NALSPA

Survey Response to the Productivity Commission: Investing in Cheaper, Cleaner Energy and the Net Zero Transformation

JUNE 2025

NALSPA

National Automotive Leasing
and Salary Packaging Association
ACN 169 223 161

6 June 2025

The Commissioners
Productivity Commission
Level 8, Two Melbourne Quarter
697 Collins Street
DOCKLANDS VIC 3008, Australia

5pillars@pc.gov.au

Dear Commissioners,

Re: NALSPA's response to the Productivity Commission's Pillar 5 consultation - Investing in Cheaper Cleaner Energy and the Net Zero Transformation

The National Automotive Leasing and Salary Packaging Association (NALSPA) welcomes the Productivity Commission's important work on investing in Cheaper Cleaner Energy and the Net Zero Transformation. NALSPA looks forward to playing an active and constructive role in this process. As Australia's peak industry body for the salary packaging and novated lease sector, NALSPA represents members serving the Not-for-Profit, Health, Government and Corporate sectors across Australia.

NALSPA members directly help more than 1 million Australian employees to utilise their pre-tax salary to package a number of different employment-related benefits, with this number increasing in recent times as many more everyday working Australians look for meaningful ways to help combat their ever-increasing costs of living.

One of the key employer-provided benefits that is embedded in remuneration practices is where an employee salary packages, under Australian taxation law, a motor vehicle via a novated lease arrangement. Under this arrangement, the costs associated with the finance and operation of a vehicle are packaged into a single, regular, fixed, payroll deduction, generally comprising a mix of pre-tax and post-tax dollars.

This packaging methodology and the associated tax savings which arise are particularly valuable for many working Australians in closely managing their transport related costs as part of their household budgets.

With increasing numbers of working Australians seeking meaningful ways to combat their rising costs of living, NALSPA brings valuable industry expertise to inform evidence-based recommendations for productivity improvements and regulatory efficiency.

Importantly, NALSPA members are already at the forefront of assisting their clients and customers in their consideration of and transition to zero and low emissions vehicles (ZLEVs), with members currently originating a significant percentage of all electric vehicle (EV) (Battery Electric BEV and Plug in Hybrid PHEV) passenger/SUV new vehicle sales occurring in Australia. Our members look forward to playing an even deeper and proactive role in the electrification of Australia's fleet in coming years.

The Transport Challenge

The transport sector is Australia's third largest emitter, accounting for 22% of national emissions. Passenger cars and light commercial vehicles alone contribute 60% of transport emissions and over 10% of Australia's total emissions[1]. Therefore, the decarbonisation of the transport sector is vital if Australia is to reach net zero by 2050. NALSPA members play an important enabler role in this decarbonisation journey, through their clients and customers consideration of, and transition to, EVs.

The International Evidence

Globally, every major country that is achieving material EV uptake has implemented sustained demand-side incentives during critical market transition phases. For example, Norway (circa 28% of all cars on Norwegian roads are EV), Sweden (circa 35% of all vehicles are electric), the Netherlands (circa 6.1% of all vehicles are electric), and the United Kingdom (circa 5.4% of all vehicles are electric) have maintained comprehensive demand-side incentive frameworks for upwards of **10-20 years** before achieving what they would describe as market 'self-sufficiency'.

With Australia's current EV car parc share at approximately **just 1%[2],** we are ostensibly at the beginning of this transition curve and accordingly require sustained policy commitment.

Policy Integration

The New Vehicle Efficiency Standard (NVES), which commenced in January 2025, and consumer incentives represent two sides of the same coin. Both are essential to most effectively and efficiently achieve government ambitions for light transport emissions reduction. Supply-side regulations ensure vehicle availability while demand-side incentives support and help drive the market uptake necessary for regulatory compliance.

The only major national demand-side policy for the decarbonisation of light vehicle transport in Australia, the Fringe Benefits Tax (FBT) Exemption upon eligible EVs, is scheduled for review by the Commonwealth Government by mid-2027. Given our nation's infancy in the transition curve and the importance of this policy in driving EV take-up, its longevity past this time is a critical component in the longer-term decarbonisation of our transport fleet.

[1] https://www.dcceew.gov.au/energy/transport

Bureau of Infrastructure and Transport Research Economics (BITRE) 2024, Road Vehicles Australia, January 2024, BITRE, Canberra, Australia.

Key Recommendations

Given the importance of transport sector transformation and the lessons from international experience, NALSPA's recommendations focus on ensuring Australia achieves its Net Zero ambitions in an orderly and efficient manner.

