

# Making electric dreams a reality for your people

A guide to the electric car discount for employers

# What is the Federal Government's electric vehicle (EV) discount?

The EV discount might seem complicated, but it's really about improving electric car affordability for Australian employees and supporting greener choices.

## The EV discount is a chance to help your people get into electric cars in a cost-effective way

- 1** When an employee has a novated lease on a new or used car, they're paying for it through a regular deduction from their pre-tax salary.
- 2** What's new is a novated lease on an eligible electric car is now fringe benefits tax (FBT) exempt.
- 3** This results in employees potentially saving thousands of dollars more over the life of their novated lease on an eligible electric car, compared to a petrol car.



A fringe benefit is treated as a 'payment' to an employee, but in a different form to wages. As the value of these benefits can be significant, the purpose of the fringe benefits tax (FBT) is to treat these benefits as if they were income.

The electric car's driveaway price is over \$20,000 more than the petrol car, but with a novated lease employees could pay a similar price per week.<sup>^</sup>

One is electric

**\$63,992**

Vehicle driveaway price



**Tesla 3**

**\$244**

Net cost per week<sup>^</sup>

One is petrol

**\$40,548**

Vehicle driveaway price



**Mazda CX5**

**\$242**

Net cost per week<sup>^</sup>

Both based on an annual \$90,000 salary, an annual distance travelled of 15,000kms and a 5-year lease term.<sup>^</sup>

<sup>^</sup> [Click here for disclaimer](#)

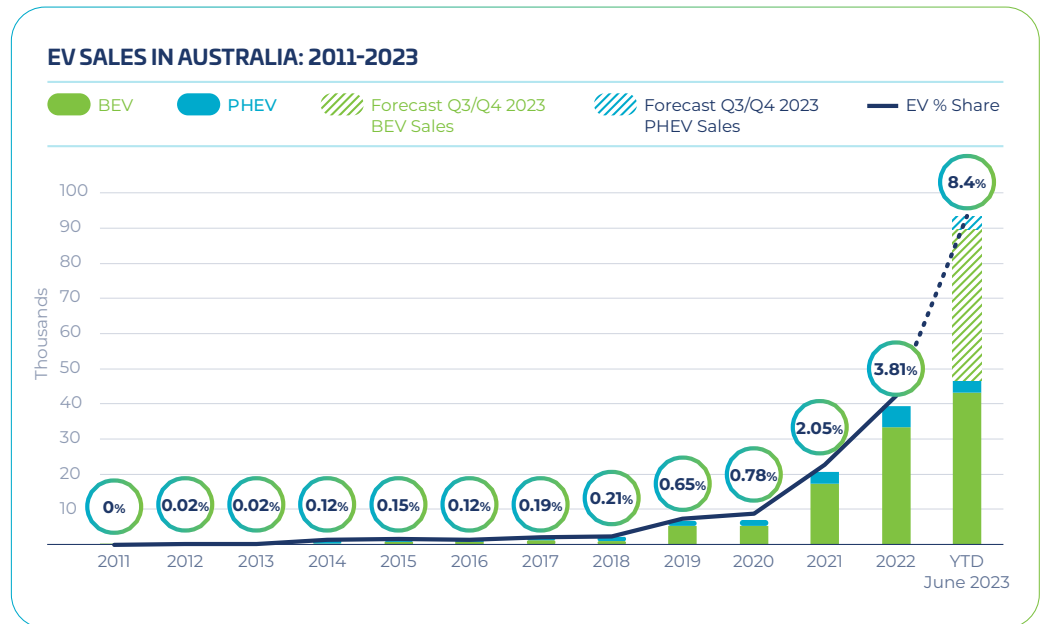
# Why are HR paying attention to the electric vehicle (EV) discount?

Electric cars represent the future. EV popularity is on the rise in Australia, with interest in electric car novated leases growing by 20% since July 2022.

By tapping into this trend, the EV discount presents employers with an opportunity to stand out in a competitive market:

- 1 Improve employee financial wellbeing**  
Help your workforce with potential tax savings.
- 2 Enhance your EVP**  
Offer greener benefits that resonate with today's workforce.
- 3 Sustainability goals**  
Have a positive impact on your organisation's ESG initiatives.

## One in six new cars sold today is electric or hybrid.<sup>1</sup>



Source: Electric Vehicle Council, State of Electric Vehicles, July 2023

**69%**

of employees surveyed said they would look at a company's record on the environment before deciding whether or not to take a job.<sup>2</sup>

1. Australian Financial Review, One in six new vehicles sold now electric or hybrid, September 2023

2. HRD, Australian jobseekers want to know how green your business really is, October 2022

# Eligibility criteria for the electric vehicle (EV) discount

## Price

The EV discount FBT exemption applies to electric cars with a retail price under the luxury car tax (LCT) threshold which is adjusted annually by the ATO.

