



6 February 2026

The Treasury
Langton Crescent
PARKES ACT 2600
evaluation@treasury.gov.au

Dear Treasury

STATUTORY REVIEW OF THE ELECTRIC CAR DISCOUNT

The Australian Finance Industry Association (AFIA) is the only peak body representing the entire finance industry in Australia¹. We appreciate the opportunity to respond to the Statutory review of the electric car discount.

We represent over 150 members, including bank and non-bank lenders, finance companies, fintechs, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry. We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

INTRODUCTORY COMMENTS

AFIA members are committed to responsibly financing the vehicles that Australians need to support their daily lives and businesses. As providers of finance, AFIA members are technology agnostic; they provide finance for battery electric vehicles (BEVs), plug-in hybrid electric vehicles (PHEVs), and internal combustion engine (ICE) vehicles across all makes and models.

AFIA members seek to support Government policy including Australia's Net Zero commitments. In this context we believe removing or restricting the Electric Car Discount would result in Australia being

¹ [Australian Finance Industry Association \(afia.asn.au\)](https://afia.asn.au).

challenged to meet set targets for emissions reduction. Thus, compromising Australia's international credibility as well as our net zero ambition for driving improved economic, environmental and social outcomes.

The Electronic Car Discount (comprising of a fringe benefits tax (FBT) exemption, tariff exemptions, and a higher Luxury Car Tax threshold²) has delivered measurable success in driving EV and PHEV uptake. Apart from its proven success, there are currently limited demand-side incentives³. Therefore, eliminating or significantly restricting such support at this point of the decarbonisation journey would risk slowing the decarbonisation of Australia's transport fleet, one of the nation's largest sources of emissions and a critical sector for achieving 2035 and 2050 climate targets⁴. Australia must concentrate on reducing emissions from vehicles, with national policies and public-private partnerships that are proven to work in Australia, incorporating learning from overseas, but designed to address our current and unique challenges.

SUMMARY OF RECOMMENDATIONS

Australia needs a national fleet decarbonisation plan with integrated policies. To achieve our climate targets and to encourage a shift in household and business behaviours AFIA recommends the following:

1. Maintain the FBT exemption for EVs, maintaining support for transition to non-ICE vehicles
2. Reinstate the FBT exemption for PHEVs as PHEVs offer a practical transition to lower emissions while dealing with real-world challenges such as charging access, range, and operational needs.
3. In consultation with industry, the Government could implement a modest adjustment of the current Electric Car Discount settings (for example the vehicle values for eligibility or value of the FBT relief).
4. Introduce upfront discounts and adjust the luxury car tax (LCT), giving incentives for those wanting to purchase and own their vehicle
5. Fast-track deployment of charging infrastructure, via public and public-private partnership investment and integration of vehicle, charging and household/business energy management
6. Expedite and escalate the use of public-private partnerships, such as through the Clean Energy Finance Corporation (CEFC).

² <https://treasury.gov.au/review/electric-car-discount/terms-of-reference>

³ AFIA welcomes the recent announcement of the Clean Energy Finance Corporation of their EV financing deal with Hyundai Capital Australia (an AFIA member) 2 February
<https://www.cefc.com.au/media/media-release/cefc-finance-to-cut-ev-costs-for-more-australians/>

⁴ Australian Government, 2025, [Transport and Infrastructure Net Zero Roadmap and Action Plan](#)

MARKET DATA

In FY25 AFIA members financed 122,320 electric vehicles and hybrids, an increase of 44 per cent from the 85,261 financed in FY24. This amounts to over \$7 billion in EVs and hybrids financed (figure 1).