Our recommendations include:

1. Ensure the sustained longevity of the FBT EV Exemption and enable additional support for EV charging infrastructure

Provide long-term policy certainty with regards to the FBT EV exemption past 2027 to assist in achieving what would be regarded as closer to market self-sufficiency in the Australian market and – importantly – to align with and support the stringency of New Vehicle Efficiency Standard and support enhanced private sector investment in EV charging infrastructure.

2. Reinstate the PHEV FBT Exemption

Restore plug-in hybrid eligibility within the FBT EV exemption policy for work and employer provided vehicles (in particular, larger SUVs and Utes) where full EVs can't match towing capacity, electricity driving range, or fit for purpose requirements. We believe that PHEVs serve as an essential bridge technology for up to 36%[3] of Australian vehicle sales that are designed to perform work duties and are difficult to electrify to meet consumer performance expectations and cost targets, including large 4x4 SUVs and light commercial vehicles such as Utes.

3. Introduce a full FBT Exemption on E-Bikes

Enable salary packaging of e-bikes without home-to-work restrictions to encourage greater use of zero emissions bike technology. This is estimated to result in employee uptake of 14,450-57,800 in year one with $25-100M tax expenditure.

4. Establish FBT Concessions for travel on Public Transport

Provide a full exemption from FBT or a $1,000 cap reduction for travel on public transport across Australia in order to better integrate transport policy, lower transport emissions, and reduce household expenditure.

5. Enable Home Charging Integration

Allow charging infrastructure ($1,500-$2,500) to be included (capitalised) within salary packaging arrangements to further address EV charging hardware installation barriers, reduce burden on public charging infrastructure, and ease motorist concern re EV charging.

[3] VFACTS

6. Remove RFBA Requirements

Eliminate Reportable Fringe Benefits Amount requirements upon fully exempt EVs to reduce administrative burden.

Summary

Ensuring the right policy environment to encourage and sustain increased EV uptake in Australia, whilst still enabling consumer choice across all powertrains, is important to accelerate the reduction of transport related emissions in Australia.

The Australian Government, together with a host of related eco-system stakeholders must further the focus on decarbonising the transport sector and meeting the nation's emissions reductions targets, as well as encouraging a growing industry that can bring significant benefits to the Australian economy.

We thank you again for the opportunity to respond to the consultation. Should you require further information regarding our response, please do not hesitate to contact me

Yours Faithfully,

Rohan Martin

Chief Executive Officer

NALSPA

National Automotive Leasing
and Salary Packaging Association
ACN 169 223 161

Productivity Commission's Pillar 5 consultation - Investing in Cheaper Cleaner Energy and the Net Zero Transformation

Questions

Section 2: Reduce the Cost of Meeting Carbon Targets

Question 1: What could be done to improve the cost-effectiveness and alignment of policies to reduce emissions across the industrial, electricity and transport sectors?

As the Australian Government looks to improve the cost effectiveness and alignment of policies to reduce emissions in transport there are a number of key characteristics of the light vehicle market and trends that are important to consider in determining long term policy settings.

Australian Market Transition to lower emission vehicles

The Australian market is at the starting point of its adoption of EVs with a number of key market trends which are important to consider when setting policy across the transport sector in particular.

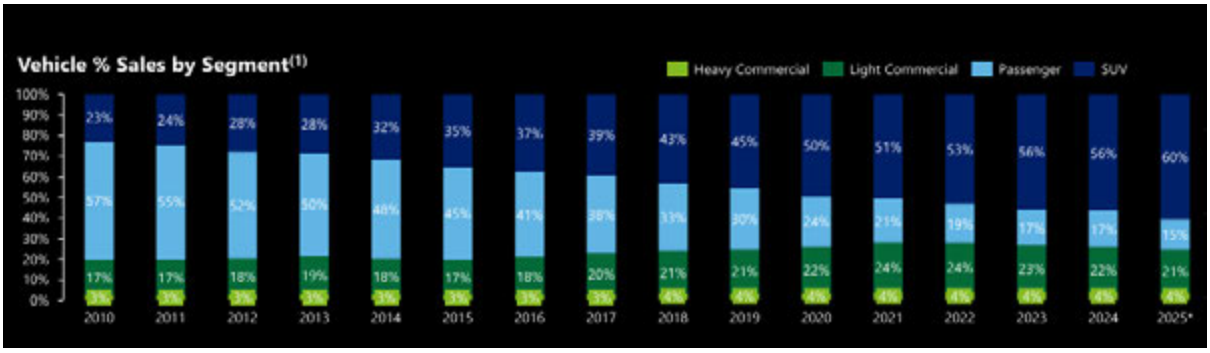
Although Australia is picking up the pace in its transition to EVs and recognising that we have certain geographical and typical vehicle use challenges which are different to many other jurisdictions, we are still behind comparable countries in electrifying our transport fleet and its supporting charging infrastructure, hence the need for demand and supply side initiatives.

