6 February 2026

The Treasury
Langton Crescent
PARKES ACT 2600

Via: https://consult.treasury.gov.au/c2025-727436

Dear Sir/Madam,

Review of the Electric Car Discount – EVC submission

The Electric Vehicle Council (EVC) welcomes the opportunity to make a submission to the statutory review of the electric car discount. The EVC is the national peak body for the electric vehicle (EV) industry in Australia, representing almost 80 businesses across the EV value chain. Our mission is to accelerate the electrification of transport for a sustainable and prosperous future.

As the voice of Australia's EV industry, the EVC is ambitious: electric vehicles can be the engine of Australia's decarbonising economy. To realise their full benefits, however, policy must be carefully designed and timed to maximise benefits for all Australians. Since 2022, the Federal Government has taken laudable steps in helping to decarbonise Australia's transport sector. The National Vehicle Efficiency Standard and the electric car discount are just two of the many excellent measures that are driving decarbonisation and bringing cost of living relief to Australian households while reducing air and noise pollution in our communities.

Our submission demonstrates that the tax exemptions from fringe benefits and import tariffs were effective in encouraging the uptake of electric cars. The exemptions have helped to reduce the upfront cost of electric cars in both the new car market principally through the novated leasing channel, and increasingly in used car markets through post-lease and fleet vehicles. The first years of the tax exemptions have helped move electric car adoption in Australia from 'early adopters' to the 'early majority' with vehicle sales increasing from 2% to 13% between 2021 and 2025. Accordingly, this growth in uptake has given confidence to charging service providers to invest in infrastructure across the country.

With the vehicle eligibility set at roughly $92,000, Australians have been able to access the majority of EVs now available in the Australian market, through increased supply due to NVES. The most substantial growth has been in the medium SUV market where EVs are now the leading fuel type. However, there is a lack of EV options in the BEV ute market which is critical in the Australian economy.

While there has been growth in the EV market reflected in sales and charging infrastructure, the future operation of the discount is critical to maintain EV affordability for working Australians. Data shows that there is still a substantial price premium for EVs across all market segments demonstrating the prima-facie case for its extension. Acknowledging the fiscal pressures experienced by the federal government more broadly,

tax exemptions for ICE vehicles from LCT and FBT should be considered for their misalignment with the government's transport decarbonisation agenda. As a highly successful program, the discount's evolution could be considered in line with EV uptake in the national vehicle fleet.

In the short consultation period over December and January, the EVC has worked with its members to develop ideas for the discount's financial sustainability while encouraging EV uptake. We are eager to work with the government to further investigate these proposals to drive Australia's electrification journey.

Yours sincerely,

Julie Delvecchio
CEO, Electric Vehicle Council

Review of the Electric Car Discount

Executive Summary

The Electric Vehicle Council (EVC), as Australia's national peak body for the electric vehicle (EV) industry, welcomes the review of the electric car discount (the Discount). Transport emissions are rising and are projected to become Australia's largest source of emissions by 2030. Passenger and light commercial vehicles alone account for more than 10 percent of national emissions. Accelerating EV uptake is therefore essential to meeting the Government's legislated 2050 net zero target and its 2035 interim emissions reduction goal.

The Discount, inclusive of the removal of fringe benefits tax for EVs priced under $91,387 and removal of the 5% import tariff for eligible EVs, has been a highly effective transitional, demand-side policy during a critical market-formation phase. It has materially accelerated EV uptake since its introduction in 2022, particularly through novated leasing and fleet channels, helping Australia move from "early adopters" toward the "early majority". EV market share increased from around 2 per cent of new vehicle sales in 2021 to 13.1 per cent in 2025, with independent analysis attributing more than 105,000 additional EV purchases to the policy between 2022 and 2024.[1] Importantly, most novated-lease EV buyers would not have purchased an EV in the absence of the Discount.[2]

The policy's effectiveness cannot be assessed in isolation. It operates as part of a broader ecosystem alongside the National Electric Vehicle Strategy, the New Vehicle Efficiency Standard (NVES), charging infrastructure rollout, energy system reform and fleet transition. By stimulating demand, the Discount has supported greater OEM engagement, more than doubling model availability since 2022, applying downward pressure on prices, and underpinning private investment in charging, servicing, skills and supporting industries. It has also helped seed a rapidly growing second-hand EV market, improving affordability and equity. These measures have helped EV uptake in Australia move from "early adopters" towards the "early majority". Further, bidirectional EVs can act as distributed energy storage, flattening demand curves, improving renewable utilisation, and reducing grid pressure during peak demand or low-renewable periods.

While the market is evolving, it is not yet self-sustaining. EVs still represent only around 2 per cent of the total light vehicle fleet, and Australia is behind its own uptake trajectories and international peers. Price parity with internal combustion engine (ICE) vehicles has

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[1] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 21, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

[2] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 35, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

not yet been reached. In 2025, top-selling EVs remained on average 25 percent more expensive than comparable ICE vehicles. Persistent barriers remain for regional users, trades, light commercial vehicles and fleets, where uptake is lagging despite these segments accounting for around half of all new vehicle purchases.

We are respectfully cautious about over-emphasis on the scheme's fiscal cost given its model of calculation and the fact that budget modelling does not factor in the widespread benefits of electrified transport. The MYEFO estimate of $1.35 billion in FY25-26 reflects foregone FBT revenue under static assumptions without behavioural change. In a counterfactual scenario without the Discount, while some income tax and import tariff revenue would be raised, it's not clear what the ultimate tax take would be given a person may choose not to buy an EV at all or buy an ICE vehicle with the benefit of the LCT or FBT exemptions currently available. It is almost certain though that emissions would be higher and EV uptake would be much lower.

Further, there are substantial offsetting benefits that are not reflected in other budget line items and non-budget benefits including increased fuel sovereignty through reduced fuel imports, improved air quality and health outcomes, lower future abatement costs and energy system efficiencies. Independent modelling estimates the Discount delivers more than $2 in economic, environmental and health benefits for every dollar of cost, rising to $3 per dollar over the coming decade.[3]

The EVC recommends an evolution of the Discount that is prospective, phased and linked to EV uptake objectives aligned with emissions targets, rather than arbitrary dates. Premature withdrawal or narrowing risks slowing uptake, undermining investment, reducing model availability and increasing long-term public costs. It also risks slowing the second-hand EV market which is critical given that most Australians buy a vehicle second-hand. The review should consider the Discount as part of a coordinated policy portfolio and prioritise reform of perverse taxation incentives for high-emission vehicles.

Our observations and recommendations are noted below, and the submission is set out as follows: the purpose of the Discount, responding to the terms of reference for this review, the risks of premature withdrawal based on domestic and international experiences and broader taxation settings to support the EV transition and appendices.

The EVC has worked with its industry members to develop an initial suite of options for brining fiscal sustainability to the Discount. We are ready to work with Government to investigate the effect of these options on uptake, noting the compressed December/January timeframe has only allowed for an initial appraisal of these ideas.