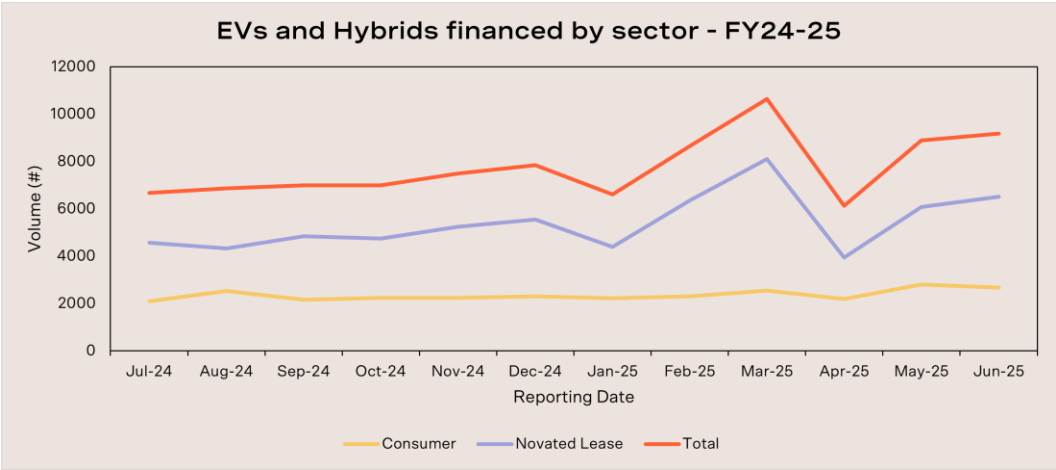


Figure 1. Source AFIA 2026

However, Internal Combustion Engine (ICE) vehicles continue to dominate sales, with over 361,000 units financed in FY25, representing a near 200 per cent higher figure compared to EVs and Hybrids. This disparity will need to be addressed to achieve the carbon targets on transport emissions (figure 2).

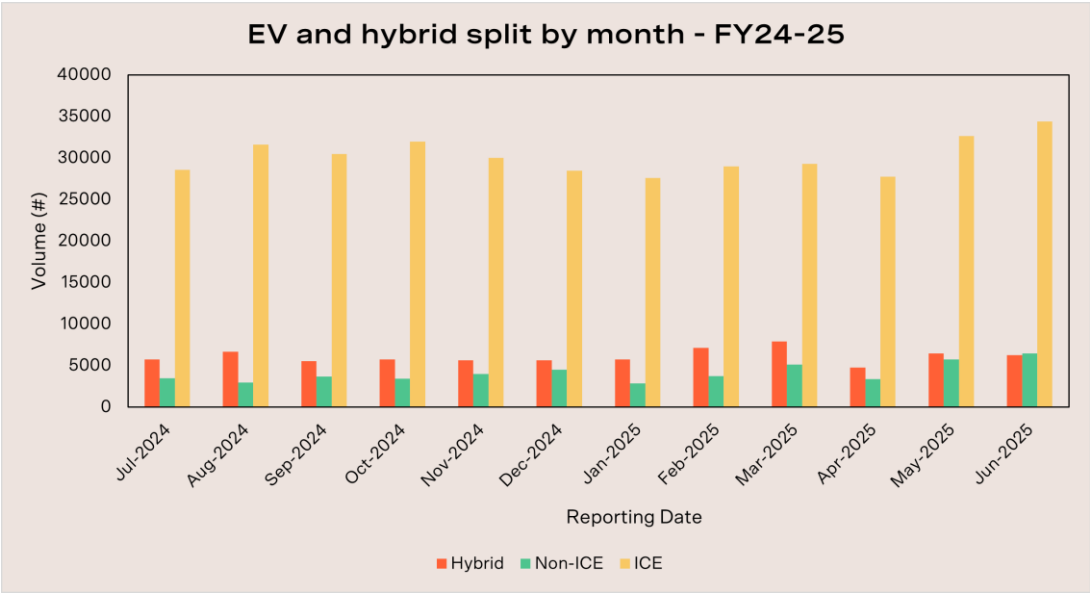


Figure 2. Source AFIA 2026

Additionally, consumer financing preferences need to be catered for both business and consumers with options and incentives to change behaviour for preference type (figure 3). The impact of the removal of the Electronic Car Discount for PHEV had immediate impact on the market. The dip in April 2025 was profound and the growth trajectory for novated leasing came off (figure 4).