The fact that Australia is behind means that the timeframe in which we undertake that transition must be compressed and policy-led initiatives, including strong purchase and related incentives, which may have an higher cost for government per tonne of carbon avoided compared to other approaches given the inherent challenges of decarbonisation of the transport sector, must continue to be in place for a sustained number of years in order to see motorists take up EVs at a rate that will support the achievement of Australia's stated decarbonisation targets.

Vehicle Segment Overview

Since 2010 Australian consumers have continued to shift from passenger vehicles to SUV and Utes, due to their suitability, versatility and practicality for many Australians as they switch seamlessly between work and leisure purposes. **Figure 1** provides an overview of the Australian light vehicle market and shows that passenger vehicles have shrunk from 57% to 18% of the market, driven by a sustained shift to SUVs. Light commercial vehicles continue to hold around 20% market share from 2010.

Figure 1: Australian Market Vehicle Segment Overview[4]



Our transition is challenged by the fact that Australia is a fully imported, right-hand drive car market, where many of the most popular types of vehicles which Australians prefer and need for their daily transport requirements, notably larger SUVs and dual cab Utes, generally aren't available in a fully electrified form, or in an affordable manner yet. As such policies that promote the use of the most viable fuel efficiency technologies, such as PHEV FBT exemption should be reinstated.

Length of Service

Australian passenger vehicles remain in service for an average of **11 years[5],** with some operating for 15-20 years. This longevity means internal combustion engine (ICE) vehicles purchased today will continue emitting throughout the 2030s and beyond.

Conversely, every fuel-efficient vehicle (EV, PHEV, Strong Hybrid) purchased now provide emissions benefits for the entire vehicle lifespan.

Given the longevity of vehicles in the car parc a faster transition to ZLEVs will assist in the achievement of the emission reduction goals. This accelerated adoption trajectory will only be possible with both significant supply side and demand side policies.

Low Emission Vehicle Transition to Date

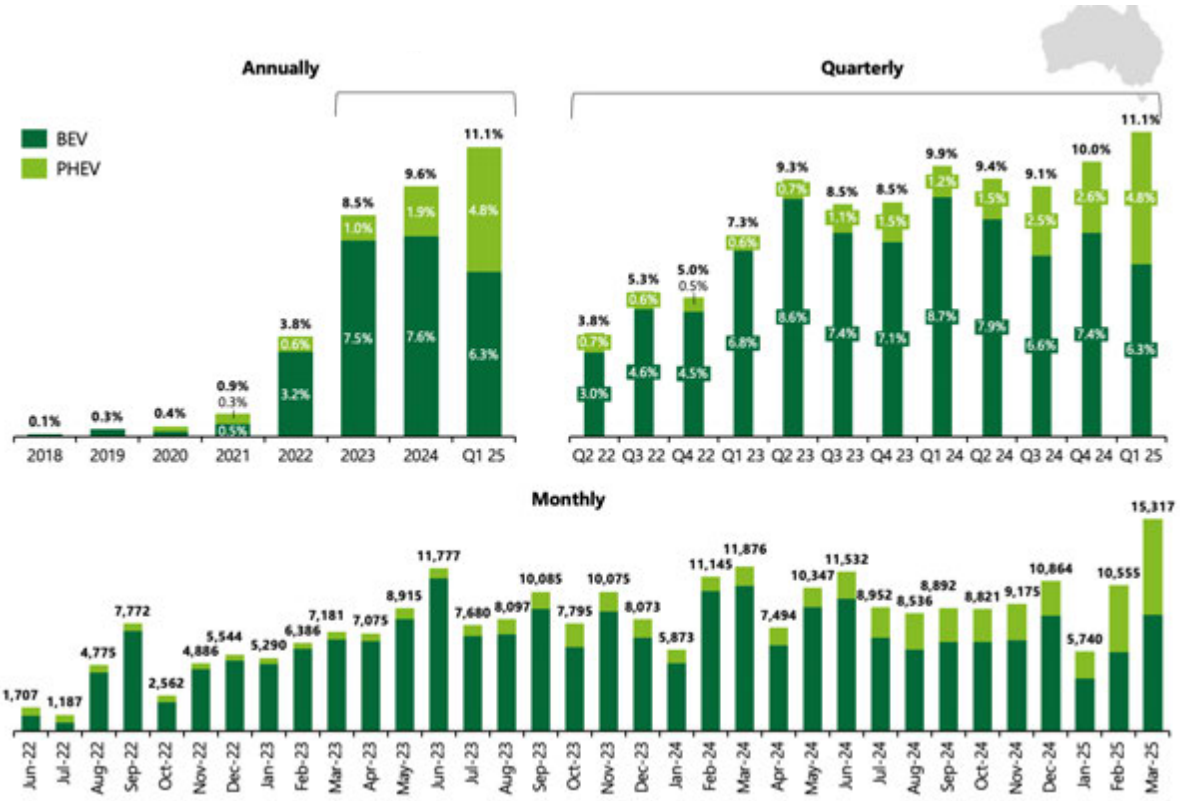
Since 2015, new car sales in the Australian market have shown a shift away from pure petrol and diesel ICE vehicles towards hybrid, PHEV and EV options, explained in part by increased vehicle availability and the implementation of the **FBT EV Discount**.

