



MTAA RESPONSE TO:

Treasury Laws Amendment Bill 2026: Phased changes to the FBT electric car exemption

September 2026

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Introduction

The Motor Trades Association of Australia (MTAA) welcomes the opportunity to respond to the Treasury consultation on the exposure draft of the Treasury Laws Amendment Bill 2026: Phased Changes to the FBT Electric Car Exemption.

MTAA is the peak national body representing the automotive retail, service and repair sector. Our members include vehicle dealers, mechanical repairers, collision repairers, automotive electricians, tyre and service businesses, towing operators, recyclers and dismantlers. These predominantly small and family-owned businesses employ more than 320,000 Australians, contribute approximately \$40 billion to GDP annually, and comprise around 70,000 enterprises across metropolitan and regional Australia.

As the body that represents the businesses that sell, service and support vehicles throughout their operating life, MTAA has a direct and enduring interest in how vehicle incentive policy shapes the pace, composition and cost of the transition to zero and low-emissions vehicles (ZLEVs).

This submission addresses how the proposed legislative changes affect automotive businesses and consumers, particularly in relation to the transition from the current FBT exemption to a permanent discount model.

MTAA supports the phased transition announced in the 2026–27 Federal Budget and reflected in the exposure draft legislation. We have consistently called for policy stability and a managed fleet transition rather than abrupt withdrawal of electric vehicle incentives. The three-phase structure proposed delivers the predictable, graduated approach that businesses and consumers need: it maintains the full exemption for commitments made before 1 April 2027, provides targeted support through to 31 March 2029, and settles on a permanent 25 per cent FBT discount from 1 April 2029.

We do however have some specific comments regarding aspects of the exposure draft which are outlined below.

1. Impact on automotive businesses

1.1 Dealers and fleet channels

The Electric Car Discount has been a primary driver of EV demand through fleet, novated leasing and salary-packaging channels. In 2025, over 157,000 electric vehicles were sold nationally, a 38 per cent increase on the prior year, with BEV sales exceeding 100,000 units for the first time. By August 2026, BEVs represented 24.9 per cent of total new vehicle sales.

The grandfathering provisions in items 11 and 13 of the Bill ensure that employers and employees who entered into commitments before the relevant transition dates are not adversely affected. MTAA strongly supports these protections, which are critical for maintaining confidence in novated lease and salary-packaging products.

Recommendation 1: Provide clear, early guidance to employers and leasing providers to minimise administrative uncertainty during the transition periods.

1.2 Service and repair sector

The service and repair sector faces the most significant adjustment burden from fleet electrification. Automotive businesses currently face significant capital costs per workshop for EV-safe tooling and electrical upgrades; acute skills shortages with over 38,000 unfilled positions and a vacancy fill rate of only 39 per cent; increased safety and compliance obligations for high-voltage systems; and rising operating costs, particularly in regional areas.

The exposure draft's phased structure, particularly the maintenance of the 100 per cent discount for vehicles under \$75,000 during 2027–2029, supports a continued pipeline of mainstream, affordable EVs into the fleet. This is the segment most relevant to service sector planning, as these vehicles will constitute the bulk of workshop throughput in coming years.

Recommendation 2: Complement the phased FBT transition with targeted service-sector support, including equipment incentives, DRIVEN program expansion, and restoration of apprenticeship incentives to previous levels.

1.3 Small and regional businesses

Small and regional automotive businesses are disproportionately affected by both the costs of EV transition readiness and the consequences of policy instability. These businesses operate on tight margins, have limited access to capital, and serve communities where EV infrastructure and training access remain constrained.

Recommendation 3: Ensure the Government's broader EV transition support package is accessible to small and regional automotive businesses, with appropriate eligibility thresholds and streamlined application processes.

2. Impact on consumers

2.1 Maintaining affordability through salary packaging

The Electric Car Discount has materially reduced total cost of ownership for EVs acquired through novated leasing. ATO data indicates that 40 per cent of novated lease holders are middle-income earners (\$45,001–\$135,000), demonstrating the exemption has reached beyond high-income cohorts.

