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The Australia Institute welcomes the opportunity to make a submission to the Senate Economics Legislation Committee on the Treasury Laws Amendment (Electric Car Discount) Bill 2022 [Provisions].

### Content of the bill

The Bill provides modest and beneficial changes to the tax treatment of Electric Vehicles (EVs). This is a welcome first step in the electrification of road transport in Australia.

The amendments to the Fringe Benefits Tax Assessment Act 1986 will provide an incentive for employers to assist their employees or associates purchase EVs, transition their fleets, and help create a second-hand EV market.

The Bill is applicable to “zero or low emissions” vehicles, which includes battery electric, hydrogen fuel cell, and plug-in hybrid electric vehicles.<sup>1</sup>

Yet there is a shift in Europe and other markets to phase out the sale of new cars with internal combustion engines by 2035, including plug-in hybrids.<sup>2</sup> This shift is now starting in Australia with the recent announcement by the Australian Capital

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<sup>1</sup> Senate Economics Legislation Committee (2022) *Treasury Laws Amendment (Electric Car Discount) Bill 2022 – Explanatory Memorandum*, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/TLABELectricCarBill](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/TLABELectricCarBill)

<sup>2</sup> Perkins (2022) *Australia risks being ‘left behind’ as EU bans fossil fuel cars from 2035*, <https://www.smh.com.au/environment/climate-change/australia-risks-being-left-behind-as-eu-bans-fossil-fuel-cars-from-2035-20220630-p5ay3r.html>

Territory (ACT) of a similar ban.<sup>3</sup> The ACT is even excluding plug-in hybrid vehicles from the definition of electric vehicle for its own fleet purchase.<sup>4</sup>

This Committee should therefore consider whether the Bill should narrow the scope of its definition to just “zero emission” vehicles.

### Next steps

The Bill is a modest contribution to correct a decade of inaction on zero emissions transport. Of the almost 15 million passenger vehicles registered in Australia as of January 2021, only 20,095 (0.14%) were EVs.<sup>5</sup> While this was an almost 60% increase from the year before, even more rapid decarbonisation of transport is crucial to meet Australia’s updated Nationally Determined Contribution under the Paris Agreement.<sup>6</sup>

The Australia Institute would like to see the consideration of additional policies. These could be included in Australia’s Electric Vehicle Strategy, which has been described by Treasurer and Minister for Climate Change and Energy as “extremely overdue”.<sup>7</sup>

The establishment of mandatory fuel efficiency standards will bring Australia in line with much of the global light vehicle market and encourage manufacturers to supply low and zero emissions vehicles to the Australian market.<sup>8</sup> The Australia Institute’s report *Fuelling efficiency: Introducing fleet fuel efficiency standards for the Australian vehicle fleet* highlights the benefits of introducing robust fuel efficiency standards in line with Europe. Numerous previous government commitments, reports and inquiries have been made into this issue over the past decade and a half, but progress on the issue has been ultimately held up by a lack of political will.

The need for and benefits of introducing fuel efficiency standards is well-established; they could be introduced this year to realise these benefits to motorists and the climate, without waiting for the completion of an entire Electric Vehicle Strategy.

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<sup>3</sup> Lindell (2022) *New internal combustion engine cars, light trucks will be banned in ACT from 2035 as part of electric transition*, <https://www.canberratimes.com.au/story/7822512/act-sets-date-for-ban-on-new-fossil-fuel-cars/>

<sup>4</sup> ACT Government (2022) ACT Zero Emissions Vehicle Strategy 2022-2030 [https://www.climatechoices.act.gov.au/\\_data/assets/pdf\\_file/0006/2038497/2022\\_ZEV\\_Strategy.pdf](https://www.climatechoices.act.gov.au/_data/assets/pdf_file/0006/2038497/2022_ZEV_Strategy.pdf)

<sup>5</sup> Australian Bureau of Statistics (2021) *Motor Vehicle Census, Australia*, <https://www.abs.gov.au/statistics/industry/tourism-and-transport/motor-vehicle-census-australia/31-jan-2021>

<sup>6</sup> Australian Government (2022) *Australia’s Nationally Determined Contribution: Communication 2022* <https://www.industry.gov.au/sites/default/files/2022-06/australias-ndc-communication-2022.pdf>

<sup>7</sup> Chalmers, Bowen (2022) *Electric Car Discount Bill introduced to Parliament*, <https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/electric-car-discount-bill-introduced-parliament>

<sup>8</sup> Quicke (2022) *Fuelling efficiency*, <https://australiainstitute.org.au/report/fuelling-efficiency/>

Owing to Australia's slow progress with electrifying the transport sector, the federal government can draw on the successes of and lessons learned from other similar countries. The Australia Institute's report *Ending the ICE age: Norway's plan to end internal combustion engine vehicle sales by 2025* outlines policies in Norway that can be adopted in the Australian context.

Beyond the proposed tax changes in the Bill, additional policies can include

- Tax incentives for all electric vehicle owners for example through exempting electric vehicles from the Luxury Car Tax,<sup>9</sup>
- Upfront purchase incentives such as trade-in rebates, and
- Operating incentives such as registration rebates, free parking, and priority lane access which can be administered in partnership with state and territory governments.