Figure 2 highlights that EV and PHEV Sales in Australia have shown significant growth and while there has been some volatility recently EV sales rebounded in March 2025 after a softer January 2025 resulting in a record EV market Share (11.1% of the Australian light vehicle market) for Q1 2025.

[4] Source VFACTs – 2025 data is for April YTD (annualised)

[5] Bureau of Infrastructure and Transport Research Economics (BITRE) 2023, Motor Vehicles, Australia, January 2023, BITRE, Canberra, Australia.

Figure 2: Light Vehicle Market – Australian EV Share Trends[6]



Consumer Research Insights

Various research undertaken in the Australian and global markets demonstrate that consumer behaviour, rather than vehicle availability alone, represents one of the primary constraints on transport sector decarbonisation. This evidence highlights the importance of demand-side incentives to complement supply-side regulations and informs optimal policy duration and design features.

Deloitte's 2025 Global Automotive Consumer Study: Key Findings for the Australian Market (February 2025) provides valuable consumer research from both Australian and international markets. A key finding from the research illustrates that the cost, or cost premium, of an electric vehicle remains the number one barrier of concern to purchase consideration. The survey also shows that consumer interest in full hybrids and range extender technology is gaining momentum across several global markets. Consumers are seeking a "best of both worlds" solution that reduces fuel costs and lowers emissions without requiring charging infrastructure.

Nearly 50% of Australian consumers are considering a non-internal combustion engine (non-ICE) alternative powertrain for their next vehicle, with this preference being even higher in some developed

[6] NALSPA Quarterly Insights Report Q1 2025

markets. Regarding battery electric vehicles, surveyed consumers express primary concerns about charging time, range anxiety, cost, and battery replacement (Figure 3). Importantly, as mentioned, cost remains a key barrier to adopting BEVs.

Figure 3 Deloitte Global Automotive Consumer Study – Greatest concern regarding all battery-powered electric vehicles[7]

Greatest concern regarding all battery-powered electric vehicles (BEVs)

Concern	Australia	China	Germany	India	Japan	Rep. of Korea	Southeast Asia	UK	US
Cost to eventually replace the battery	**44%**	35%	40%	31%	39%	27%	38%	43%	39%
Cost/price premium	**42%**	22%	**45%**	32%	**40%**	24%	37%	**49%**	**44%**
Driving range	**41%**	**38%**	**54%**	35%	**40%**	26%	**43%**	**52%**	**49%**
Time required to charge	**41%**	**38%**	42%	**39%**	**49%**	**39%**	**46%**	**47%**	**46%**
Lack of public EV charging infrastructure	37%	24%	**43%**	**38%**	37%	33%	**41%**	44%	41%
Safety concerns with battery technology	35%	**37%**	28%	**37%**	30%	**49%**	37%	29%	29%
Lack of charger at home	32%	16%	37%	27%	**45%**	19%	31%	36%	36%
Ongoing charging and running costs	27%	30%	25%	28%	28%	23%	33%	29%	29%
Lack of knowledge or understanding about EVs/EV technology	26%	20%	15%	29%	13%	15%	32%	22%	20%
Increased need to plan my trips	24%	14%	21%	22%	28%	11%	22%	33%	28%
Uncertain resale value	24%	14%	27%	21%	18%	12%	23%	24%	19%
Cold weather performance	23%	37%	37%	32%	25%	**38%**	26%	31%	39%
End-to-end sustainability (i.e., battery manufacturing/recycling)	22%	24%	22%	30%	11%	10%	23%	21%	20%
Lack of alternate power source (e.g., solar) at home	20%	12%	21%	25%	25%	11%	27%	19%	20%
Potential for extra taxes/levies associated with BEVs	17%	16%	10%	22%	11%	12%	19%	18%	17%
Lack of choice regarding brands/models	14%	11%	11%	20%	8%	8%	13%	13%	11%

