

Senate Standing Committee on Economics  
ANSWERS TO QUESTIONS ON NOTICE  
**Treasury Portfolio**

**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**  
2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Revenue and vehicle expectations  
**Reference:** Spoken p.37 (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

Senator BRAGG: I want to ask again about costings, which I know that we've had extensive discussion about this afternoon. One of the things I wanted to ask you about was: what do you think the average cost of revenue will be per vehicle?

Mr Fraser: I don't have that information. I'm happy to take it on notice. I can't answer that at this point in time, but I'll take it on notice.

Senator BRAGG: Okay. Do you know how many vehicles are expected to make use of this scheme?

Mr Fraser: No. That was sort of the response to the earlier questions. This is one element of a range of reforms all aimed at encouraging electric vehicle take-up, and it's really hard to identify the impacts of this FBT exemption in isolation. I have undertaken to take that on notice to see what more I can provide.

Senator BRAGG: Have you read the submissions to the inquiry from industry?

Mr Fraser: We've reviewed some of the submissions, yes.

Senator BRAGG: Have you seen that a number of them have suggested there should be an inclusion of charging infrastructure?

Mr Fraser: I understand that some submissions have called for that, yes.

Senator BRAGG: Have you costed that?

Mr Fraser: That hasn't been costed, no, because it wasn't part of the policy announcement.

Senator BRAGG: If you could take that question on notice about the average cost of revenue per vehicle, I think that would be good.

**Answer:**

Please refer to IQ22-000033 concerning numbers of vehicles.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Consultation process  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

1. A number of witnesses have confirmed they were not consulted on the design of the bill. Was there a formal consultation process for designing this legislation?
  - a. What drove the need to introduce it so early without this consultation?
  - b. Did the Treasurer's office request that this bill be introduced early?

**Answer:**

Please refer to IQ22-000031 concerning consultation and legislation design.

Please refer to IQ22-000032 concerning public consultation.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

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**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Explanatory memorandum costings  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

Could you walk us through the costing provided in the explanatory memorandum, how did Treasury land on that figure?

- a. What assumptions underpin Treasury's costing?
  - i. Does it factor in behavioural changes?
  - ii. What do Treasury expect that behavioural change to be?
- b. Does it factor in potential impacts on excise and income tax receipts?
  - i. What do Treasury expect those changes to be?

**Answer:**

Please refer to IQ22-000034.

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**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Policy beneficiaries  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

Have Treasury read Professor Miranda Stewart's submission?

- a. What is your response to the criticism that this tax policy benefits a very narrow class of employee beneficiaries and provides the largest benefit to the highest income earners?
  - i. Who are the primary beneficiaries of FBT?
  - ii. What is their average income?
  - iii. How many people utilise it every year?
- b. What is the detail about how many employers or electric vehicles will benefit from the policy?
- c. What broader enlargement of the fleet or infrastructure will be achieved?
- d. What is your response to the criticism that the measure be sunsetted and require re-legislation given its fiscal cost and unequal benefit?

**Answer:**

Refer to IQ22-000030 regarding Professor Stewart's submission.

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**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Sunset provision  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

What is the rationale for having no sunset provision in the legislation, given the cost over the forward estimates?

- a. Is it best practice to legislate something with a financial impact over the forwards in the hundreds of millions on a permanent basis?
- b. Do Treasury expect the cost of the measure to increase after the forward estimates period?
- c. Have Treasury done any formal costings or analysis of the medium term costs of the measure?
- d. Does the Treasury disagree with the PBO's analysis that the cost of this measure is highly sensitive to EV uptake and could fluctuate dramatically?
  - i. How much does Treasury expect it could fluctuate?

**Answer:**

It is not unusual, and indeed, the majority of tax measures are on an ongoing basis. The costs of the measure are expected to increase over time as the measure matures including into the medium-term. Questions around costings prepared by the Parliamentary Budget Office should be directed to the PBO.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Cost of measure forecasts  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

Many witnesses and submissions have pointed out that the car industry will phase out internal combustion engines from 2035, and Australia has an effective national target of 46% of new car sales to be electric by 2030 – wouldn't you expect that over time, the cost of this measure will grow?

**Answer:**

Please refer to IQ22-000041.

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2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Measure retrospectivity  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

Why will the measure commence retrospectively from 2022?

- a. Won't this incentivise purchasing activity that has already occurred?
- b. How much purchasing activity that has already occurred will be subsidised?
- c. What proportion of the cost of the measure will subsidise behaviour that has already occurred?
- d. Is that value for money?
- e. Won't this add to the cost of the measure by capturing activity that has already occurred?

**Answer:**

The start date is a matter for the Government and aligns with an election commitment.

- a. The measure excludes cars first used before 1 July 2022.
- b. Please refer to a. above.
- c. Please refer to a. above.
- d. Please refer to a. above.
- e. Please refer to a. above.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Measure impact on revenue  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

With the uptake of EVs expected to decrease excise revenue and other measures that have traditionally been linked to road infrastructure, will this measure widen that gap between revenue and spending?

