutsey, N. (2021), '*When might lower-income drivers benefit from electric vehicles?* Quantifying the economic equity implications of electric vehicle adoption.' *Work. Pap*, *6*, 1-21.

[8] Masters L (2026), op cit

[9] CEFC (2024), *CEFC and CBA cut cost of EVs for essential workers and Australians on lower incomes*. Media release, 19 December 2024.

[10] Germany plans targeted EV subsidies for low-and middle-income households | European Alternative Fuels Observatory

[11] Incentives and Legislation | European Alternative Fuels Observatory

[12] Which European country offers the most government subsidies to buy EVs? | Euronews

(i) Working with state and territory governments and local councils to match the Commonwealth's target of 75% of new purchased and leased vehicles in the Commonwealth fleet to be EVs by 2025.

(ii) Providing financial incentives to the community services sector to purchase EVs.

(iii) Providing access to no-interest loans and targeted means-tested subsidies on new and second-hand cars and charging infrastructure.

(iv) Establishing a First Nations electric vehicles program to support shifting to Electric Vehicles (EVs) and required community charging infrastructure.

Contact

Dr Peter Davidson peter@acoss.org.au
Kellie Caught kellie@acoss.org.au