



The Hon Chris Bowen MP  
Minister for Climate Change and Energy

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# Joint media release: Fairer tax treatment to encourage affordable EVs

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The Hon Jim Chalmers MP, Treasurer

The Hon Chris Bowen MP, Minister for Climate Change and Energy

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The Albanese Government will continue to support Australians into cheaper to run cars while making sensible changes to the fringe benefits tax (FBT) exemption for electric vehicles.

These adjustments will deliver fairer and more financially sustainable tax treatment for EVs.

The current New Vehicle Efficiency Standards has seen a dramatic increase in the availability of affordable EV models, and now is the right time to focus the FBT exemption on these cars.

The new rules will encourage manufacturers to offer more affordable and cheaper to run EVs in the Australian market.

We will continue to provide support for families who choose to switch to EVs as we transition to a permanent 25 per cent discount on FBT for these cars.

Existing leases won't be impacted by the changes.

The changes will be brought in progressively through three phases and are estimated to save the Budget \$1.7 billion over the five years from 2025-26.

- In the first phase, the existing electric vehicle discount will continue in full until the end of March 2027.
- In the second phase, between 1 April 2027 and 1 April 2029, the full FBT discount will continue to apply only for EVs costing \$75,000 or less – encouraging manufacturers to offer more affordable choices to the Australian market.

During this phase, EVs costing more than \$75,000 but below the luxury car tax threshold will receive a 25 per cent discount on their payable FBT.

- In the third phase, from 1 April 2029 onwards, all EVs below the luxury car tax threshold will receive the 25 per cent discount on payable FBT.

Eligible EVs will continue to be exempt from import tariffs on an ongoing basis.

The electric car market has rapidly matured since we came to Government, and these changes will ensure our tax settings are still suitable.

There were only two EVs under \$40,000 - now there are around 10 and, for the first time, one model under \$30,000.

In March 2026, 22.9 per cent of new cars sold were electric or plug-in hybrid, up from 1.8 per cent in May 2022.

The strongest uptake of our EV tax cut is occurring primarily outside the inner cities – with Gosford, Kellyville, Werribee and Toowoomba among the highest uptakes.

These commonsense changes have been informed by the Electric Car Discount Review, which found that the scheme had been successful at encouraging uptake, reducing emissions, and softening some of the impact of global oil price fluctuations.

The final report of the Statutory Review of the Electric Car Discount is [available here](#)

[<https://treasury.gov.au/publication/p2026-766052>].

This is all part of our government's plan to address the immediate pressures our country is facing at the same time as we deliver support for Australian families and address our intergenerational responsibilities.