**Answer:**

Fuel excise and luxury car tax revenue is not tied to expenditure on roads. However, the revenue received from indexation which is applied to fuel excise is provided to the States and Territories for road infrastructure.

The Government's National Electric Vehicle Strategy will consider ways to address the policy implications of declining fuel excise given the increased take-up of electric vehicles.



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**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Measure interaction with tax incentives  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

To what extent are fleet purchases already eligible for tax incentives like the Instant Asset Write Off and the Temporary Full Expensing Measure?

a. How much fleet purchasing activity is already captured by these existing measures?

**Answer:**

Temporary full expensing (TFE) allows eligible businesses to immediately deduct the cost of eligible depreciable assets, acquired from 7:30pm AEDT on 6 October 2020 and first used or installed ready for use by 30 June 2023.

As such, eligible businesses can immediately deduct the cost of electric cars purchased and first used between the above two dates, up to the relevant car limit, provided the use of the car was for a taxable purpose, such as a business purpose. Currently the instant asset write-off has been overtaken by Temporary Full Expensing. TFE is legislated to end on 30 June 2023.

In contrast, Fringe Benefits Tax and therefore the relevant exemption for eligible electric cars applies when an employer provides a car to an employee for their private use and not business use.

a. Businesses claiming accelerated depreciation deductions under the Instant Asset Write Off or TFE are not required to report the kind of assets being depreciated.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

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**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Tax reform  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

The Treasurer has publicly called this legislation tax reform, would you describe this legislation as tax reform?

- a. Given the lack of a sunset clause, doesn't this constitute a long-term financial impact on the budget?
- b. Is this a general objective of tax reform?

**Answer:**

The Government announced the measure as an election commitment on 1 May 2022 as part of the Driving the Nation announcement.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**  
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**Division:** Labour Market Environment Industry and Infrastructure Division  
**Topic:** Impact on EV demand  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

What impact will this measure have on demand for EVs?

a. The committee have heard evidence from a number of witnesses that there is a substantial supply issue in the market – if this increases demand in an already constrained market, what impact will that have on prices?

**Answer:**

Please refer to IQ22-000033 regarding impact on demand for electric cars.

a. There are a number of factors that influence the price of motor vehicles.

The uptake of electric cars is expected to be constrained in the short term due to existing supply chain issues impacting global car markets. The Electric Car Discount is one aspect of the National Electric Vehicle Strategy, which will look to measures that address other aspects of EV uptake, including supply.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Measure reviews  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

Why will the measure only be reviewed after three years, and not annually?

- a. What will Treasury review it against?
- b. What will be the metrics that define whether the measure is successful or not?
- c. Why merely review the measure instead of requiring it to be re-legislated?
- d. Why is this different from other tax incentive measures like the Instant Asset Write Off?
- e. Given this policy forms part of the suite of measures that underpin the Government's updated NDC, will the Government have to adjust the NDC if the review shows that it is ineffective?

**Answer:**

Policy decisions are a matter for Government.

- a. Details of the review will be settled prior to the commencement of the review.
- b. Details of the review will be settled prior to the commencement of the review.
- c. Please refer to IQ22-000041.
- d. Please refer to IQ22-000041.
- e. Australia's NDC commitment represents a whole-of-economy commitment. The performance of any particular measure does not affect the NDC commitment and will not require the NDC to be updated.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** Impact on tax and revenue system  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

The Secretary of the Department, Dr Kennedy in his 8th June 2022 speech to the Australian Business Economists, available on the Treasury's website, called for: "Ongoing review of the tax base and tax expenditures to ensure the tax system remains adequate to fund spending commitments and is equitable including from an intergenerational perspective will be important given the pressures to raise more revenue over time."

- a. How does this bill address those pressures?
- b. How is the lack of a sunset clause consistent with those comments?
- c. How is the failure to regularly review the measure consistent with those comments?
- d. How is the Government's decision to legislate an ongoing tax concession with no quantifiable benefit, at the cost of \$2.3bn to the budget over the medium term according to the PBO, consistent with the Secretary's call for equity and the pressure to raise more revenue over time?

**Answer:**

- a. The Government announced the measure as an election commitment on 1 May 2022 as part of the Driving the Nation announcement.
- b. The measure is subject to review.
- c. The measure is subject to review.
- d. The measure is subject to review.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Labour Market Environment Industry and Infrastructure Division  
**Topic:** Impact on emissions reduction  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

Have Treasury modelled the impact of this policy on emissions reduction?

- a. What impact will it have on emissions by 2030?
- b. What impact will it have on emissions over the forward estimates?
- c. Given this policy forms part of the suite of measures that underpin the Government's updated NDC, is the review pre-determined?

**Answer:**

Treasury did not model the impact of this policy on emissions reduction. Refer to IQ22-000051.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

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**Division:** Labour Market Environment Industry and Infrastructure Division  
**Topic:** Modelling requests  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

Have the Treasury request the Department of Climate Change, Water, and Environment model the impact of this policy on emissions reduction?