The \$75,000 threshold from 1 April 2027 appropriately targets the most generous concession toward mainstream consumer choices. MTAA supports this targeting. However, consumer awareness of the phased transition will be critical for employees currently in, or considering, salary-packaging arrangements.

Recommendation 4: Invest in a dedicated consumer information campaign, developed in consultation with industry, to explain the phased FBT changes.

2.2 Seeding the used vehicle market

Fleet and salary-packaged vehicles typically return to the used vehicle market within three to five years. With the national EV fleet now estimated at approximately 650,000 vehicles, the used EV market is entering a

phase of meaningful supply. Maintaining strong new EV demand through the phased discount supports this pipeline and improves affordability for consumers who cannot access salary packaging.

3. Technical observations on the exposure draft

3.1 Eligible vehicle definitions

The Bill restricts eligibility to battery electric vehicles and hydrogen fuel cell electric vehicles, consistent with the removal of PHEVs from the FBT exemption from 1 April 2025. MTAA reiterates its position that PHEVs play a critical transitional role, particularly for regional users with limited charging access, trades vehicles requiring range and load flexibility, and fleets seeking emissions reduction without operational disruption. From a service perspective, PHEVs allow workshops to progressively build high-voltage skills while continuing to service familiar drivetrains.

Recommendation 5: Reconsider inclusion of PHEVs in the concessional FBT framework, at minimum at the 25 per cent discount level, as a transitional measure.

3.2 Base value threshold and indexation

The \$75,000 threshold is set as a fixed nominal amount. Without indexation, it will progressively capture a smaller proportion of the market, reducing the concession's effectiveness over time.

Recommendation 6: Introduce an indexation mechanism for the \$75,000 threshold, linked to CPI or a relevant vehicle price index.

3.3 Commitment and anti-avoidance provisions

The exposure draft's reliance on the concept of "commitment" (paragraphs 1.10–1.13 of the Explanatory Materials) may create uncertainty, given the breadth of circumstances constituting a new commitment, including fitting accessories or refinancing.

Recommendation 7: Issue clear, practical ATO guidance on the commitment concept prior to 1 April 2027, including worked examples for common salary-packaging and fleet arrangements.

3.4 Preservation of grandfathering in specific circumstances

The value of the grandfathering provisions in items 11 and 13 depends on the circumstances in which a new commitment is taken to arise. MTAA considers that grandfathering should be preserved wherever the employee, the vehicle, the underlying lease and the substance of the financial commitment remain unchanged. A change that is administrative or legal in form, rather than substantive, should not deprive an employee of the treatment they reasonably relied on when entering the arrangement.

The circumstances set out below arise commonly in practice and are not expressly dealt with in the exposure draft or the explanatory materials. We consider that each warrants express treatment in the transitional provisions.

Corporate restructures and machinery of government changes

MTAA recommends that the transitional provisions expressly preserve grandfathering where an employer changes as a result of a corporate restructure or machinery of government change, provided the employee, vehicle, underlying lease and substantive financial commitment remain unchanged.

The explanatory materials indicate that a change of employer may constitute a new commitment, including transfers within the same corporate group or between government departments.

We consider that such administrative or organisational changes should not alter the FBT treatment of an existing arrangement where the lease is re-novated on substantially the same terms.

Removing grandfathering in these circumstances could expose employees to unexpected vehicle costs, financial hardship and an increased risk of lease default. It could also undermine consumer confidence in novated leasing and discourage new EV purchases during the transition period.

Mid-year changes

MTAA recommends that any change in FBT treatment arising from a change in commitment take effect from the following 1 April, rather than part-way through an FBT year.

Although the exposure draft provides for a weighted-average calculation, this approach would still require employers and salary-packaging providers to adjust employee deductions, payroll systems and FBT calculations during the year.

A whole-of-FBT-year approach would provide greater certainty for employees, reduce administrative costs for businesses and providers, and align with the annual FBT reporting framework.

MTAA considers that a consistent annual commencement date would support a simpler and more predictable transition for all parties.

Unpaid and approved leave

MTAA recommends that employees retain grandfathering during periods of approved leave, including parental leave, long-service leave and extended leave due to illness.