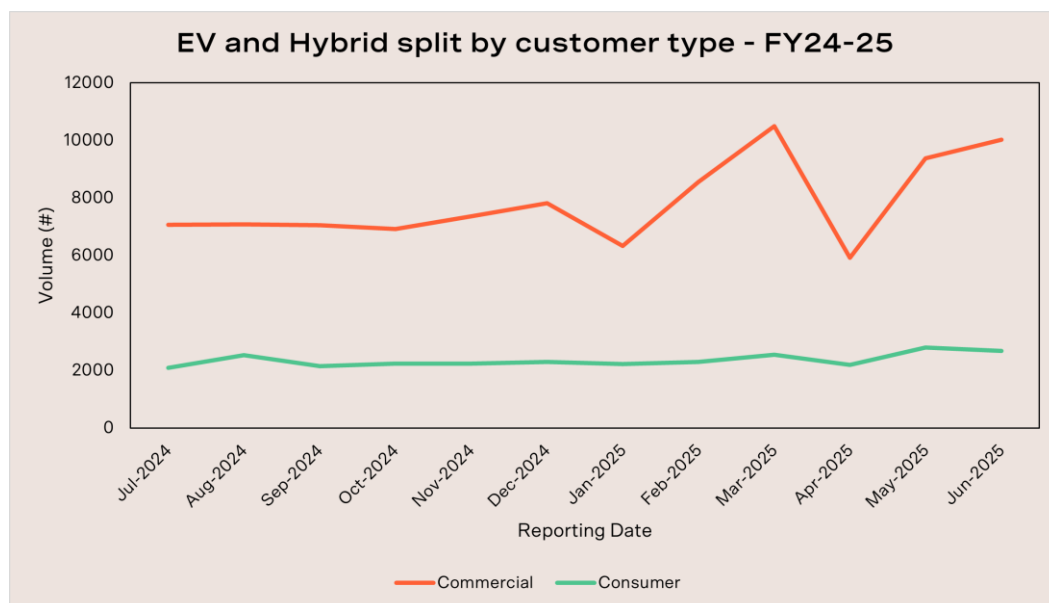


Figure 3. Source AFIA 2026

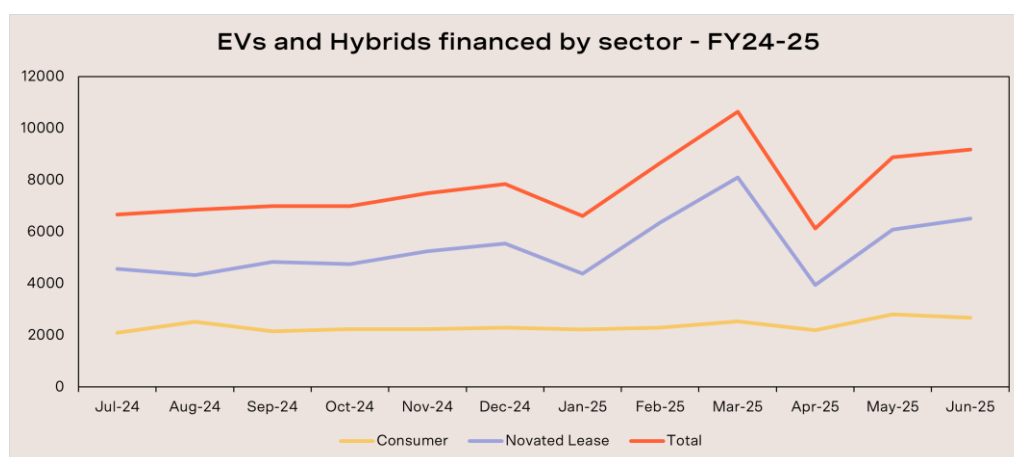


Figure 4. Source AFIA 2026

In 2025, AFIA commissioned a report by Deloitte⁵ to undertake a review of the role the finance industry can play within the transition to sustainable mobility. The report identified the key transition challenges and potential ways of overcoming those challenges. It also identified the most effective policies in encouraging the transition to sustainable transport in Australia.

Key findings of the report point to the importance of maintaining the Electric Car Discount in its original form:

- Key Finding 1: The finance industry plays a vital role in enabling consumers to transition to non-ICE vehicles, but requires the appropriate policy supports from Government to do so.

⁵ Deloitte, 2025, [The role of the Finance Industry in the transition to Sustainable Transport](#)

- Key Finding 6: Continuing the existing financial incentives offers consideration benefits as they are highly effective and align well with consumer expectations.

The report also highlighted the importance of Government support in ameliorating barriers to supply-side EV/market development. These include:

- **Standing up charging infrastructure:** the lack of availability of reliable chargers are seen as a primary barrier to adoption of EVs (Key Finding 3); Metropolitan consumers must have access to information related to public charger availability and wait times (Key Finding 4); Australia needs standardised charging plus for EVs (Key Finding 5); Consistent and transparent pricing of EV charging is required (Key Finding 8).
- **Support for upgrading fleets:** The federal government has an important role to play in harmonising state approaches to transition policy, particularly in enabling fleet adoption (Key Finding 12) Streamlining planning approval processes to help support electrification upgrades (Key Finding 13).