The LCT threshold is \$91,387 as at FY24-25.<sup>3</sup>

## Type

The car type is a zero or low emission vehicle including BEVs and PHEVs.<sup>4</sup>

## Timing

The EV discount was introduced in Australia on 1 July 2022 and can apply to novated leases entered into on or after this date.

## Making sense of BEV, PHEV and hybrid

### BEV

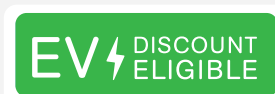
Battery electric vehicles (BEVs) are solely electric - you plug them into a charger, and they use only available battery power to drive.

### PHEV

Plug-in hybrid vehicles (PHEVs) have petrol motor and electric motor components - once the available battery power is used up, they switch to the petrol motor.

### Hybrid

Hybrid cars have a small battery and recharge from regenerative braking. They cannot be plugged in and charged.



**Battery  
Electric Vehicles**

**BEVs**

Fuelled by: Electricity



**Plug-in Hybrid  
Electric Vehicles**

**PHEVs**

Fuelled by: Petrol/Electricity

**NOT ELIGIBLE  
FOR EV DISCOUNT**

**Hybrid  
Electric Vehicles**

**Hybrids**

Fuelled by: Petrol

3. Australian Taxation Office, Luxury car tax rate and thresholds

4. From 1 April 2025, a plug-in hybrid electric vehicle will not be considered a zero or low emissions vehicle under FBT law.

# Case study: The electric vehicle (EV) discount in action

## A more affordable choice

Novated lease payments for electric cars don't just cover on-road costs such as purchase price, insurance and registration. They can also include other car running costs like electricity, tyres and servicing.



Servicing



Finance



Tyres



Insurance



Registration



Electricity

## How much employees could save

A novated lease on a Tesla 3 electric car could add up to thousands of dollars of savings.



For example, someone that earns **\$90,000 per annum** is thinking about getting a **Telsa 3 electric car**. With a **5-year novated lease**, they **could save over \$43,000** more compared to a car loan.<sup>^</sup>



Displayed price is only available through a novated lease administered by RemServ. Estimated costs have been determined based on the following assumptions: 1) The example assumes that the car is an eligible zero or low emissions vehicle 2) The lease is a RemServ fully maintained lease, 3) a 5-year lease term, 4) a residual value of 28.13% of the vehicle purchase price payable at the end of term, 5) Gross annual salary of \$90,000, 6) Salary Sacrifice using Employee Contribution Method (ECM), 7) an annual distance travelled of 15,000kms, 8) the value of the car at the first retail sale was below the luxury car tax threshold of \$91,387 for fuel efficient vehicles, 9) the car is first held and used on or after 1 July 2024 and 10) The vehicle is purchased in QLD. Additionally, the estimated annual operating costs includes estimates of fuel, maintenance, four replacement tyres, registration, CTP and comprehensive insurance (provided by RemServ), roadside assistance, and fleet management fee and are exclusive of GST. GST of 1/11th is payable on your ECM contributions. State Stamp Duty rates apply. PAYG tax rates effective 1 July 2023 have been used. The indicative price quoted for the novated lease is based on vehicle quotations RemServ has received on 1 June 2024 and does not include any optional extras. Any optional extras that you choose will affect the cost of the novated lease and residual value. The novated lease offer is based on the assumption outlined in the comparison table and is an indicative cost approximation of the selected vehicle and model stated and the amounts may change at the time the novated lease quotation is completed and finalised. Your individual circumstances have not been taken into account as this will affect the overall weekly cost amount and the benefits of a novated lease.

<sup>^</sup>Savings shown are indicative and reflect estimated tax savings over the full-term of the lease. The total amount saved is a comparison between a novated lease based on the assumption outlined above and the purchase of a vehicle and payment of running and maintenance costs using post-tax earnings. Actual savings will depend on your personal circumstances and may vary depending on the vehicle model and price.

# Case study: Comparing electric and petrol car options

	 Car loan  Tesla 3	 Novated lease (FBT exempt)  Tesla 3	 Novated lease (petrol)  Mazda CX5
Vehicle driveaway price	\$63,992	\$63,992	\$40,548
Potential GST savings	\$0.00	\$5,518	\$3,512
Weekly payment (including operating costs)	\$389	\$359	\$285
Potential weekly tax and GST savings <sup>^</sup>	\$0.00	\$115	\$44
Net cost per week	\$389	<b>\$244</b>	<b>\$242</b>
Net cost over 5-years	\$101,140	\$63,510	\$62,834
Potential savings over 5-years <sup>^</sup>	<b>\$0.00</b>	<b>\$43,148</b>	<b>\$16,861</b>

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# How do electric cars compare to petrol cars?



