

# DLK ADVISORY

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## FBT ELECTRIC VEHICLE HOME CHARGING RATE

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Since the introduction of EV incentives by various state governments to encourage the uptake of EVs and other zero emissions vehicles, the market share of EVs has significantly increased from around 0.78% in 2022 to 7.2% in 2023. According to the Federal Chamber of Automotive Industries, while EV sales only account for a small proportion of overall vehicle sales, the sales have increased 185% since 2022 (80,446 sales 2023 vs 33,410 in 2022).

Due to the increasing number of EVs being used for business purposes, the ATO released a draft compliance guideline last year setting out the methodology for calculating the cost of electricity when an eligible electric vehicle is charged at an employee's or an individual's home. This draft guideline has now been finalised and applies from 1 April 2022.

According to the guideline, in terms of FBT, the employer has the choice of using either the methodology outlined in the guideline or determining the cost of the electricity by determining the actual cost incurred. However, this choice applies to each vehicle for the entire year, although this choice can be changed from one FBT year to another.

It should be noted that the guideline only applies to zero emission electric vehicles and not to plug-in hybrid vehicles which have an internal combustion engine. It also does not apply to electric motorcycles or electric scooters.

For FBT purposes, the guideline may only be relied on to calculate electricity costs of charging an electric vehicle at an employee's home if an employer:

- provides the electric vehicle to an employee or their associate for private use resulting in the provision of either car fringe benefit, a residual fringe benefit, or an expense payment benefit;
- provides the electric vehicle to an employee or their associate who charges the electric vehicle using electricity at a residential premises, where the electricity cost directly attributable to charging the electric vehicle cannot be practically segregated from the cost of running other electrical appliances in the home; and
- is required to calculate the taxable value as a part of FBT obligations (ie car fringe benefit, residual fringe benefit, car expense payment benefit, or reportable fringe benefits amount).

The rate that the Commissioner will accept for calculating electricity costs of charging an electric vehicle at a residential premises for FBT purposes for the FBT year commencing 1 April 2022 and later FBT years is 4.20 cents per km.

A transitional approach applies for the 2022-23 and 2023-24 fringe benefits years, whereby if odometer records have not been maintained, a reasonable estimate may be used based on service records, logbooks or other available information.

After the transitional period ends, employers will need to keep a record of the distance travelled by the car and a valid logbook must be maintained if the operating cost method is used.

## **CONTACT**

If you have any queries, please feel free to contact us.

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