



Example: Salary packaging an electric vehicle under the new FBT exemption

Del Clarke is a public servant and is considering purchasing a new motor vehicle.

Her current salary is \$156,000 per annum, paid monthly.

She is weighing up buying an electric vehicle but is hesitant because of there is quite a price difference compared to a similar new petrol vehicle.

Del has been informed about novated leases and would like a comparison completed to see what the monetary difference is between a petrol car and an electric car.

Her business use percentage is 0%.

Novated lease terms

The following tables have been provided to Del from the local car dealership, to provide a comparison between a petrol car and electric car that are both small SUVs.

	Petrol car (\$)	Electric car (\$)
On-road cost	52,172	78,894
Lease repayments (per month over 4 years)	854	1,316
Estimated monthly running costs	562	358
Balloon payment (after 4 year lease)	19,670	30,384

Salary packaging – comparison of car costs

The following table is a comparison between the petrol car and electric car, based on whether Del salary packages a vehicle through a novated lease. Alternatively, she could obtain finance personally and make payments with after-tax salary.

	Del Clarke – comparison of car costs			
	Petrol car		Electric car	
	No package	Salary package	No package	Salary package
	\$	\$	\$	\$
Gross Salary	156,000	156,000	156,000	156,000
less motor vehicle costs		(16,992)		(20,088)
less FBT payable ¹		(10,202)		0
addback input tax credits ²		5,356		6,275
Remaining cash salary	156,000	134,162	156,000	142,187
Net tax and Medicare for 2022–23	(45,127)	(36,719)	(45,127)	(39,809)
After tax lease and running costs	(16,992)		(20,088)	
Net cash	93,881	97,443	90,785	102,378
Savings (package or no package)		3,562		11,593

Conclusion

By salary packaging an electric vehicle, there is an exemption from fringe benefits tax (FBT). However, there is a difference in the price of an electric vehicle with a comparable petrol vehicle.



Overall, due to the concessional FBT treatment of cars, Del is better off overall by salary packaging the vehicle through a novated lease.

If Del chose to go with a petrol car, the approximate savings over a 4-year period by salary packaging is \$14,248.

As the balloon payment is then \$19,670, Del would be required to find the additional \$5,422 from post-tax salary to cover the final payment.

If Del chose to go with an electric car, the approximate savings over a 4-year period by salary packaging is \$46,372.

This saving would cover the entire balloon payment of \$30,384, with \$15,988 remaining in post-tax salary.

Calculations:

1 – FBT on the car used exclusively for private purposes (petrol car only)

Statutory formula: $\$52,172 \times 20\% - 0 = \$10,434.40 \times 2.0802$ (Type 1 GST inclusive) = \$21,705.64

FBT payable: $\$21,705.64 \times 47\% = \$10,202$

2 – GST input tax credits

Petrol car: Cost of car $\$52,172 \div 11 = \$4,743$

Running costs $\$562 \times 12 \div 11 = \613

Yearly total $\$4,743 + \$613 = \$5,356$

Electric car: Cost of car (at car limit) $\$64,741 \div 11 = \$5,885$

Running costs $\$358 \times 12 \div 11 = \390

Yearly total $\$5,885 + \$390 = \$6,275$