Petrol cars need almost five times more energy than electric cars to travel the same distance.<sup>5</sup>



On average, electric cars typically cost 70% less per km than a petrol powered car.<sup>7</sup>



Electric cars can be controlled through apps, regulating the car's inside temperature before you go anywhere near the vehicle.<sup>6</sup>



Charging at home can be more convenient than refilling at a fuel station.

## The electric feel good factor

Knowing the car you're driving is contributing to reduced fuel emissions is a feel-good factor for electric car drivers.

Transport in Australia is our second highest source of emissions and using more electric cars will help our country meet our global commitments to emissions reduction.<sup>8</sup>

By enabling access to an electric car through a novated lease, organisations can support their own sustainability strategy as well as aligning with the Federal Government's sustainability goal of net zero emissions by 2050.

## Running costs

Electric cars may have lower running costs than petrol cars, given they have no engine, transmission, head gasket or spark plugs.

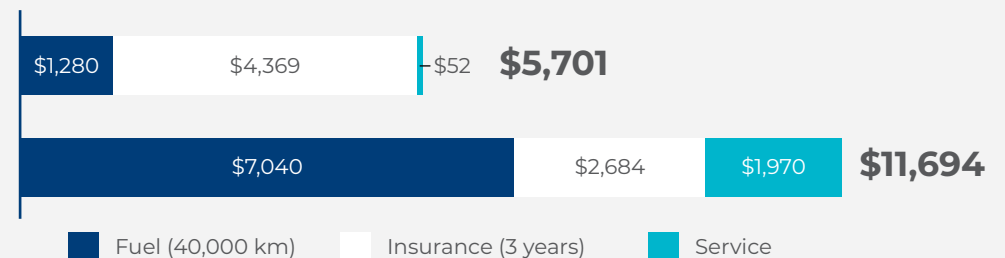


Tesla 3



Volvo XC40

## Running costs (over 30 months)<sup>9</sup>



5 & 9. The Driven, To EV or not to EV? A clear cost analysis between electric vehicles and ICE cars, February 2023

6 & 8. Electric Vehicle Council, Frequently Asked Questions

7. RemServ, Novated Leasing – Electric Vehicles, September 2023

# Employees don't have to wait as long for an electric vehicle

In recent times, choosing an electric car often meant a long lead time thanks to significant supply constraints.

The good news is wait times have reduced by 39% since the peak in October 2022.<sup>10</sup>



## Electric car manufacturers available in the Australian market



10. Electrifying.com, Waiting times for new electric car deliveries down by 39% since October peak, July 2023



# It's quicker and easier than ever to charge an electric car

The average Australian drives 38km per day. An electric car owner who drives short trips could travel for 10+ days without charging.<sup>11</sup>

Most new electric car sales include an entry-level (level 1) charger which simply connects to a normal electricity power outlet at home. These basic chargers are adequate for maintaining a full charge for drivers doing a daily work commute or trip to the shops.

As more and more people switch to electric cars, charging infrastructure is expanding to meet demand.

## Understanding charging types and speeds

There are three types of charging available for electric cars. How long it takes to charge an electric car will depend on the type of charger used.



### Level 1

Adds **10-20kms of range per hour** plugged in.

Most electric cars will come with a cable you can plug into a normal household socket for charging.



### Level 2

Adds **40-100kms of range per hour** plugged in (depending on the vehicle).

Can be installed in homes, shopping centres, workplaces etc. for private and public use.



### Level 3

Adds at least **150kms range per hour** plugged in (for lower end chargers).

Typically available in commercial and roadside locations.



Source: [Electric Vehicle Council, Types of EV chargers](#)