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[3] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 31-32, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

EVC Observations and Recommendations

Observations

1. The Electric Car Discount has been **highly effective against the Government's stated goals in increasing uptake of EVs** by reducing the upfront price and reducing national transport emissions.
2. However, **Australia's EV adoption remains far below the levels required** to meet the Federal Government's 2035 net zero target with fewer than 500,000 EVs on Australian roads in a national fleet of 20 million vehicles.
3. **Price parity has not been achieved** between EVs/ICE with the top 10 selling EVs still on average 25% or $9,500 more expensive than their direct ICE comparison, demonstrating the case for the Discount's continuance.
4. Over its short operation, the Discount has supported the successful implementation of the National Vehicle Efficiency Standard. However, **international experience shows that ongoing and more demand side measures are needed** to successfully transition the national fleet to electric vehicles.
5. **Policy certainty is critical for industry investment and consumer confidence** in the EV industry, affecting OEM supply, charging investment and consumers' residual values.

Recommendations

1. To ensure Australia's EV uptake continues to increase, the **Electric Car Discount could be evolved to taper down** based on the percentage of EVs in the national fleet while ensuring EVs remain affordable for working Australians through the Discount.
2. Given the Discount is only available to Australians with access to a company car or novated leasing, the Government should introduce **further demand side incentives to address the existing EV price premium** including direct consumer subsidies or GST exemptions for EVs.
3. In alignment with this change, the Government should **remove taxation settings that are not aligned with its decarbonisation agenda** including FBT and LCT exemptions for ICE light commercial vehicles. Closure of these loopholes would support further investments in the EV transition.
4. **Road user charging should be deferred until the EV uptake is sustained** and introduced in a phased, universal manner that applies to all vehicles and encourages the adoption of EVs.

1. Purpose and Context of the Electric Car Discount

In 2022, the Federal Treasurer, outlined the Discount's purpose was designed to 'help reduce the up-front and ownership costs of electric cars, addressing a significant barrier to buying them in Australia."[4] Against these objectives, the Discount has arguably been one of the Government's most successful policies. Between 2022-2025:

- the market share of electric vehicles (battery electric and plug-in hybrid electric vehicles) has risen from 2 per cent in 2021 to over 13 per cent in 2025
- carbon emissions have been cut by up to 200,000 tonnes annually
- average prices of new battery electric vehicles have fallen by almost 9 per cent and the second-hand market has grown by over 3x between 2023 and 2025[5]

Moreover, as a demand side policy, the Electric Car Discount has had much greater impact than just a standalone measure. It has been instrumental in encouraging the transition to EVs and supporting the successful implementation of the government's own supply-side policy - the New Vehicle Efficiency Standard (NVES).

The Government's NVES Impact Analysis acknowledged that a supply-side policy alone is insufficient because it does not automatically create a market for the vehicles it encourages: "What is clear is that demand side and supply side measures need to work together to deliver a real reduction in fuel costs and car emissions, and to get the best technology for Australian consumers."[6]

The transition to EVs is beneficial for the country across many facets. It assists our energy system transformation by enabling better utilisation of distribution networks and promises significant energy storage opportunities via vehicle to home (V2H) and vehicle to grid (V2G). EVs also improve national security and resilience by reducing our reliance on foreign oil. EVs are natural multi-fuel vehicles – they can run off energy from wind, solar or battery storage as well as any fossil fuel if required. Consuming locally produced electricity supports Australian jobs and locally owned companies rather than sending profits overseas.

Finally, transitioning from ICE vehicles to EVs leads to significant reductions in harmful local air pollutants, namely nitrogen and sulphur oxides and particulate matter. These

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[4] Treasurer Jim Chalmers, Speeches, July 2022, https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/speeches/second-reading-speech-treasury-laws-amendment-electric-car

[5] Autograb x AADA, Annual 2025 – Automotive Insights Report, January 2026, 5, https://www.aada.asn.au/wp-content/uploads/2026/01/2025_Annual_AIR.pdf
Autograb x AADA, 2023 – Automotive Insights Report, January 2024, 24, https://www.aada.asn.au/wp-content/uploads/2024/01/2023-AIR-Year-That-Was-Final.pdf

[6] The Office of Impact Analysis, Cleaner, Cheaper to Run Cars: The Australian New Vehicle Efficiency Standard, March 2024, 17, https://oia.pmc.gov.au/sites/default/files/posts/2024/08/Impact%20Analysis%20-%20NVES%20-%20Final.pdf

reductions translate into improved population health outcomes and avoid healthcare system costs.

Independent modelling[7] estimates that the health benefits associated with reduced air pollution attributable to the Discount amount to approximately $5.9 billion between 2022 and 2025, with a further $23.9 billion in benefits projected over the 2026 to 2030 period. These outcomes represent a substantial and enduring dividend for both public health and health system sustainability. In addition to air quality improvements, EVs generate significantly lower noise levels than ICE vehicles, delivering broader amenity benefits in urban and suburban environments.

[7] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 31, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

3. Response to the Terms of Reference

3.1 Effectiveness in Encouraging Uptake of Zero and Low Emissions Vehicles

EV uptake accelerated significantly following introduction of the Discount, particularly in the salary-packaged market. Novated leasing has proven a powerful channel for reaching households otherwise priced out of new EVs. In 2021, prior to the Discount, EVs were only about 2% of new car sales; in 2025, EV market share has risen to 13.1% of the total market, up from 9.5% in 2024. This growth followed a decade of very limited EV support in Australia, during which adoption lagged far behind other countries.

Combined with the NVES, the Discount has supported greater OEM engagement, increased model availability, and downward price pressure on EVs. It encourages OEMs to prioritise Australia for vehicle allocation. Accordingly, models available have more than doubled from 69 in 2022 to over 150 in 2025[8]. EVC light vehicle OEM members report that 50 and, in some instances, up to 70% of sales under the Luxury Car Threshold are leased due to the Discount.

By removing Fringe Benefit Tax (FBT), the policy effectively made EV salary-packaging much more affordable, which stimulated demand. EVs jumped from ~1% to 50% of all novated lease vehicle orders after the discount began. Analysis by Magenta Advisory[9] attributes more than 105,000 additional EV purchases between 2022 and 2024 to the policy's introduction and that most novated lease EV drivers wouldn't have bought without it.

3.2 Appropriateness of the Scheme as the Market Evolves

Australia's EV market has begun transitioning but the job is only starting. While there are more models, price competition and increasing investment in charging infrastructure, persistent barriers include:

- upfront cost parity has not yet been reached
- limited availability of affordable EVs for regional users, trades, and commercial fleets; and
- charging infrastructure access remains uneven.