Australians like to buy cars, but in this state of elevated cost-of-living they need incentives and alternative financing options to do so. Australians also like ICE vehicles; a recent survey of Australians' attitudes to motor finance found that Australians are evenly divided over whether their next car will be electric/hybrid (39 per cent of respondents) or ICE (46 per cent of respondents)⁶. Without a suite sustained of policies and incentives (and education programmes) the switch will be slow in materialising – as demonstrated by the sharp decline in the uptake for PHEV with the Electric Car Discount was removed for this class of vehicle. Additionally, the Deloitte report identified that a major supply-side impediment to EV take up is charging anxiety. Australia will require broad-based and sustained demand-side and supply-side measures to convert its fleet of vehicles. AFIA data indicates that the job is not even half done and now is not the time to remove incentives.

AFIA DETAILED COMMENT ON THE ELECTRIC CAR DISCOUNT

Electric Car Discount Objectives

The Government report '*Transport and Infrastructure Net Zero Roadmap and Action Plan*'⁷ notes that light vehicles (passenger and light commercial) constitute 59 per cent of all transport emissions⁸ the report also notes that 'EV's are the key net zero pathway for light vehicles'⁹. The strategic net zero plan for light vehicles for 2025-2030 included EVs becoming 'more affordable and accessible to all Australians.'¹⁰

⁶ Pyxis Polling & Insights, January 2026, 'Australian's Attitudes to Motor Finance'

⁷ Australian Government, 2025, [Transport and Infrastructure Net Zero Roadmap and Action Plan](#)

⁸ Australian Government, 2025, 21

⁹ Australian Government, 2025, 27

¹⁰ Australian Government, 2025, 27

The Electric Car Discount forms a policy initiative for making EVs a more attractive vehicle options and more affordable. This was evident in the Government’s rationale for the Electric Car Discount on announcement of the policy and upon its implementation in 2021 and 2022 respectively. The rationale was stated to be:

1. Encourage EV uptake
2. Reduce transport sector emissions
3. Support the development of the second-hand EV market¹¹.

Policy outcomes to date

In 2025 AFIA, National Automotive Leasing & Salary Packaging Association (NALSPA) and the Electronic Vehicle Council (EVC) commissioned an independent report by Magenta Advisory into the outcomes of the Electric Car Discount. The findings show that the policy has been very effective in driving EV uptake and that it is a policy still very much in the early stages of delivering on its policy objectives. Key take-outs from the report are discussed below.

(a) The Electric Car Discount is very effective in achieving uptake of EVs amongst Australians

- The Electric Car Discount significantly expanded the EV market adoption, contributing an estimated 105,500 additional electric vehicles to the market. This included up to an estimated 87,000 battery electric vehicles (BEVs) and up to an estimated 18,500 plug-in hybrid electric vehicles (PHEVs).¹²
- EV market share increased from 1.95% in 2021 to 10% in 2024 and to 12% in Q2 2025¹³
- Metro Finance, a novated lease originator and AFIA member notes the collapse of novated leases of PHEVs as a total proportion of their business following the removal of the Electric Car Discount for PHEVs (figure 5)