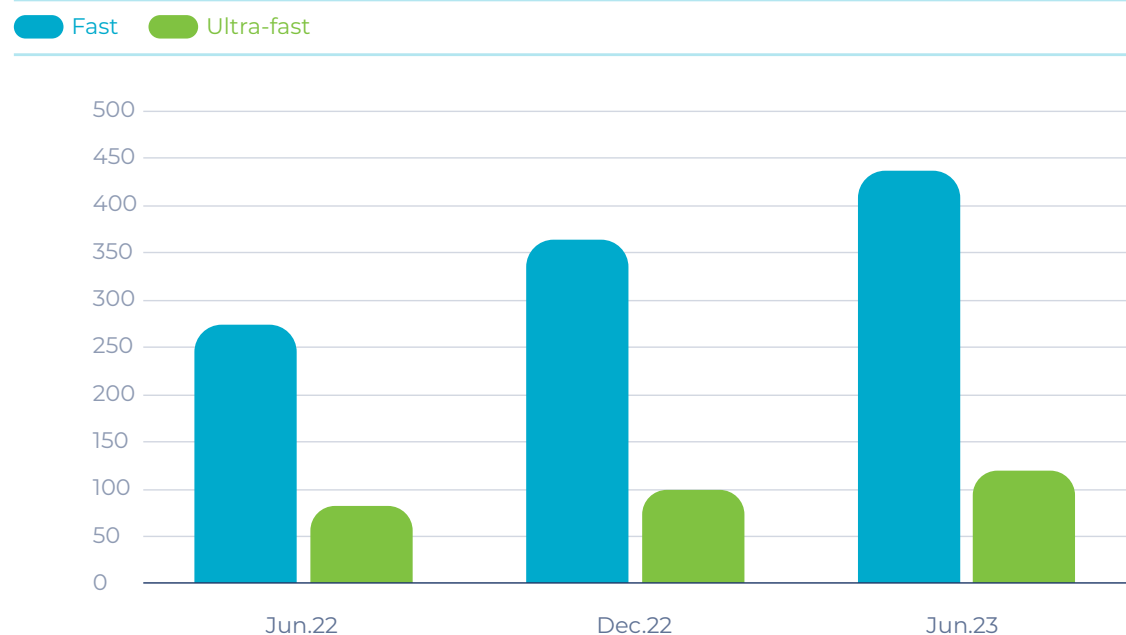


RemServ has partnered with JET Charge to help find a tailored solution to suit your employees' home charging needs.

# Drive as far as 550kms on a single charge

One of the biggest concerns people have with electric cars is range anxiety – fear of running out of battery power before reaching their destination. But according to the Electric Vehicle Council, current electric cars have an average battery range of nearly 480kms.<sup>12</sup> With ongoing technology advancements some new models can get to 550kms on a single charge<sup>13</sup>, making range anxiety less of a concern.

## FAST AND ULTRA-FAST PUBLIC CHARGING LOCATIONS OVER TIME



Source: Electric Vehicle Council, State of Electric Vehicles, July 2023

12. Electric Vehicle Council, State of Electric Vehicles, July 2023

13. RemServ, Novated Leasing – Electric Vehicles, September 2023

# Frequently asked questions

**RemServ are experts in salary packaging and offer dedicated support to HR and payroll teams to help them manage fringe benefits tax (FBT) liability and reporting.**



## **What FBT reporting is required for an electric car novated lease?**

The EV discount is a reportable fringe benefit (RFBA). This means employers are required to calculate the value of the benefit and include it on an employee's annual payment summary.

Employees should consider seeking advice from a tax expert, such as an accountant, to obtain an accurate view on the financial considerations (for example, means-tested government payments and HECS) associated with the EV discount and their individual requirements.

## **Can employees package the electricity used to charge the car?**

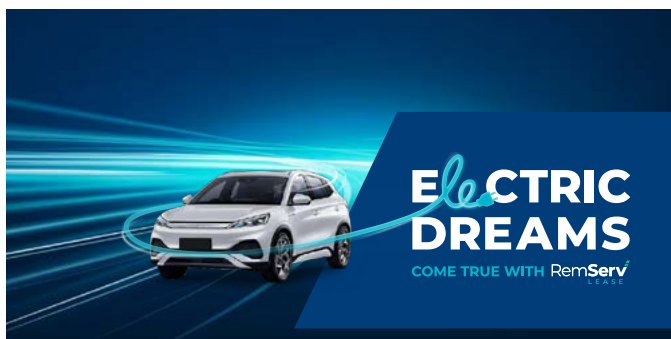
Yes, employees can salary package electricity costs within their novated lease. An employee must be able to demonstrate specifically how much energy – and the cost of the energy – is going towards charging their electric car. This can be either obtained through a separate smart meter installed in their home, or by purchasing a fast, in-home charger with the metering included within it.

## **Can employees' salary package the cost of a charger?**

FBT legislation does not yet allow the cost of a third-party supplier charger to be covered by a novated lease.

# Making electric dreams a reality with RemServ

To make the most of the electric vehicle (EV) discount, it's essential that all employees know what's available to them. RemServ provides dedicated communications and education support and delivers the metrics needed to track engagement, supporting continuous improvement.



As one of Queensland's largest novated leasing providers, RemServ has the expertise to help your people match their car choice to their financial and lifestyle needs.

RemServ is committed to enhancing sustainability outcomes for our clients, including a carbon offset program for non-electric car emissions via our partner, Greenfleet.

## About us

RemServ is a leading provider of novated leasing in Queensland and is part of the McMillan Shakespeare Group.

We're all about empowering our customers to make the most of their salaries.

Continuous improvement is very important to us, and we're constantly reviewing our systems and processes to deliver the best possible customer experience. We pride ourselves on friendly, personalised and down-to-earth customer service.

We have long-standing relationships with major health groups, charitable organisations and private corporations across Queensland.



RemServ

Get in touch

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