Uptake is also still not in line with the Government's own ambitions

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[8] Electric Vehicle Council, Australian Electric Vehicle Industry Recap 2022, February 2023, 7, https://electricvehiclecouncil.com.au/wp-content/uploads/2023/02/AUSTRALIAN-ELECTRIC-VEHICLE-INDUSTRY-RECAP-2022.pdf
Electric Vehicle Council, State of Electric Vehicles 2025, September 2025, 58, https://electricvehiclecouncil.com.au/state-of-evs-2025/

[9] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 21, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

The Government's 2035 emission reduction target is based on the Climate Change Authority's guidance on EV uptake needing to hit 5 million battery electric vehicles (BEVs) by 2035. As at the end of 2025, however, the number of BEVs on the road in Australia was around 350,000. This means Australia faces a significant challenge to meet its 2035 target. This task would become much more difficulty without the Discount which is targeted at BEVs. Independent analysis by Magenta Advisory shows that removal of the BEV exemption in 2027 would see 1.5 million fewer EVs on the road by 2035.[10]

Fleets are struggling to transition

Fleet uptake of EVs are lagging private sales. For example, only 17% of BYD sales in 2025 were to fleets and businesses vs. 71% for Ford.[11] The top four models bought by businesses were utes[12], whereas private buyers skew towards SUVs - medium SUVs made up the top 3 private buys in 2025. The Tesla Model Y and BYD Shark 6 were second and fourth for private buyers, whilst no pure EV was in the top 15 models bought by business.

Fleets state a lack of fit for purpose models and charging infrastructure are the main reasons as well as lack of understanding of the technology and where to start. Since fleets and businesses buy around half of new vehicles each year, providing incentives, like the Discount, is vital to increase uptake.

Australia is still behind its peers

EVs made up a quarter of global passenger sales in 2025[13]. Australia lags its peers on EV sales and emissions intensity. Given Australia did not have national EV policies before the 2020s, this position should not be surprising and only highlights the need to continue investing in such policies to 'make up time'. Australia's BEV sales share of 8.3%[14] in 2025

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[10] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 25, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

[11] Mike Costello, LinkedIn, January 2026, https://www.linkedin.com/posts/mike-costello-cox-automotive_vfacts-activity-7416717619711406081-tuKY/?utm_source=share&utm_medium=member_desktop&rcm=ACoAACNKTx4Bd0duGMDev13hIWLEnnz52w1hmaA

[12] Mike Costello, LinkedIn, January 2026, https://www.linkedin.com/posts/mike-costello-cox-automotive_vfacts-activity-7416965025686523904-Ujc-?utm_source=share&utm_medium=member_desktop&rcm=ACoAACNKTx4Bd0duGMDev13hIWLEnnz52w1hmaA

[13] The International Council on Clean Transportation, Electric vehicles capture 25% of global passenger car market as growth rates in emerging economies outpace established leaders, January 2026, https://theicct.org/pr-vision-2050-update-on-the-global-zev-transition-in-2025/

[14] Riz Akhtar, The Driven, BYD Leads December EV sales as Australia records more than 100,000 EV sales in 2025, January 2026, https://thedriven.io/2026/01/06/byd-leads-december-ev-sales-as-australia-records-more-than-100000-vehicle-sales/

means it's behind developing nations like Vietnam (40%), Thailand (28%) and even Indonesia (14%).[15]

Notably, according to the NTC[16], in 2024, emissions intensity for passenger cars in European countries ranged from 12 g/km in Norway to 138 g/km in Slovakia. The overall weighted average emissions intensity for the 29 European countries was 107 g/km. Australia's emissions intensity was significantly higher at 143 g/km (for passenger vehicles and SUVs).

Figure 72: Average emissions intensity of passenger vehicles in Australia and Europe, 2024

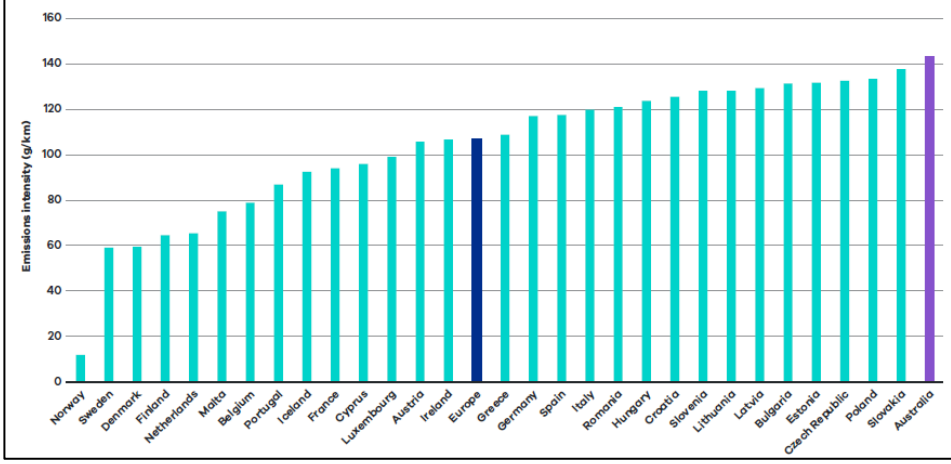
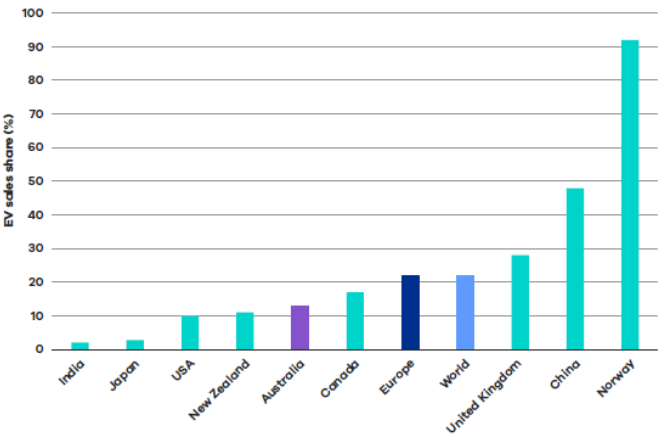


Figure 76: International comparison of share of electric passenger car sales in selected countries (%), 2024



Source: NTC analysis based on IEA data (IEA, 2025a)

[15] The International Council on Clean Transportation, Electric vehicles capture 25% of global passenger car market as growth rates in emerging economies outpace established leaders, January 2026, https://theicct.org/pr-vision-2050-update-on-the-global-zev-transition-in-2025/

[16] National Transport Commission, Light vehicle emissions intensity in Australia: Trends over time, December 2025, 90&94, https://www.ntc.gov.au/light-vehicle-emissions-intensity-australia