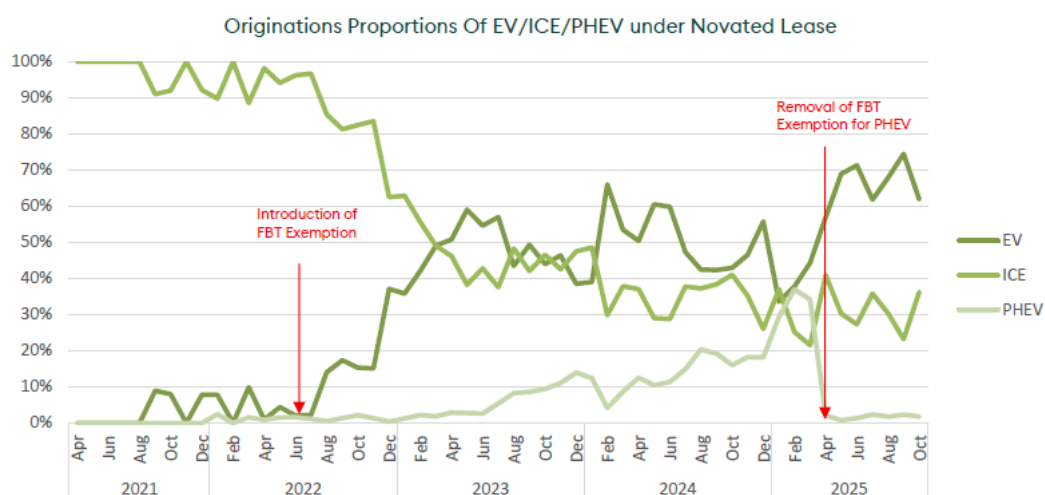


Figure 5. Source: Metro Finance, 2026

¹¹ Magenta, 2025, [Building a Self-sustaining Australian EV Market](#), 14

¹² Magenta, 2025, 21

¹³ Magenta, 2025, 22

(b) There is significant opportunity for extending the fleet of EVs in Australia by continuing the Electric Car Discount

- The annual sales of EV will reach circa 520,000 by 2035 if BEVs remain exempt until 2035 and PHEVs remain non-exempt¹⁴.
- If the PHEVs 100% exemption is reinstated in 2026, it is likely to add circa 20,000 PHEVs annually and about 200,000 additional cars between 2026 and 2035¹⁵.

(c) The Electric Car Discount appeals to a broad demographic

- Although limited to workers who can access salary packaging, the Electric Car Discount has broad appeal with Australians aged 25 through to 70 years having taken up the Electric Car Discount. 68% of the individuals are aged 35-54; 16 per cent 55-70, and 15 per cent 25-34
- It appeals to Australians in a far-ranging sectors of the economy with representation from corporate and mining (49%); government employees (24%), education (12%), Health/Hospital/NFP (10%), PBI (3%)¹⁶
- Market penetration, through the EV discount (novated lease uptake), was geographically away from city centres with approximately 77% of EV/PHEV adopter living beyond 10km from cities. EV adoption is highest in the outer suburban areas (10-30%) where families drive the furthest and over 44% of drivers reside.¹⁷

Australians from disparate sections of the economy and geography have utilised novated leasing as a mechanism to buy their EV.

(d) Removal of the Electric Car Discount will be deleterious to Australia's climate targets

- The Electric Car Discount is the most significant demand-side incentive available in Australia to consumers. There are presently no significant Australian state-based demand-side incentives for purchasing EVs. AFIA has welcomed the \$60million CEFC/Hyundai Capital Australia deal¹⁸ for cheaper financing of EVs which could result in a further 31,500 EV purchases¹⁹.
- A recent Pyxis Polling & Insights survey²⁰ revealed that there would be a clear, negative impact on Electric Vehicle sales if government tax concessions were removed with 37% percent of respondents stating they would be less likely to consider purchasing an electric vehicle.
- Australia can take lessons from like nations:

¹⁴ Magenta, 2025, 24-25

¹⁵ Magenta, 2025, 24-25

¹⁶ Magenta, 2025, 37

¹⁷ Magenta, 2025, 23

¹⁸ <https://www.cefc.com.au/media/media-release/cefc-finance-to-cut-ev-costs-for-more-australians/>

¹⁹ The 31,500 EV figure is an approximation using the CEFC's announcement based on their funding of up to \$60 million and with the example that a \$70,000 loan will save customers more than \$1,900 in interest costs over 5 years.

²⁰ Pyxis Polling & Insights, January 2026, 'Australian's Attitudes to Motor Finance'

- Demand-side incentives are an important element of the mix of policies to encourage EV adoption. These include purchase subsidies, tax or registration fee reductions, rebates, lower tolls/parking for EVs. These measures lower upfront costs for consumers
- Policies are typically held over long periods and are replaced or scaled down as the market matures. Although evidence is limited, some studies suggest EV adoption becomes self-sustaining at 30 per cent of market share.²¹
- Although overseas nations are starting to pull back some of their incentives, their policy settings have been in place much longer than Australia (only 3 years for the Electric Car Discount) and have achieved deeper penetration of EVs in the local markets (figure 6).