Note: Sum of the percentages exceed 100% as respondents can select multiple options.
Q52: What are your biggest concerns regarding all battery-powered EVs? Please select all that apply.
Sample size: n= 939 [China], 1,306 [Germany], 882 [India], 637 [Japan], 906 [Republic of Korea], 5,028 [Southeast Asia], 1,314 [UK], 937 [US], 4,468 [Australia]

Most commonly cited

International Experience: A Combined Policy Approach

International experience consistently demonstrates that fuel efficiency standards have been augmented by sustained consumer incentives in order to support and accelerate adoption, recognising that there are a range of barriers which create hesitancy for motorists in transitioning to low and zero emissions vehicles.

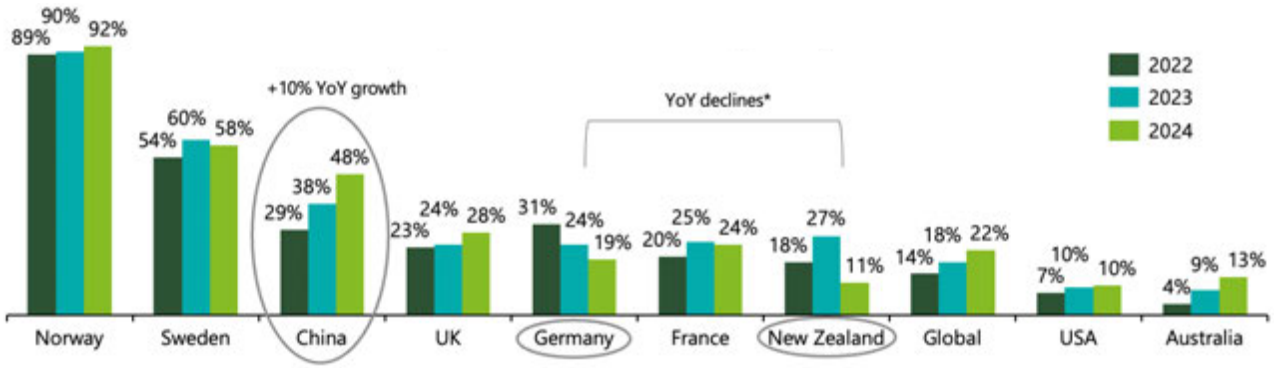
Importantly, every country achieving material EV uptake has implemented this dual approach, combining vehicle regulations with targeted consumer incentives for sustained periods before achieving what would be regarded as closer to market self-sufficiency. Figure 4 Highlights Australia's international EV market performance relative to other major economies with particular examples such as (*source: https://alternative-fuels-observatory.ec.europa.eu/transport-mode/road*):

- **Norway:** EV market share in Norway reached 80% of new sales in 2023, supported by incentives and associated arrangements, some dating back to 1990 alongside supportive regulatory frameworks. These incentives include - no purchase/import taxes on EVs between **1990 and 2022**, exemptions from 25% VAT on EV purchases between 2001 to 2022, reduced company tax on EVs since 2000 remains in place today and an exemption from 25% VAT on leased EVs has been in place since **2015**.

[7] Deloitte's 2025 Global Automotive Consumer Study: Key Findings for the Australian Market (February 2025)

- **Sweden**: first introduced EV subsidies in January 2012, aimed at reducing emissions and promoting the adoption of EVs. In 2018, the Swedish government introduced a "bonus-malus" scheme called "Klimatbonus" to further incentivize EV adoption. The Swedish plug-in electric market is dominated by PHEVs. While there are no direct purchase incentives for electric cars in 2025, various other policies and programs are in place to encourage EV adoption, including a scrapping premium, incentives for charging infrastructure, and exemptions from certain taxes.
- **Germany:** had in place significant government purchase subsidies for EVs and long-range PHEVs from **2014 to 2023** which drove significant BEV and PHEV market growth. The subsidy program helped fund the purchase of more than 1.2 million EV's and almost 800,000 PHEVs over a nine-year period. The German Government continues to maintain various company and individual tax benefits in support of EV ownership.
- **United Kingdom:** The UK government has implemented a number of incentives to drive EV adoption, particularly targeting company car benefits and financial assistance for EV purchases and charging infrastructure. The UK Plug-in Car Grant **offered a 25% grant towards the cost of new plug-in cars, later being extended to 35% of the purchase price, with the Grant in place from 2011 to 2022 – some 11 years**. Furthermore, the UK Government has **since 2011** actively supported EV salary sacrifice schemes which enable employees to save 20-50% on EVs through pre-tax salary deductions while paying only a small Benefit-in-Kind tax – these schemes remain active today.