- a. What impact will it have on emissions by 2030
- b. What impact will it have on emissions over the forward estimates?
- c. Given this policy forms part of the suite of measures that underpin the Government's updated NDC, is the review pre-determined?

**Answer:**

Treasury consulted with the Department of Climate Change, Energy, the Environment and Water (DCCEEW) on the policy design, including potential emissions reductions.

- a, b. DCCEEW provided no abatement estimate for the FBT measure. The Government will estimate abatement from measures in the National Electric Vehicle Strategy when it is finalised, as part of the emissions projections.
- c. The outcomes of the review in three years are not pre-determined.

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2022 - 2023

**Division:** Personal and Indirect Tax Charities and Housing  
**Topic:** FBT exemption  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

1. Regarding the decision of Government to institute the FBT exemption as an ongoing measure:
  - a. Did Treasury provide advice about whether the measure should be ongoing or terminating?
    - i. What was that advice?
  - b. Was advice provided on the risks of making the measure ongoing?
    - i. What was that advice?
  - c. Was advice provided on the long term costs of making the measure ongoing?
    - i. What was that advice?
  - d. Was advice provided on the unequal benefit of the tax concession?
    - i. What was that advice?
  - e. Was a brief provided to the Treasurer's office containing advice on any of the above matters?
    - i. What was the PDMS number of that brief?
    - ii. Can that brief please be provided to the Committee?
2. Regarding the decision of Government to institute the FBT exemption as an ongoing measure:
  - a. What is the rationale for the \$205 million measure to be an ongoing and growing cost to the budget?
  - b. What is the rationale for making the measure ongoing?
  - c. What is the rationale for providing a tax policy change that primarily benefits high income earners?
  - d. What is the rationale for providing a tax policy change that has behavioural impacts cannot be measured?
3. Regarding the decision of Government to institute the FBT exemption as an ongoing measure:
  - a. What date was this decision made?
  - b. Was it a decision of Cabinet or a decision of the Treasurer?
4. Regarding the decision of Government to institute the FBT exemption as an ongoing measure:
  - a. How is legislating this tax policy consistent with the Government's fiscal strategy?
5. Regarding the decision of Government to institute the FBT exemption as an ongoing measure:
  - a. How is legislating this tax policy – costed at \$2.3bn over decade by the PBO – consistent



with the Treasurer's statement to the National Press Club on 5 April 2022 that a Labor Government's fiscal strategy would ensure "Focus on quality and bang for buck"?

6. Regarding the decision of Government to institute the FBT exemption as an ongoing measure:

a. How is legislating this tax policy – costed at \$2.3bn over the next decade estimates by the PBO – consistent with the Treasurer's statement to the National Press Club on 5 April 2022 that a Labor Government's fiscal strategy would ensure "we want to be judged on the quality of our spending, to the extent that it delivers the right kind of growth."

**Answer:**

1. Please refer to IQ22-000041.
2. Please refer to IQ22-000041.
3. Please refer to IQ22-000041.
4. Please refer to IQ22-000041.
5. Please refer to IQ22-000041.
6. Please refer to IQ22-000041.

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**Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022**

2022 - 2023

**Division:** Labour Market Environment Industry and Infrastructure Division  
**Topic:** State and territory schemes  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

1. How many state and territory government schemes already reduce EV prices?
2. What is the policy case to have overlapping discount schemes?

**Answer:**

1. All States and Territories offer schemes that target EV affordability. These vary across states and territories, but can range from registration concessions, interest free loans to assist with purchase, and direct subsidies to purchasers.
2. Fringe Benefits Tax and reductions in tariffs that form the electric car discount are levers that the Commonwealth can control to encourage EV uptake. These apply Australia-wide, regardless of State or Territory.

These measures do not overlap with State and Territory schemes, which target other aspects of EV pricing.

Together, Commonwealth, State and Territory incentives work alongside each other to address the cost of EVs, which is a significant barrier to EV uptake.

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2022 - 2023

**Division:** Labour Market Environment Industry and Infrastructure Division  
**Topic:** FBT incentive  
**Reference:** Written (25 August 2022)  
**Senator:** Andrew Bragg

**Question:**

1. What additional purchasing behaviour do the Department of Industry, Science and Resources expect the EV FBT incentive to drive?
2. Will this measure substantially add to productivity? Given its cost, is this a value for money investment?

**Answer:**

1. Please refer to IQ22-000033.
2. The electric car discount will help businesses and individuals access the benefits of electric cars, which can include productivity benefits, such as reduced operating costs and avoiding fuel price shocks.

More broadly, climate change has economic consequences, including impacts on productivity and costs of doing business, along with impacts on Government expenditure and revenue. Global action to address climate change, of which increasing electric vehicle uptake is an important part, is important to manage long-term risks to productivity and fiscal sustainability.