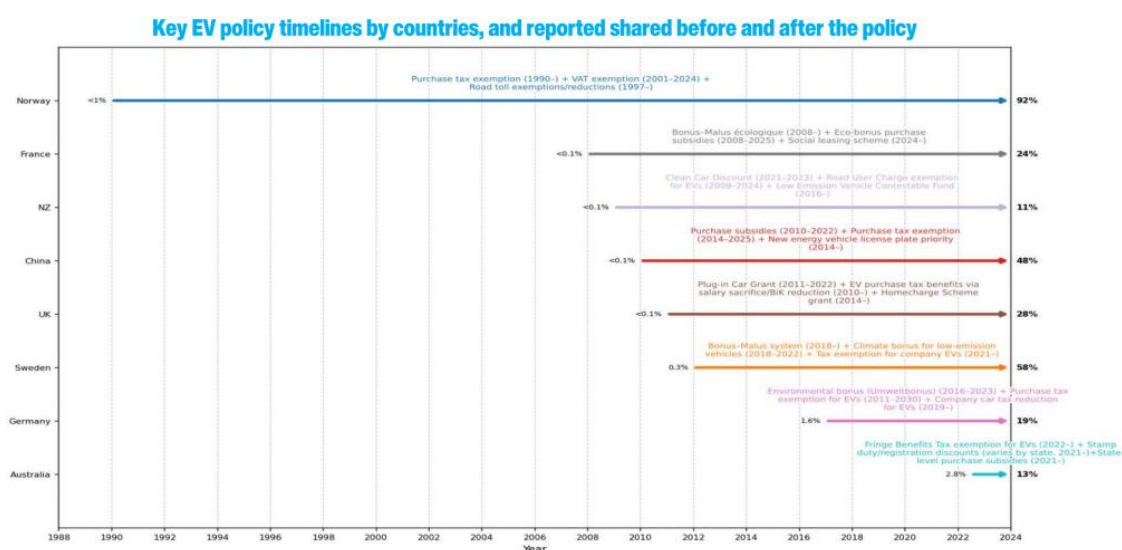


Figure 6. Source: Magenta, 2025, 43

- In the Australian context, removal of the BEV exemption in 2027 is projected to see 1,500,000 fewer EV cars on the road between 2027 and 2035.²²
- This is a credible expectation based on experience overseas when demand-side incentives have been removed or reduced, two examples are:
 - In Germany sales dropped as incentives shrunk prior to market maturity. The market fell from a peak of 31 per cent in 2022 to 19 per cent by 2024.
 - In New Zealand the rebate removal resulted in a fall from the peak 27 per cent in 2023 to 11 percent in 2024²³
- Restricting or removing the Electric Car Discount without implementing other demand-side incentives will result in a halting, if not a reversal, of the rate of uptake of EVs in Australia and therefore will put pressure on the decarbonisation of the transport sector.

²¹ Magenta, 2025, 44

²² Magenta, 2025, 25

²³ Magenta, 2025, 46

(e) It is a misnomer that the Electric Car Discount benefits only the wealthy

A critique of the Electric Car Discount is that it benefits only wealthy Australians. It has been argued that the EV discount disproportionately benefits higher-income households, with 48 per cent of recipients earning \$150,000 per annum or less. However, Magenta data shows that 19% of customers earn \$90,000 to \$120,000 per annum.

Additionally, research by DRIVA on their customer base shows that middle income earners account for circa 60% of novated settlement (figure 7). Metro Finance data also shows the appeal of EVs to a very broad salary range (figure 8).