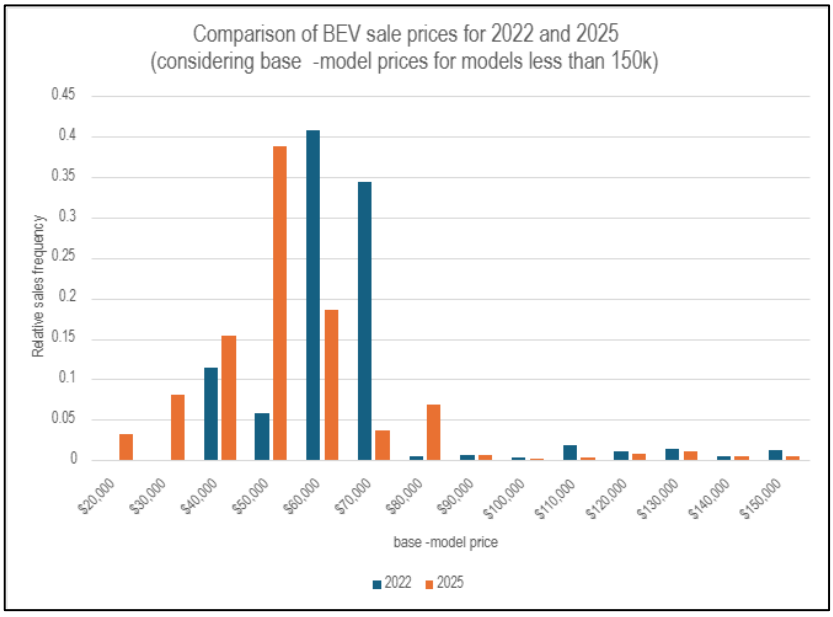
3.3 Scope of Vehicle Coverage (Vehicle Types, Price Caps, Technologies)

The Discount has been successful in growing sales in the passenger and SUV segments. However, transitioning light commercial vehicles like utes and vans is critical to reduce transport emissions but remain underserved and cost-challenged by EVs. Maintaining the Discount over the medium term can help adoption in these segments, especially for SMEs and fleets.

2025 sales numbers illustrate that EV sales are much higher in vehicle segments with many EV options. For example, 56% of all EV sales were in the medium SUV segment which has the highest number of EV models available. However, most of the highest selling vehicles in Australia are in the light commercial (ute) and large SUV segments. There are currently very few BEV models available in these segments which is a barrier to growth.

New EV prices have fallen but there is still a significant price discrepancy

EVC analysis of the Recommended Retail Prices (RRPs) for new EVs in 2022 and 2025 demonstrates that the mean BEV price has dropped from $87k to $71k and mean spend based on sales volume has dropped from $70k to $61k in this period. The transition to cheaper models is also happening with the majority of sales moving from the $60-70k to the $50-60k bracket.



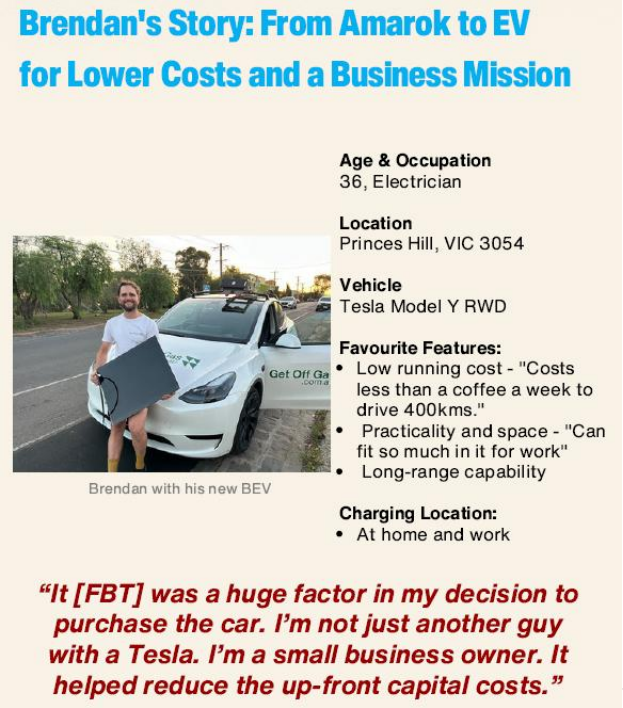
However, when comparing the top 10 BEV sales in 2025 to their closest ICE equivalent, there is still a significant average cost difference of $9,500 and BEVs were on average 25% more expensive.

2025 Price Comparison – Top 10 selling EVs vs ICE Equivalent

EV Model	RRP for base model	Direct ICE equivalent	RRP for base model	Difference	Percentage difference
Tesla Model Y	$55,900	Toyota Rav4 Hybrid	$42,260	$13,640	32%
BYO Sealion 7	$54,990	Toyota Rav4 Hybrid	$42,260	$12,730	30%
Tesla Model 3	$54,900	Toyota Camry Hybrid	$39,990	$14,910	37%
Kia EV5	$56,770	Toyota Rav4 Hybrid	$42,260	$14,510	34%
Geely EX5	$40,990	Kia Sportage	$38,490	$2,500	6%
BYD Atto 3	$39,990	Hyundai Kona	$32,950	$7,040	21%
BYD Seal	$46,990	Toyota Camry Hybrid	$39,990	$7,000	18%
BYD Dolphin	$29,990	Toyota Yaris Hybrid	$28,990	$1,000	3%
MG MG4	$37,990	Toyota Corolla Hybrid	$32,585	$5,405	17%
Kia EV3	$47,600	Kia Seltos	$31,250	$16,350	52%
Average	**$46,611**		**$37,103**	**$9,509**	**25%**

This demonstrates that demand-side incentives are still needed to support Australians into cleaner, cheaper-to-run cars. The Australian Automotive Dealers Association's latest EV & Hybrid Vehicle Insights Report states that Australians' intention to buy an electric vehicle as their next main car has stagnated at 22%.[17] 65% of respondents also agreed that 'given the current economic times, I'm less willing to pay more for an EV over other fuel types'.

[17] Zing Insights & AADA, EV & Hybrid Vehicle Wave 4 Insights Report, January 2026, 19&32, https://www.aada.asn.au/wp-content/uploads/2026/01/202511-EV-Hybrid-Vehicle-Wave-4-websitecopy.pdf



[18]

3.4 Charging Infrastructure and Support Services

Vehicle uptake and charging rollout are mutually reinforcing and infrastructure roll out is central to the transition. In the UK, the number of public chargers increased more than five-fold[19] between 2016 and 2025, closely tracking EV fleet growth. This mirrors the Australian experience where increased demand due to the Discount has helped create investment in charging infrastructure and greater roll-out of charging plugs.

Our State of EVs reports note that charging locations grew from 291 in 2022 to more than 1,272 in 2024 with over 4,192 plugs, representing 4.3x growth. There was also a 22% increase in charging plugs in 2024/25 which mirrors the 24% increase in EV sales during in this period[20]. However, there are still significant charging gaps remaining for drivers who cannot charge at home like apartment dwellers and a lack of kerbside and workplace charging.