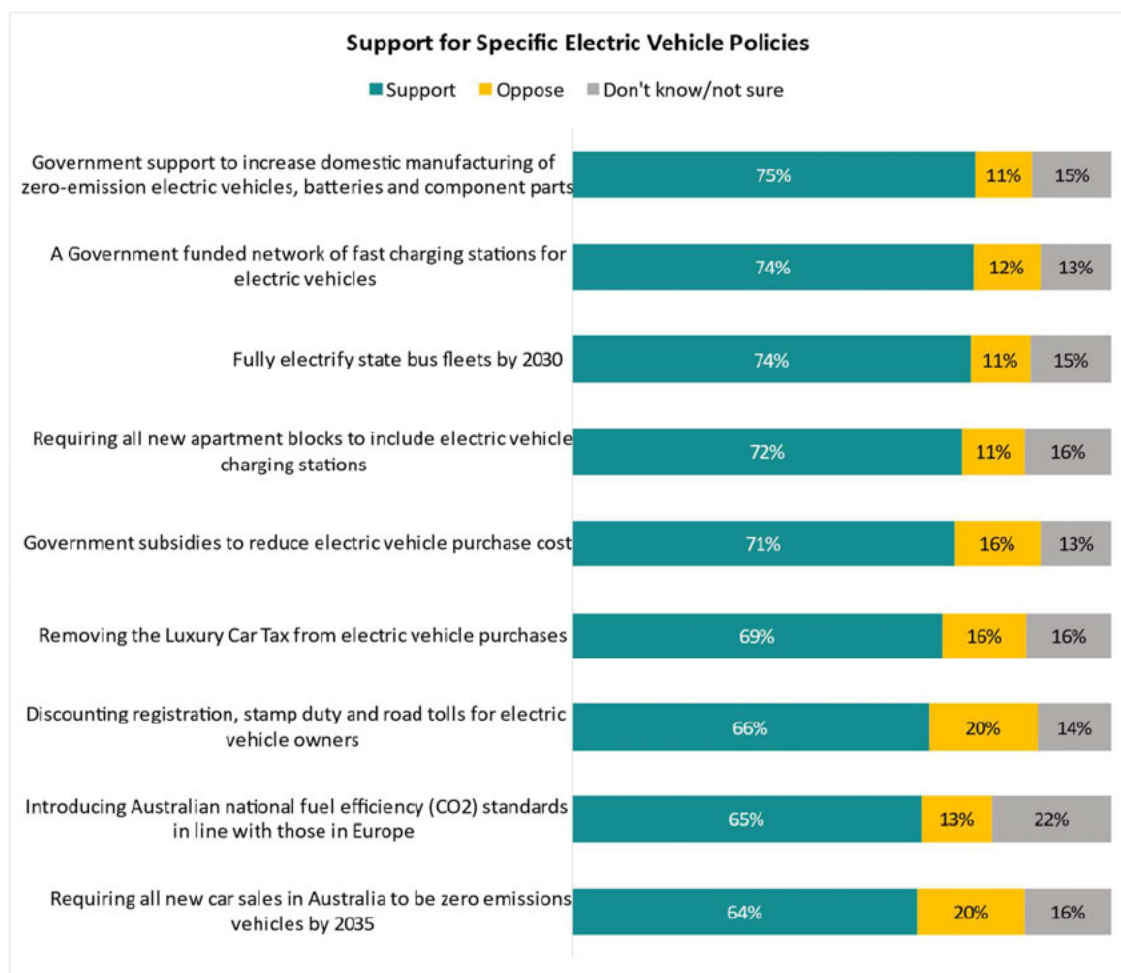
Polling by the Australia Institute, reported in *Climate of the Nation 2021*, showed strong support for a range of these policies.<sup>10</sup>

- 71% Australians support government subsidies to reduce the cost of purchasing electric vehicles
- 69% support exemption of electric vehicles from the Luxury Car Tax
- Two in three (66%) support discounts on registration, stamp duty and road tolls for electric vehicles
- 65% support the introduction of national fuel efficiency standards

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<sup>9</sup> This was also recommended in the report by the Senate Select Committee on Electric Vehicles (2019) *Report*, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Electric\\_Vehicles/ElectricVehicles/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Electric_Vehicles/ElectricVehicles/Report)

<sup>10</sup> Quicke (2021) *Climate of the Nation 2021*, <https://australiainstitute.org.au/report/climate-of-the-nation-2021/>



Source: *Climate of the Nation 2021*

Comprehensive decarbonisation of transport should extend to policies beyond light passenger vehicles, through national coordination and federal government support for electrifying bus fleets across states and territories in Australia. The Australia Institute’s latest report on electric buses and the progress across Australian jurisdictions is attached for consideration.<sup>11</sup>

With growing momentum and funding for the clean electricity transition, such as the Labor government’s *Powering Australia* plan, now is the time to expedite the clean transport transition.<sup>12</sup> The federal government can play a key role to plug Australians into smarter, cleaner, and more affordable transport options.

Finally, there is a national security imperative to expedite the transition. Australia has become more liquid fuel insecure with 91 per cent of fuels derived from

<sup>11</sup> Quicke, Parrott (2022) *Next stop: Zero emissions buses by 2030*, <https://australiainstitute.org.au/report/next-stop-zero-emissions-buses-by-2030/>

<sup>12</sup> Department of Climate Change, Energy, the Environment and Water (2021) *Powering Australia*, <https://www.energy.gov.au/government-priorities/australias-energy-strategies-and-frameworks/powering-australia>

imports. Demand-side solutions like robust fuel efficiency standards and electric vehicle incentives can unshackle Australians from high oil prices.<sup>13</sup>

The Australia Institute Climate & Energy Program is available to provide any further information or to appear in person to assist with the inquiry.

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<sup>13</sup> Carter, Quicke, Armistead (2022) *Over a Barrel*, <https://australiainstitute.org.au/report/over-a-barrel/>