Figure 4: Light Vehicle Market Share by Country[8]



[8] NALSPA Quarterly Insights Report Q1 2025

The Role of Novating Leasing in the Transition

The novated leasing sector is playing an important, effective and targeted accelerating role in fleet transition. Whilst generating savings for Australian households, overall, vehicles that are the subject of a novated lease are a much younger and healthier car parc than the overall Australian car parc.

As already outlined, compared with the average age of a passenger vehicle in Australia in 2023 at 11 years, the majority of novated lease vehicles are sold within a 4-year lease timeframe and as such novated lease vehicles have a significant contribution to increasing the **availability of second-hand newer vehicles**, at a higher turnover rate than privately owned vehicles.

This creates a much faster pathway for introducing clean vehicles to Australia's carparc fleet. The faster turnover also benefits the broader used car market, as younger, safer vehicles enter the second-hand market more quickly – a particularly important factor relating to broader community EV consideration and adoption.

Based on its members data and understanding of the broader novated lease market, NALSPA estimates that novated leasing arrangements are currently responsible for generating around 50% of all EV sales in the Australian Light Vehicle Market (passenger, SUV, and light commercial vehicles).

Novated leasing is a key driver of EV adoption, primarily due to the FBT exemption upon eligible EVs.

Electric Car Discount – FBT exemption

In 2022 the Australian Government introduced the Electric car discount – FBT exemption to exempt from FBT the use, or availability for use of cars that are zero or low emissions vehicles (below the Fuel-efficient Luxury Car Tax level) made available by employers to current employees - that is both company provided cars and those vehicles made available to employees via a salary sacrificing/novated lease arrangement.

The objective of these amendments to the FBT Assessment Act 1986 was to specifically encourage a greater take-up of EVs by Australian road users by making EVs more affordable through decreasing the price differential relative to ICE vehicles - recognising that a typical new EV is often significantly more costly to purchase compared with an equivalent new ICE vehicle, acting as a material barrier to purchase for motorists as identified in the aforementioned Deloitte consumer study.

The amendments also recognised that a number of other barriers as outlined in this submission, price aside, prevent or diminish the consideration and purchase of EV's, and as such economic incentives are necessary (as we see with the adoption of other new technologies such as solar panels), as witnessed around the world to encourage buyers to consider and ultimately purchase EVs

The FBT EV Discount Policy, which was back dated to 1 July 2022, together with the supply of more affordable EVs into the Australian market, has produced a demonstratable uplift in novated lease EV sales and most importantly, a significant increase in the total sales volume of EVs in Australia, albeit off a very low base**.**

The FBT policy is specifically enabling for the very first time, many everyday working families located in suburbia Australia and beyond to consider and progress the purchase of an EV.

Interestingly, data released by NALSPA in November 2024 demonstrates that the FBT exemption is primarily benefiting everyday Australians **in outer suburbs and regional centres**, rather than more wealthy inner-city residents due to the cost effectiveness of ownership helping to address their cost-of-living challenges, whilst simultaneously reducing their carbon footprint.

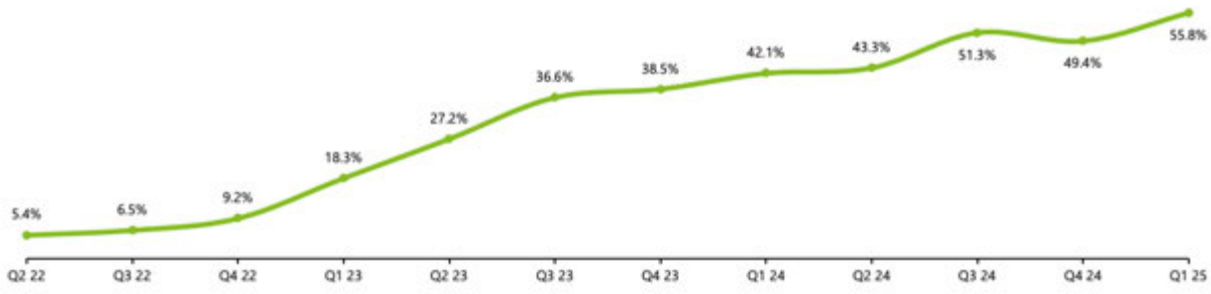
Many outer suburb residents maximise their savings by combining the tax exemption with rooftop solar charging, with high EV uptake postcodes also typically showing higher than average solar panel density.