3.5 Consumer Acceptance and Equity Impacts

The Discount has provided a strong financial incentive for Australians with access to novated leasing to make the switch to EVs. Current cost-of-living pressures make operating cost savings increasingly important, especially for high-mileage drivers. The EVC estimates that a person driving 15,000 kms annually in an EV can save up to $3,000

[18] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 35, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf
[19] Ember Energy, Global Electricity Review 2025, April 2025, https://ember-energy.org/latest-insights/global-electricity-review-2025/the-big-picture/
[20] Electric Vehicle Council, State of Electric Vehicles 2025, September 2025, 3, https://electricvehiclecouncil.com.au/state-of-evs-2025/

per year on fuel and maintenance compared to an ICE vehicle. These savings are reflected in the fact that once a person buys an EV, they're very unlikely to switch back to an ICE vehicle, a fact reflected in the 2025 Australian Electric Vehicle Association owner survey.

For all Australians across all incomes

The $90k-$120k income bracket has the highest absolute EV uptake numbers on novated leases, accounting for over 19% of purchases.[21] Suburban and public sector workers are amongst the highest uptake demographics:

- suburban areas (10-30km) show a ~30% electrification rate;
- healthcare workers (~15% of the novated lease customer base) are actively adopting EVs; and
- government employees (~19% of the novated lease customer base) are using salary packaging.

EVs are increasingly being taken up Australians in outer suburbs. The top 10 postcodes by EV share are in the outer suburbs of Melbourne, Sydney and Brisbane with an average distance to the city centre of 44 kms, 37 kms and 31 kms, respectively. This demonstrates the economic logic of EV take-up. For Australians who have less access to public transport and need to drive the furthest, an EV makes the most economic sense given the lower running costs. In this sense, EV uptake has helped to cushion the cost of living for outer suburban households and will continue to be crucial in the ongoing high inflationary economy.

The Discount is accelerating the second-hand EV market

Most Australians still buy used, rather than new, vehicles. Around twice as many second-hand vehicles are sold every year compared to new cars. The Discount is helping to create a thriving second-hand market as cars from novated leases and fleets enter the used car market from about 3 years after purchase. Through the Discount, leasing plays a major role in building near-term used-EV supply and improves affordability for mainstream buyers.

Data from the Australian Automotive Dealer Association's latest Automotive Insights shows second-hand BEV sales grew 3x from 2023 to 2025.[22] Pickles Auctions, Australia's largest car auction house, estimates that second-hand EV sales increased 17x from Q3, 2022 to Q4, 2025. Further, there was a clear uptick in 2025 as the first round of initial EVs

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[21] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 28, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

[22] Autograb x AADA, Annual 2025 – Automotive Insights Report, January 2026, 5, https://www.aada.asn.au/wp-content/uploads/2026/01/2025_Annual_AIR.pdf
Autograb x AADA, 2023 – Automotive Insights Report, January 2024, 24, https://www.aada.asn.au/wp-content/uploads/2024/01/2023-AIR-Year-That-Was-Final.pdf

from 2022 came off leases. Pickles' data supplied to the EVC states that 49% of second hand EVs sold in 2025 were fleet and lease vehicles with an average battery health of 96.2%. Manheim Auctions also reported BEV sales in 2025 were up 162% year on year to a record volume.

From 2022, over 61,000 EVs have entered the second-hand market, flowing into a pool of affordable used EVs.[23] Without the Discount, this pipeline of used EVs would have been materially smaller, slowing affordability gains and uptake beyond early adopters.

3.6 Cost of the Scheme Relative to Outcomes

The $1.35 billion 2024/25 MYEFO figure is a revenue-forgone estimate that assumes EV purchases would occur unchanged in the absence of the policy. As Treasury has noted, such estimates overstate recoverable revenue when behaviour changes - which is the purpose of the Discount. This submission has demonstrated that thousands of people would not have purchased an EV without the Discount. Instead, they may have chosen to purchase an ICE vehicle and get the benefit of the existing LCT or FBT exemptions, while increasing national carbon emissions.

Further, the revenue-forgone estimate captures only the gross value of foregone fringe benefits tax and does not account for offsetting fiscal benefits, including reduced fuel imports, lower health costs from improved air quality and reduced reliance on more expensive policy interventions at later stages of the transition.

The effect of EVs on air quality is now statistically significant. Researchers from the Keck School of Medicine at the University of Southern California (USC) have reported the first statistically significant decrease in nitrogen dioxide (NO_2) linked to zero-emission vehicles.[24] They found that for every 200 ZEVs added there was a corresponding 1.1 per cent reduction in NO_2 levels. NO_2 can trigger asthma attacks, cause bronchitis, and increase the risk of heart disease and stroke.

These system-wide benefits are outside the scope of tax expenditure reporting but are directly relevant to assessing the net fiscal and economic impact of the scheme. Using a static tax expenditure framework to assess a transitional policy in a dynamic, rapidly evolving market risks overstating fiscal impact and understating policy effectiveness. A narrowly constructed focus on cost of abatement through the Discount overlooks these factors and the apposite analogy with rooftop solar in Australia. Similar criticisms were also levelled at policies that helped initially roll-out rooftop solar in Australia which has subsequently become the backbone of our renewables-led energy grid.

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[23] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 39, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

[24] Josh Hill, The Driven, January 2026, https://thedriven.io/2026/01/29/ev-adoption-leads-to-rapid-and-significant-cuts-in-air-pollution-new-data-shows/.

Broader benefits

Independent modelling by Magenta Advisory indicates that the Discount yielded $2.25 in environmental, economic and health benefits for every $1 spent between 2022-2025.[25] When projected for the 2026 to 2030 period the benefits are expected to increase to $3 per $1 cost incurred. Some of these broader benefits are noted below.

Grid Efficiency & System Optimisation

EVs can in fact enhance grid efficiency:

- Recent Australian evidence shows most home EV charging happens overnight or in the middle of the day, with relatively little during the network peak (5–9pm) period[26].
- At scale, EVs with V2H + V2G potential can act as distributed storage, flattening demand curves, and improving renewable utilisation.
- Families can benefit directly, with research showing V2H can reduce monthly electricity bills by about 11.6%[27] (Datta et al., 2019), which, when scaled to the broader fleet, represents a substantial system-wide benefit.

Energy Resilience

Bi-directional EVs (vehicle to grid) act as distributed storage, reducing pressure during peak or low-renewables periods.