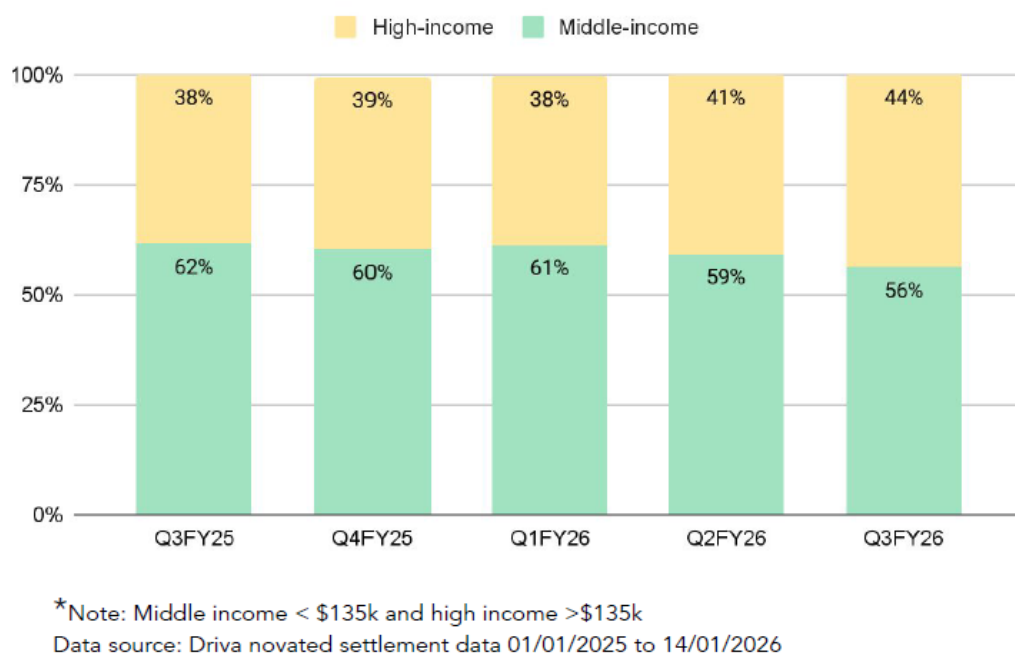


Figure 7. Source: DRIVA, 2026

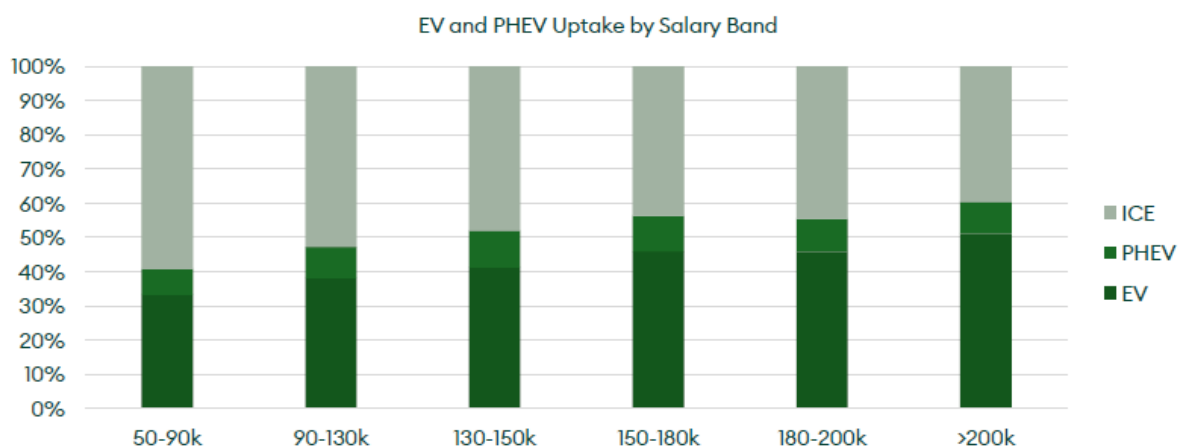


Figure 8. Source: Metro Finance, 2026

The Electric Car Discount was conceived to function as a market-maker which would accelerate the transition to electric vehicles so Australians could have the option of owning an EV. To this end, focussing

on the demographics **alone** of which Australians are using the Electric Car Discount is a myopic method of assessing the importance of this measure. The Electric Car Discount is crucial in several ways for market making:

1. Building a Used EV Market: New cars, including EVs remain an expensive upfront cost. The Electronic Car Discount by incentivising new purchases creates a pipeline of second-hand EVs within 3-5 years, making them affordable for middle- and lower-income households or for those consumers who prefer to purchase used vehicles. Similar diffusion patterns occurred with solar panels – initially adopted by wealthier households, now widely accessible. DRIVA data shows an early but increasing trend towards used EVs, supported by favourable used vehicle market prices (figure 9). As the second-hand EV market grows, lower income purchasers are gaining access to used EVs (figure 10).