Employees should not face materially higher vehicle costs simply because they temporarily pause or adjust their salary-packaging arrangements during an approved absence.

MTAA considers that any temporary suspension, payment adjustment or administrative change associated with approved leave should not constitute a new commitment where the underlying vehicle and lease arrangements remain substantially unchanged.

Preserving grandfathering in these circumstances would protect existing financial commitments and maintain confidence in salary-packaged EV arrangements.

Insurance write-offs and involuntary replacement

MTAA recommends that grandfathering be preserved where an EV is stolen, written off or otherwise requires involuntary replacement.

Where an employee obtains a reasonably equivalent replacement vehicle within a prescribed period, the replacement should retain the FBT treatment applicable to the original vehicle for the balance of the original lease term.

We consider that employees should not incur additional tax liabilities or materially higher vehicle costs because of an event outside their control.

This approach would provide certainty for consumers, insurers, vehicle dealers and leasing providers when arranging replacement vehicles.

Refinancing and changes of provider

MTAA recommends that refinancing, a change of financier or a change of salary-packaging or novated-leasing provider should not automatically result in the loss of grandfathering.

These changes may require leases to be re-documented even where the employee, vehicle and substantive financial obligations remain unchanged.

Where an arrangement continues on substantially the same terms, a change of administrator, financier or provider should not, of itself, trigger a change in FBT treatment.

This would protect consumers from unnecessary financial penalties while supporting competition and flexibility within the vehicle finance and leasing market.

Change of employer

MTAA recommends that employees who change employers retain grandfathering where their existing vehicle and underlying lease continue on substantially the same terms.

Under the proposed arrangements, a change of employer may be treated as a new commitment, potentially exposing employees to materially higher vehicle costs. This could create an unintended barrier to labour mobility, particularly for employees who have entered into multi-year novated lease arrangements in reliance on the existing FBT exemption.

Employees should not be discouraged from accepting new employment opportunities because doing so would materially increase the cost of an existing vehicle commitment.

Where a lease is re-novated to a new employer without substantive changes to its terms, MTAA considers that the original FBT treatment should continue.

Pooled vehicles

MTAA recommends that the transitional provisions expressly confirm that an employer's existing commitment to an EV pool vehicle qualifies for grandfathering protection.

The exposure draft and explanatory materials do not specifically address pooled vehicles, creating uncertainty for businesses operating shared vehicle fleets. Eligibility should not depend on whether the vehicle has been allocated to a particular employee before that date.

Providing express protection for pooled vehicles would give businesses greater certainty when planning fleet purchases and support the continued uptake of EVs across commercial and business fleets.

Recommendation 8: Amend the transitional provisions so that grandfathering is preserved where the employee, the vehicle and the substance of the financial commitment are unchanged, including on corporate restructures and machinery of government changes, a change of employer, refinancing or a change of provider, periods of approved leave, and involuntary replacement of a written-off or stolen vehicle.

Recommendation 9: Confirm that an employer's existing commitment to an EV pool vehicle qualifies for transitional protection, without requiring the vehicle to have been allocated to a particular employee before the relevant transition date.

Recommendation 10: Provide that any change in treatment arising from a change in commitment takes effect from the following 1 April, rather than part-way through an FBT year.

4. Conclusion

MTAA supports the Government's phased transition to a permanent FBT discount for eligible electric vehicles. A predictable and gradual transition will provide greater certainty for consumers and the automotive businesses that sell, service and support Australia's vehicle fleet.

However, the effectiveness of the proposed arrangements depends on ensuring that existing financial commitments are appropriately protected.

MTAA urges the Government to strengthen the transitional provisions so that employees and employers are not unnecessarily disadvantaged by administrative changes, employment transitions or circumstances outside their control.

Clear legislative protections, supported by practical ATO guidance, will help maintain confidence in novated leasing, fleet purchasing and salary-packaging arrangements.

The Government should also ensure that its broader EV transition policies recognise the investment required of Australia's automotive retail, service and repair businesses, particularly smaller and regional operators.

MTAA welcomes further engagement with Treasury on the proposed amendments and their practical implications for automotive businesses and consumers.

For any questions regarding this submission, please get in touch via info@mtaa.com.au

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