- Vehicle to grid reduces microgrid electricity costs by up to 5.7%[28]
- Vehicle to load can act as backup power system to power appliances. With research showing that 3/4ths of Australians tend to experience power outages
- Such capability is increasingly valued and demonstrated during the aftermath of Tropical Cyclone Alfred[29]
- By 2050, EV batteries could make up ~ 80% of the gross storage capacity in the National Energy Market[30]

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[25] Magenta Advisory, Building a Self-Sustaining Australian EV Market, Sept 2025, 31, https://nalspa.org.au/wp-content/uploads/2025/12/optimized_final_report_building_a_self-sustaining_australian_ev_market_magenta_advisory_sep2025_v2-1.pdf

[26] Electric Vehicle Council, Home EV Charging and the grid: Impact to 2030 in Australia, December 2024, 1, https://electricvehiclecouncil.com.au/wp-content/uploads/2024/12/Home-EV-Charging-and-the-Grid-2030_-edition-2.1_all-edits-complete-MS.pdf

[27] Datta et al, A price-regulated electric vehicle charge-discharge strategy for G2V, V2H and V2G, 2019, 14, https://vuir.vu.edu.au/37977/1/Ep37977_APriceRegulatedElectricVehicleCharge-DischargeStrategy.pdf

[28] O'Neill et al, An assessment of electric vehicles and vehicle to grid operations for residential microgrids, November 2022, https://www.sciencedirect.com/science/article/pii/S2352484722005509

[29] Royce Kurmelovs, The Guardian, March 2025, https://www.theguardian.com/australia-news/2025/mar/16/from-sterilising-baby-bottles-to-charging-laptops-some-australians-powered-through-cyclone-alfred-using-ev-batteries.

[30] Australian Renewable Energy Agency, The ultimate battery: How your EV could reduce power bills and contribute toa cleaner energy grid, February 2025, https://arena.gov.au/blog/arena-wire-new-roadmap-evs-australia/

Noise pollution

Transport noise has a measurable negative effect on urban wellbeing and asset value. Property values drop by 6% per 10 dB(A) increase in road noise in Melbourne, and 3.5% in Victoria[31].

An American Study found up to one-third of all new asthma cases each year can be attributed to the harmful air pollutants emitted by cars.[32] It found replacing ICE vehicles with EVs would minimize childhood asthma cases linked to pollution from vehicle exhaust.

Jobs, Industry & Regional Development

The EV transition is tightly coupled with clean energy infrastructure growth. McCoy et al. demonstrate that net-zero policies will create about 210,000 to 490,000 new domestic energy jobs and 350,000 to 510,000 clean energy export-related jobs.[33] These include roles in solar, wind, battery systems, and electricity transmission — especially in regional areas.

Fuel security

An increasing EV market share will reduce Australia's dependence on fuel imports. Currently Australia imports $40 billion of oil each year which is 6% of our annual imports.[34] As the energy grid sources more of its energy from renewables, our light passenger fleet will be fuelled by the Australian sun and wind, increasing our fuel sovereignty.

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[31] Hinze & Ward, Transforming property valuation with traffic noise insights, March 2025, 11, https://www.proptrack.com.au/wp-content/uploads/2025/03/PropTrack-and-Ambient-Traffic-Noise-Insights.pdf

[32] Alotaibi et al, Traffic related air pollution and the burden of childhood asthma in the contiguous United States in 2000 and 2010, 2019, https://www.sciencedirect.com/science/article/pii/S0160412018325388?via%3Dihub.

[33] McCoy et al, Labour implications of the net-zero transition and clean energy exports in Australia, June 2024, https://www.sciencedirect.com/science/article/pii/S2214629624000975#:~:text=Abstract,for%20new%20energy%20system%20assets.

[34] David Leitch, Renew Economy, January 2026, https://reneweconomy.com.au/australia-should-go-hard-on-evs-exempt-them-from-gst-and-save-40-billion-a-year-in-fuel-imports/.

4. Risks of Premature Withdrawal or Narrowing

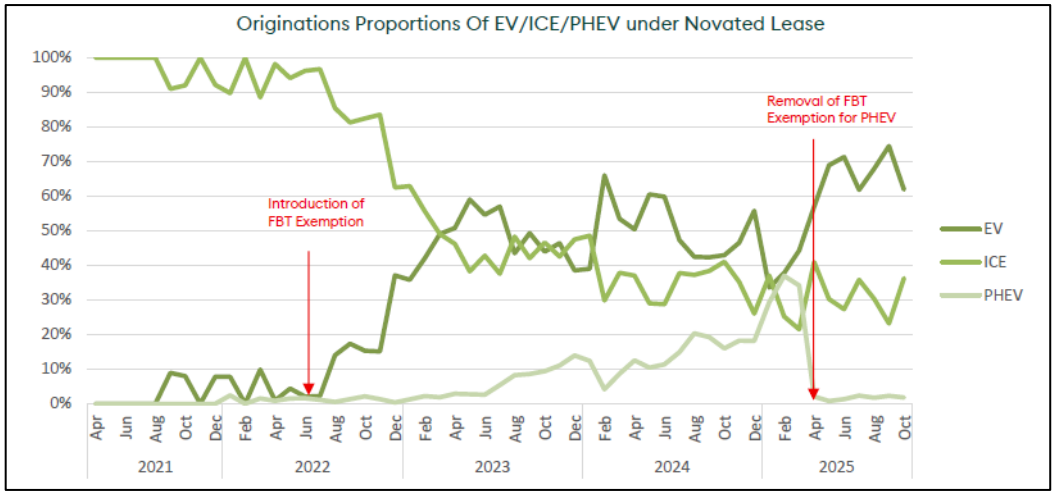
As the Federal Treasurer intended, the Discount is currently working to 'encourage greater take-up of electric vehicles and reduce… transport emissions…[and]… reduce the up-front and ownership costs of electric cars, addressing a significant barrier to buying them in Australia.' This section outlines the risks from withdrawing the Discount and lessons from international experiences.

Changes to the policy at this early stage success risk:

- slowing uptake before price parity is reached;
- reduced OEM confidence and model availability;
- stranded charging investment; and
- higher long-term public costs to meet emissions targets.

End of the Discount for PHEVs significantly reduced demand

After the application of the Discount for plug-in hybrid electric vehicles ended in March 2025, the percentage of novated lease settlements for PHEVs dropped significantly to pre-policy levels. Data from Metro Finance shared with the EVC shows PHEV demand falling by 94% within a single quarter. This suggests that policy-driven improvements for battery electric vehicles could be similarly unwound within a few months.



International experiences demonstrate the disastrous consequences of premature reductions in EV supports

<u>Sweden – Removal of Lease Incentive Leads to Drop in Uptake</u>

- Key levers impacted: $10,000 bonus for leased EVs in 2018 resulted in half of Sweden's EV fleet being leased

- Impact: removal of the subsidy in 2022 led to a rise in lease prices by 40 per cent and EV leases fell 45 per cent between 2022 and 2023.[35] The impact was most severe for low-income households where uptake is estimated to have declined 94 percent.