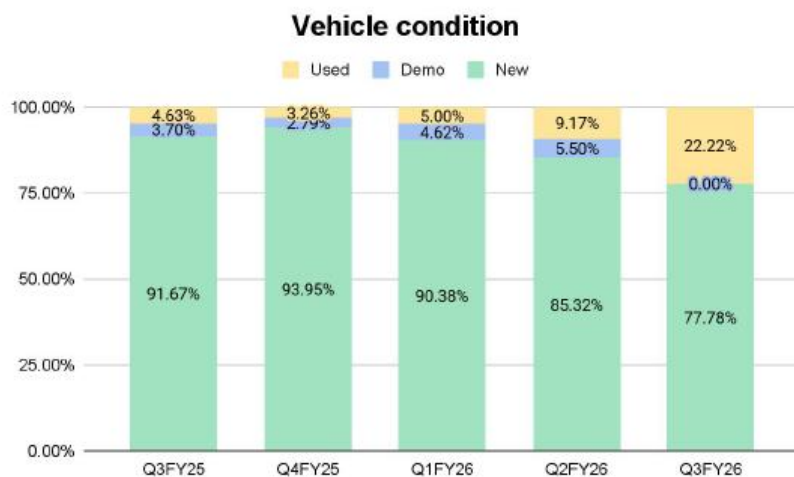


Figure 9. Source: DRIVA, 2026

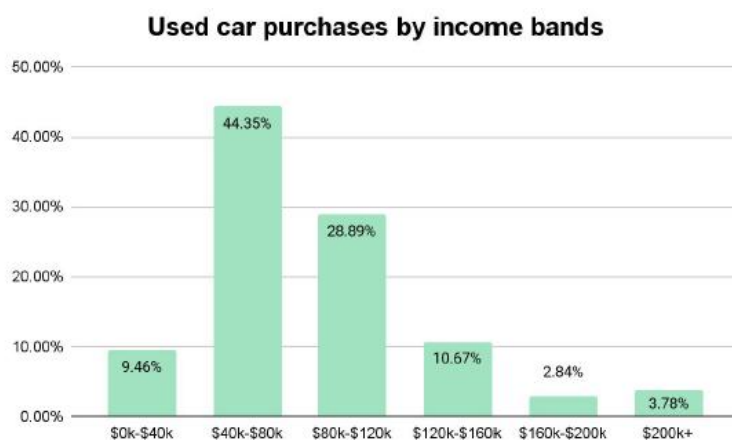


Figure 10. Source: DRIVA, 2026

2. Driving Down Costs Through Scale: Early adoption accelerates economies of scale, reducing manufacturing costs and battery prices. Higher EV uptake leads to price declines, benefiting all consumers over time.

3. Enabling Infrastructure Development: Charging networks require a critical mass of EVs to justify investment. Early adopters help create the demand that drives private and public infrastructure expansion.

4. Equity Over Time: while initial uptake skews toward consumers who have access to salary packaging through their workplaces, the long-term effect is broader access to EVs. Today's \$70,000 EV becomes a \$25,000 used car in a few years, opening the market to more Australians.

The Electric Car Discount is not a short-term handout; market making takes more than three years to achieve. Rather, the Electric Car Discount is a strategic investment in market transformation. By incentivising early adopters, Australia accelerates cost reductions, infrastructure growth, and the creation of a robust second-hand EV market, ensuring long-term affordability and environmental benefits for all Australians.

CLOSING COMMENTS

AFIA urges the Government to maintain the Electric Car Discount for EVs as a critical lever for accelerating Australia's transition to low-emission transport. We also urge the Government to continue to invest in national policies that are proven to work and areas where immediate and longer-term challenges persist, including energy management and charging infrastructure.

The Electric Car Discount has proven effective in driving EV uptake, while helping to encourage further deployment of supporting infrastructure as well as laying the foundation for a robust second-hand EV market; all essential to achieving the nation's climate targets and Net Zero ambitions. Eliminating or restricting this incentive without introducing alternative demand-side measures would risk reversing progress and undermining Australia's climate commitments.

AFIA is willing to work collaboratively with Government to ensure policy settings continue to deliver affordability, accessibility, and sustainability for all Australians. Should you wish to discuss our submission or require additional information, please contact me or Emma Penzo, Head of Regulatory Policy, AFIA on emma.penzo@afia.asn.au.

Yours sincerely



Diane Tate
Chief Executive Officer