As a result, based on NALSPA member data and broader sector analytics, it is estimated that around **40 per cent** or more of all BEV and PHEV SUV and passenger car purchases in Australia since **mid-2023** have been facilitated via a salary packaging/novated lease arrangement accessing the FBT EV exemption, with this percentage higher in recent periods.

In June 2022, immediately prior to the exemption, according to VFACTS data, BEV/PHEV sales represented **just 2.4 per cent** of total SUV and passenger sales in the Australian market – whilst in Q1 2025, total BEV/PHEV sales **represented 11.1 per cent** of total SUV and passenger sales in the Australian market.

We note that a change in April 2025 restricted the FBT exemption to Battery Electric Vehicles only, no longer including PHEVs. While it is too early to observe the longer-term market response this change is expected to dampen PHEV sales as we have seen in other jurisdictions globally once demand-side incentive supports are removed.

Figure 5: Novated Leasing percentage of EV Sales[9]



It is important to recognise that the Australian market is early in its transition, and consumers have not yet reached the point where mainstream adoption of EVs is occurring, and in fact it is likely to be some years away as evidenced in other jurisdictions globally.

Critically Australia must maintain federally led, appropriately targeted financial and non-financial incentives (fit for the Australian Context) in order to continue to improve affordability and further

[9] NALSPA Quarterly Insights Report Q1 2025

accelerate the rollout of EVs within Australian to achieve the Government's own emissions reduction targets. This includes necessary support for EV purchasing (including PHEV), home charging and public EV charging infrastructure.

Alignment with the NVES and ongoing support for the EV FBT exemption

The Australian Government has taken a significant step in legislating the NVES and providing manufacturers with clear, ambitious supply signals with binding penalties for non-performance. Car manufacturers are responding by adjusting their short- and long-term model lineups. Depending on the brand, this includes increasing the range and volume of ZLEVs, deploying new technology in specialist vehicle categories such as PHEVs in 4X4s and Utes, and considering the viability of some high-emitting vehicle lines.

Given the shared goal of increasing the number of EVs in consumers' driveways, it is important to provide long-term policy certainty regarding the FBT EV exemption **past 2027** to assist in achieving what would be regarded as closer to "market self-sufficiency" in the Australian market and importantly to align with and support the stringency of **New Vehicle Efficiency Standard**—and support enhanced private sector investment in EV charging infrastructure.

As stated in the NALSPA House of Representatives submission[10], the FBT exemption has had a demonstrably strong initial effect on passenger EV sales since its introduction. However, NALSPA believes it is necessary that the policy remains in place until significant progress is made towards achieving market self-sufficient in terms of EV adoption, similar to that achieved in other jurisdictions globally, which has typically taken upwards of a decade or more with the assistance of a range of measures.

In addition, the re-restoration of PHEV eligibility as part of the FBT EV exemption is an important demand side initiative for the transition to low emission transport modes. We believe that PHEVs serve as an essential bridge technology for up to 36%[11][1] of Australian vehicle sales that are designed to do work and are difficult to electrify to meet consumer performance expectations and cost targets including large 4x4 SUVs and light commercial vehicles such as Utes.

[10] NALSPA-Response-to-House-of-Representatives-Inquiry-into-the-transition-to-EVs.pdf

[11] VFACTS

Recommendations

1. Ensure the sustained longevity of the FBT EV Exemption and enable additional support for EV charging infrastructure

Provide long-term policy certainty with regards to the FBT EV exemption past 2027 to assist in achieving what would be regarded as closer to market self-sufficiency in the Australian market and importantly align with and support the stringency of New Vehicle Efficiency Standard together with support enhanced private sector investment in EV charging infrastructure.

2. Reinstate the PHEV FBT Exemption

Restore plug-in hybrid eligibility for the FBT EV exemption for work and employer provided vehicles (in particular larger SUVs, utes) where full EVs can't match towing capacity, electricity driving range, or fit for purpose requirements. We believe that PHEVs serve as an essential bridge technology for up to 36%[12] of Australian vehicle sales that are designed to do work and are difficult to electrify to meet consumer performance expectations and cost targets including large 4x4 SUVs and light commercial vehicles such as Utes.

Question 2: Are there gaps in the emissions-reduction policies in the industrial, electricity and transport sectors which should be addressed?