Canada – sharp reduction in demand when incentives were withdrawn

- Key levers impacted: Federal rebates of up to CA$5,000, combined with provincial incentives of up to CA$7,000, helped lift EVs to around 19% of light-duty vehicle sales by late 2024 but were lapsed or paused in 2025
- Impact: battery electric vehicle sales fell by around 50% quarter-on-quarter, dropping to 9.2% of sales by Q3 2025[36]

On Thursday 5 February, the Canadian government announced a CAD$2.3-billion program to offer consumers and businesses purchase or lease incentives of up to $5,000 for EVs and up to $2,500 for plug-in hybrids.[37]

Germany – subsidy cuts reversed momentum

- Key levers impacted: company car tax breaks, vehicle tax exemptions, corporate depreciation incentives were reduced or phased out
- Impact: sales dropped as the market share fell from 31% in 2022 to 19% in 2024

Germany has now reversed this direction and in January 2026 announced a new €3b ($5.1b) scheme offering subsidies up to $10,000 for EV purchases.

USA – removal of incentives cut EV take-up

- Key levers impacts: Federal EV incentives were cut in 2025
- Impact: beyond short-term demand pull-forward, impacts included declining EV sales and industry layoffs pointing to a more structural slowdown

Research from Harvard University estimated that removing federal tax credits could reduce EV market share by around 6 percentage points by 2030.[38] While other

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[35] Lundberg et al, Charging forward or falling behind? Effects of electric vehicle subsidy removal, February 2026,https://www.sciencedirect.com/science/article/pii/S136192092500536X#f0015.
[36] Mehanaz Yakub, Electric Autonomy Canada, December 2025, https://electricautonomy.ca/data-trackers/ev-sales-data/2025-12-16/statscan-q3-2025-ev-sales-canada/
[37] CBC News, 5 February 2026, https://www.cbc.ca/news/politics/carney-dropping-ev-mandate-introducing-new-emissions-standards-9.7075302
[38] Salata Institute for Climate and Sustainability, Harvard University, Trump EV Policy Overhaul: What will happen to EV adoption, emissions, and the fiscal balance?, March 2025, 3, https://salatainstitute.harvard.edu/wp-content/uploads/2025/03/Policy-Brief_Trump-EV-Policy-Overhaul.pdf

projections suggest EV penetration could be ~23% without incentives versus ~32% with stronger policy support—implying nearly 30% lower adoption.[39]

New Zealand – Rebate Removal Stalled Growth

- Key levers impacted: Clean Car Discount rebates for low-emission vehicles, road user charge exemption for EVs, supportive fuel economy standards, and charging infrastructure grants were removed
- Impact: market share fell sharply following these policy reforms from 27% in 2023 to 11% in 2024

Countries leading EV adoption have kept their industry support policies in place over a sustained period

Leading countries have maintained incentives for at least 10 years, with proven track records: Norway (since 1990), Sweden/UK/Germany/France (since 2010), and China (since 2020). When programs are eventually scaled back, they're replaced with gentler incentives rather than abrupt withdrawal, ensuring smooth market transitions.

Successful countries deploy a strategic mix of demand and supply incentives. On the demand side, these included purchase discounts, tax exemptions, bus lane access, free parking and ferry discounts. Supply-side measures encompassed government support for infrastructure investment. Crucially, sustained government backing proved essential across both approaches.

No country has achieved EV success through one policy alone. Demand incentives remain in place until markets reach self-sustaining levels. Norway only began reducing incentives after hitting 90% EV market share. Supply-side restrictions, including ICE phase-outs/bans, are introduced only after EV market maturity is established.

[39]Wood Mackenzie, Electric vehicle adoption to slow in US with recent Executive Orders January 2025, https://www.woodmac.com/press-releases/2024-press-releases/electric-vehicle-adoption-to-slow-in-us-with-recent-executive-orders/

5. Broader taxation settings to support the EV transition

The Electric Car Discount should be one thread to a web of coordinated policy measures helping Australians decarbonise through electrified transport. This section takes a broader vista of the policy measures that need coordination to achieve net zero by 2050.

Australians need more decarbonisation-aligned transport policies in addition to the Discount

Demand side incentives like the Electric Car Discount are critical to the success of the Government's supply side measure, New Vehicle Efficiency Standard (NVES). No country has achieved significant EV uptake without strong and generous demand side incentives combined with supply side measures like the NVES. For example, Norway has the highest EV uptake of any country where BEV sales accounted for 96% of all sales in 2025 and BEVs make up more than 30% of all cars on the road. Even at this stage, however, it maintains incentives for EVs, recognising it is essential to transition the remaining 70% of drivers.

Other EV demand-side incentives should be implemented in addition to the Discount by the three tiers of Australian governments. At both the economic and behavioural level, these include direct purchase subsidies, GST exemptions, registration discounts, tax credits for corporate fleets, toll road fee exemptions, transit lane access and low-interest finance offerings.

Temporary GST-exemption for BEVs

A temporary GST-exemption for BEVs would address an inherent weakness of the Discount that many Australians can't access this benefit if they don't work or their employer does not offer novated leasing. Removing GST on BEVs would extend the economic and environmental benefits of EV ownership to all Australians. It would make BEVs more price comparable to ICE vehicles given that the most popular EVs are on average 25% or $9,500 more expensive than their direct ICE comparison.

Fleet-specific incentives to increase corporate uptake of EVs

Fleets buy almost 50% of new vehicles every year and are currently lagging private buyers in EV adoption. Fleet vehicles are typically evaluated on a total cost of ownership (TCO) basis and currently, EVs are more expensive to buy, but they are cheaper to run. Uncertainty around residual values (which affects TCO) and the cost of charging infrastructure is delaying uptake by fleets.

The Discount has been less effective in accelerating the direct adoption of electric vehicles into corporate and government-owned fleets - despite three years of incentives.

Many organisations have not materially changed their fleet mix.[40] The reasons are not financial alone, EVs introduce a level of operational complexity that traditional fleet structures are not yet equipped to manage such as charging infrastructure, energy management, driver behaviour, data integration and internal governance. In that context, the FBT exemption has made EVs cheaper, but it has not removed the organisational capability gap required to deploy them at scale.

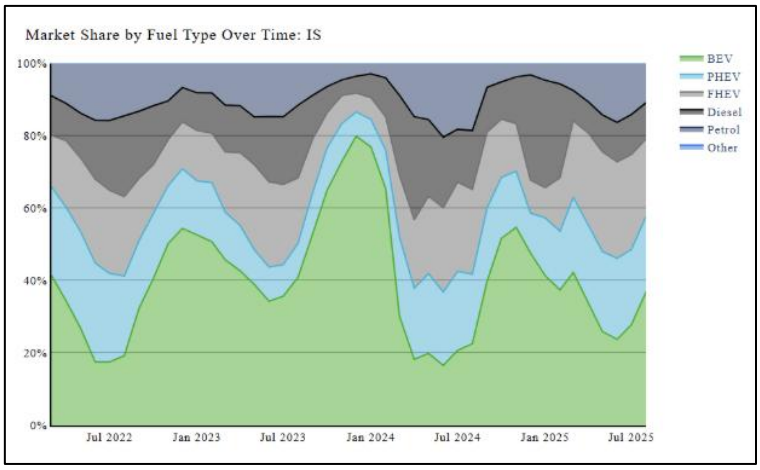
Access to tax incentives, charging grants and affordable finance for both vehicles and charging is required to incentivise fleet take-up, including through:

- Instant Asset Write Off for EV purchases
- Low-cost finance (e.g. via the Clean Energy Finance Corporation)
- Dedicated grant stream targeting charging infrastructure for fleets.

