

CLIENT ALERT

Electric Vehicles home charging costs – ATO guidance finalised

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14 Feb 2024 • 5 min read

The ATO has recently finalised its guidelines on how electricity costs for charging electric vehicles at home may be calculated for FBT and income tax purposes.

Practical Compliance Guide PCG 2024/2 sets out a 4.2c per kilometre rate that can be applied for calculating the electricity charging costs of electric vehicles (EV). This rate is effective from 1 April 2022 for fringe benefits tax (FBT) purposes, and from 1 July 2022 for income tax purposes.

The two changes from the earlier draft of the PCG are:

- Extension of the transitional rules where odometer readings have not been kept – to include the commencement of the 2023/24 FBT and income years; and
- Provision for a combination of the cents per kilometre calculation method and actual external costs where it is possible to determine the percentage of the vehicle's charge based on the type of charging location (although we are not sure how many cars have this capability yet).

A reminder of what the PCG allows

Employers and individual taxpayers can choose to use this ‘shortcut’ method to calculate an EV’s electricity costs, based on the total kilometres travelled. The choice is per vehicle and can be changed by the employer or individual from year to year. This method is particularly helpful where the home charging station does not have the ability to segregate the EV charging station’s electricity consumption from the household’s total costs.

Where an employer or individual chooses to use the shortcut cents per kilometre method provided by the PCG, they must then ignore any other actual charging costs incurred, including from commercial charging stations.

Fringe benefits tax

Even if an EV satisfies the criteria of an FBT exempt car, an employer must still calculate the ‘notional’ taxable value for the purpose of the employee’s reportable fringe benefits amount. Where the provision of an EV is not an FBT exempt car, the fringe benefit’s taxable value will need to be calculated.

For FBT purposes, the electricity costs of the EV can form part of:

- the total operating expenses under the Operating Cost method;
- any employee contributions – applicable for both the operating cost and statutory rate methods;
- the taxable value of a residual fringe benefit; or
- an expense payment fringe benefit’s taxable value for any EV costs reimbursed, or paid, by the employer.

Income tax deductions

Individual taxpayers can include their EV’s electricity costs as a tax deduction in their personal income tax return for any proportion incurred in gaining or producing their assessable income, provided they own or lease the car in their own name (and it is not salary packaged). To calculate the deductions, an individual taxpayer can use either the cents per kilometre method as prescribed by the PCG 2024/2, or the logbook method. Either way, the individual must be able to determine the work-related use of their vehicle.

Record keeping

For both FBT and income tax substantiation requirements, adequate records must be maintained and kept for five years from the date the return was lodged with the ATO. If the employer/individual taxpayer is relying on this PCG, the vehicle's odometer records at the start of each year are required to determine the kilometres travelled. Where no odometer records were kept at the start of the 2022/23 or 2023/24 years, the ATO will allow a reasonable estimate based on service records or other relevant information.

Other records that may be required include:

- a valid logbook – for the FBT operating cost method or logbook method for income tax purposes.
- if using the PCG's cents per kilometre rate of 4.2c, an electricity bill for the residential home to show that electricity costs have actually been incurred in the relevant year. (Note that if the home has solar panels that produce sufficient electricity, such that no electricity costs have been incurred, then the 4.2c/km method cannot be applied.)

Plug-in hybrid vehicles

The shortcut method only applies to vehicles that are solely fuelled by electric power. There is still no guidance from the ATO regarding electricity costs for plug-in hybrid vehicles, electric motorcycles or electric scooters.

The key message

For fully electric vehicles – consider if you can segregate the home charging station's electricity costs from the household consumption. If not, the ATO's shortcut method of 4.2c/km is probably the best method to use to determine electricity costs. In this case, don't forget to keep odometer records at the start of each FBT or income tax year. Otherwise, you will need records for actual expenditure incurred.


For plug-in hybrid cars – think about how you will substantiate the cost of electricity. Keep receipts for external costs.

We recommend you begin organising your records, and revise any internal policy documents, in advance of the beginning of the 2025 FBT and income tax years.

We're here to help

Please reach out to our Employment Solutions Team if you require assistance or wish to discuss any of the above further.

We will also be discussing this topic at our upcoming FBT webinar. If you are not already registered, you can do so [here](#).

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