NALSPA believes that harmonisation of a national policy framework for active and public transport is both overdue and fundamental in support of sustainable and efficient long-term emissions reduction. The following initiatives highlight gaps in policy that if addressed would assist in further targeted emissions reduction of the transport sector:

Introduce E-bike FBT Exemptions

NALSPA notes that electric mobility options such as E-bikes have grown significantly in popularity across the globe over the last decade, as a low cost, equitable and clean method of transport. Of interest is that NALSPA members are seeing significant heightened interest from employers across all sectors desiring to offer e-bikes and therefore lower-cost, lower-emissions transport options to their employees under a salary packaging arrangement. Enabling the salary packaging of e-bikes without home-to-work restrictions to encourage greater use of zero emissions bike technology is relatively straightforward to enact, with little complexity. NALSPA has modelled the cost to government based on estimated 14,450 to 57,800 employee uptake in year one with $25-100M tax expenditure based upon a cost of the exemption of $1,725 per employee.

Given current limitations in the legislative framework of the of the FBT policy take up of e-bikes via existing FBT policy remains very low. Further detail on policy remedies to address this issue are covered

[12] VFACT

in detail in the NALSPA submission to the Commonwealth Governments Submission to the Transport Infrastructure Net Zero Consultation Roadmap [13]

Establish Public Transport FBT Concessions

As a key adjacent policy measure to targeted light vehicle transport policies NALSPA recommend that the Australian Government introduce an FBT exemption or capped reduction in taxable value for the use by employees of public transport (including bus, train, ferry and tram/light rail) provided by way of expense payment or residual benefit.

In Australia, the average annual cost of commuting to work by public transport for an employee is $2,0733. Census data released by the ABS also suggests that just less than 5% (554,717 people) of the Australian workforce commute using forms of public transport, such as trains, bus, ferry and trams/light rail. Importantly, public transport such as bus and rail, produces less emissions than using personal cars, with buses emitting 14 times less and rail emitting 19 times less emissions.[14]

Policy options for the implementation of a Public Transport FBT Concession have been articulated by NALSPA in our submission to the Commonwealth Government's Transport and Infrastructure Net Zero Consultation Roadmap[15]

Enable Home Charging Integration

NALSPA members report that one of the most common questions and concerns they receive from potential EV buyers is whether they are able to capitalise into their lease (and therefore for it to be treated on a pre-tax basis and included in their regular lease outgoings) is the cost of purchasing and installing home EV charging facilities (known as a Level 2 Charger) and related services. Currently this is not possible.

In recognition of the obstacle which 'associated EV costs' are to motorists in regard to their purchase consideration of an EV, many overseas jurisdictions already have in place subsidy arrangements with regards to home EV charging costs – these include Norway, France, California, Germany, Sweden, China and Iceland, to name a few.

NALSPA recommends that consideration be given to extending the application of the FBT exemption to associated costs (in particular home charging infrastructure and installation costs) through including a different definition of "car expenses" for ZLEVs, which is broader and includes all the costs noted.

[13] https://nalspa.org.au/wp-content/uploads/2024/07/NALSPA-Submission-to-Transport-and-Infrastructure-Net-Zero-Consultation-Roadmap-July-2024.pdf

[14] https://www.climatecouncil.org.au/wp-content/uploads/2023/05/CC_MVSA0354-CC-Report-Road-to-Personal-Transport_V5-FA Screen-Single.pdf

[15] https://nalspa.org.au/wp-content/uploads/2024/07/NALSPA-Submission-to-Transport-and-Infrastructure-Net-Zero-Consultation-Roadmap-July-2024.pdf

Remove RFBA Requirements

In its current form, the FBT EV Exemption requires an employer to disregard the FBT exemption for ZLEV benefits when determining whether an employee has a reportable fringe benefit amount (RFBA) and has the potential to impact an employee's entitlement to:

- Parental leave pay;
- Family Tax Benefit Part A and Part B family assistance payments;
- Private health insurance rebate; and/or
- Offset of non-commercial business losses.

In our view based on member experience this approach is meaning that some employees are having the financial benefit of the FBT exemption in-effect reduced (which in part defeats its original intention) or are being discouraged to consider transitioning to an EV given the potential financial impact. To address this, we believe that the Australian Government should consider excluding exempt car fringe benefits for ZLEVs from reporting requirements,

Conclusion

Australian and international experience demonstrates that demand-side transport incentives are **essential** for accelerating the uptake of EVs and assisting in achieving Australia's climate and transport policy objectives.

The choice is not whether to support transport sector transformation, but how quickly and efficiently we can achieve it without material disruption to those who aren't able to participate as quickly in that journey, particularly those on lower incomes, and those located in regional and rural Australia who are reliant on larger fit for purpose vehicles.

Demand-side incentives, properly designed and sustained, represent the most effective pathway to achieve Australia's transport decarbonisation objectives while delivering broader economic and social benefits.