Road user charges should not disincentivise EVs

While any new charge must not deter uptake of EVs as per the Treasurers' national agreement, its design and pricing must incentivise people to shift to EVs.[41] Best practice would be to phase in a universal road user charge for all vehicles once EVs reach 30% of the national fleet. This universal charge would factor in distance travelled, vehicle weight and emissions intensity.

International precedents offer a cautionary tale for poorly designed road user charging. For example, Iceland introduced a RUC for EVs in January 2024. It added around $750 per year for someone travelling 10,000 kilometres. Sales of EVs in December 2023 were 86% and dropped to 37% by April 2024 – a 56% drop in four months. The change led to higher sales of petrol hybrid vehicles (5% to 25%), diesel vehicles (5% to 28%) and petrol vehicles (5% to 20%).



[40] Marc Sibbald, Fleet EV News, January 2026, https://fleetevnews.com.au/review-of-the-electric-car-discount-what-it-has-delivered-and-what-fleets-still-need-to-do/.
[41] Treasurers Joint Statement, September 2026, https://ministers.treasury.gov.au/ministers/jim-chalmers-2022/media-releases/joint-statement-treasurers-road-user-charging.

Current policies have the government actually paying to increase emissions

There are a range of existing policies which are headwinds to a decarbonised economy and a drain on the public purse. A notable one is the current Luxury Car Tax (LCT) exemption for commercial vehicles. This disproportionately favours big, heavy, high emitting American-style utes with little, to no additional benefit or carrying capacity beyond 'regular' utes. The Australia Institute estimates the cost to government was $250 million in foregone revenue in 2023 alone.[42] Experts also say large SUVs and utes also make our roads deadlier.[43] Closing this loophole is highly unlikely to hurt tradespeople who use utes for work as non-luxury utes used by most tradies sit below the LCT threshold.

Additionally, the Government should review the exemption enjoyed by utes from the fringe benefits tax which has driven significant uptake of heavy, high emitting vehicles. While these vehicles serve an inherent purpose for tradespeople, they're often purchased by businesses or individuals because they do not attract the tax rather than for an inherent business purpose. Notably, the top four selling utes in Australia accounted for more than 153,000 units in 2025 alone which is significantly more than the 103,000 BEVs sold.

[42] The Australia Institute, Big ute loophole cost taxpayers over $250 million in 2023, July 2024, https://australiainstitute.org.au/post/big-ute-loophole-cost-taxpayers-over-250-million-in-2023/
[43] Elias Visontay, The Guardian, March 2025, https://www.theguardian.com/australia-news/2025/mar/13/australian-suv-huge-ute-obsession-roads-more-dangerous.

6. Appendices

6.1 Testimonials

Momentum Collective[44]

- Momentum has doubled their electric fleet since December 2023, transitioning 22% of their existing vehicles to EVs.

Anglican Diocesan Services[45]

- Anglican Diocesan Services accelerates EV fleet transition with Origin 360 EV.

AGL

- AGL General Manager – Electrification and Innovation Jane Butler:

"Since its introduction in 2022, the Electric Car Discount (Discount) has made a meaningful contribution to EV adoption, particularly by improving affordability through novated leases.

The simplicity and effectiveness of the policy has broadened access to EVs beyond early adopters and has supported further uptake across Australian households and small businesses, in addition to building on the second-hand EV market.

AGL welcomes the Australian Government's recent announcement of up to $60m funding by the Clean Energy Finance Corporation (CEFC) to reduce interest rates on electric vehicle loans in effort to lower upfront purchasing costs.

However, with most state-based incentives now discontinued, the discount remains one of the most influential financial levers available to consumers.

Prematurely phasing it out would likely risk stalling EV adoption, send mistaken signals to the market, delay transport decarbonisation, and undermine progress towards Australia's overarching 2050 Net Zero commitments."

Tim Morris, Fire Rescue Victoria

To whom it may concern,

I am writing as a Victorian firefighter to express my strong support for the continuation of the Fringe Benefits Tax (FBT) exemption for electric vehicles.

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[44] Origin Energy, May 2024 https://www.originenergy.com.au/electric-vehicles/customer-stories/momentum-collective/.
[45] Origin Energy, https://www.originenergy.com.au/electric-vehicles/customer-stories/anglican-diocesan-services/.

My name is Tim Morris, and I am a Leading Fire Fighter for FRV Fire Rescue Victoria. Like many frontline emergency workers, my colleagues and I are not high-income earners, but we are practical people who pay close attention to household budgets, running costs, and long-term value.

A few years ago, several of us at my station began seriously looking at new vehicles. At the time, fully electric vehicles still felt like a stretch—mainly due to upfront cost and uncertainty around charging infrastructure. However, the introduction of new models and the FBT exemption made plug-in hybrid electric vehicles (PHEVs) financially viable for us for the first time.

To be very clear:

We bought PHEVs because of the economics.

Without the FBT waiver, most of us would have stayed with conventional petrol or diesel vehicles.

What surprised us—and what I think is often missed in policy discussions—is what happened after we made the switch.

Once we started living with these vehicles day to day, our attitudes changed completely. We experienced:

- Far lower fuel costs
- Quiet, smooth driving (which matters after long, stressful shifts)
- The ability to run most daily travel on electricity alone
- Reduced maintenance compared to traditional internal combustion vehicles

In short, we didn't just buy these vehicles for the tax benefit—we ended up genuinely liking them.

As a result, many of us are now actively considering full battery electric vehicles (BEVs) for our next purchase. The PHEV was a stepping stone that gave us confidence, familiarity, and real-world experience with electrified transport. Without that first step being affordable, we would never have taken it.

From my perspective, the FBT exemption has done exactly what good policy should do:

- It lowered the barrier to entry
- It encouraged people who were otherwise hesitant
- It led to lasting behaviour change, not just a one-off purchase

Among firefighters—people who are practical, risk-aware, and not prone to making lifestyle decisions based on trends—that is no small achievement.

Removing or winding back the FBT exemption now would risk cutting off that pathway for many other workers like us. It would slow adoption just as confidence and acceptance are building, particularly among middle-income households.

I strongly encourage the Government to retain the FBT exemption for electric vehicles. Based on my own experience and that of my colleagues, it is not just a tax incentive—it is an effective transition tool that is changing minds, habits, and future purchasing decisions.

Thank you for the opportunity to provide this perspective.

Yours sincerely,

Tim Morris

Leading Fire Fighter

Fire Rescue Victoria