
Tax Concessions on Electric Vehicles

By Glenda Nixon / June 15, 2023



I admit that I am an electric vehicle enthusiast. I have solar panels installed on my roof and a house battery. Over the past three years or so, I haven't paid for petrol or any substantial amount for electricity. This experience has made me an advocate for owning electric vehicles (EVs).

In recent years, there has been a noticeable increase in the adoption and prevalence of electric vehicles (EVs). With growing global awareness of our impact on the environment, governments have established various incentives to support and promote the ownership of EVs.

Tax Concessions

In an effort to decrease greenhouse gas emissions and encourage sustainable energy solutions, the Australian government has implemented various federal tax incentives to foster the adoption of electric vehicles (EVs). The primary incentive of purchasing an electric car in Australia is exemption from the luxury car tax (LCT). To qualify for this, EVs must meet the following criteria:

- + The vehicle is designed to carry fewer than nine passengers
- + The vehicle's fuel consumption is less than 7.0 litres per 100 kilometres
- + The total cost of the vehicle is less than the LCT threshold of \$84,916 (2023).

This exemption can result in significant savings for electric car buyers, as the LCT can add up to 33% to the cost of a new vehicle priced above the threshold.

Other federal tax concessions for electric vehicles in Australia, including:

- + **Reduced import taxes:** The Australian government has also reduced import taxes on electric vehicles to encourage their importation and sale. From 1 July 2022, the import duty on electric cars will be 0%, subject to the luxury car limit, except if imported from Russia and Belarus.
- + **Accelerated depreciation:** Businesses that purchase EVs can claim an immediate deduction of the full cost of the vehicle in the first year of use for business purposes, under the instant asset write-off scheme. This means that businesses can claim a deduction of up to \$150,000 for each electric vehicle they purchase. However, the deadline is looming (only days left!) and will cease by the 30 June 2023.

It is worth noting that state and territory governments in Australia also provide their own set of incentives for individuals looking to purchase electric vehicles. These incentives can encompass various benefits such as additional tax concessions, exemptions or reductions in stamp duty, as well as access to free or discounted charging infrastructure.

The latest exemption just introduced is an FBT- exemption for electric cars which applies to qualifying car benefits provided on or after 1 July 2022. The car must be a zero or low emissions vehicle so hybrids (cease to be eligible from 1 April 2025) can qualify and hydrogen fuel cell electric vehicles. No amount of luxury car tax can be payable on the vehicle but as mentioned above, the threshold for LCT has increased to \$84,916 (2023).

Food for thought

When contemplating the purchase of an electric car, it is crucial to consider the available incentives and understand how to make the most of them. Australia offers a range of federal tax benefits for purchasing electric cars, such as increased exemptions for luxury car tax, exemption

from fringe benefits tax (FBT), accelerated depreciation, and reduced import taxes. Additionally, various incentives provided by state and territory governments further enhance the appeal of owning an EV.

If you require further information on this topic, please contact your local Accru advisor.
