



Salary packaging an Electric Car under new FBT Exemption

Starting 1 July 2022, new electric vehicles under the luxury car limit will be exempt from fringe benefits tax. This means an electric vehicle under \$84,916 can be salary packaged for a substantial tax benefit.

For the exemption, a car must be classified as a zero or low emissions vehicle. Zero or low emissions vehicles include:

1. battery electric vehicles
2. hydrogen fuel cell electric vehicles, and
3. plug-in hybrid electric vehicles

Here is an example showing the difference an electric vehicle will make in salary sacrifice options. The car costs \$70,000 over a 4-year novated lease.

	Petrol Car \$70,000		Electric Car \$70,000	
	No Package	Salary Package	No Package	Salary Package
Gross Salary	120,000	120,000	120,000	120,000
Less Car Costs		(19,200)		(18,000)
Less FBT Payable		(9,777)		0
Add GST Credits		5,221		6,627
Adjusted Salary	120,000	96,244	120,000	108,627
Tax payable	(31,867)	(23,670)	(31,867)	(27,943)
Less Lease Costs	(19,200)		(18,000)	
Net Cash	68,933	72,574	70,133	80,684
Annual Savings		3,641		10,551
Savings over 4 years		14,564		42,204

If you are providing this salary sacrifice arrangement for your employees, an adjustment will need to be made to the wages being paid to them. You will be able to do this through your payroll software. Cloud Payroll subscribers can contact Cloud Payroll, and the support team will be able to assist.

