

Senator Jess Walsh
Committee Chair
Senate Standing Committees on Economics - Legislation
PO Box 6100
Parliament House
Canberra ACT 2600
via email: economics.sen@aph.gov.au

Ref: Committee inquiry into *Treasury Laws Amendment (Electric Car Discount) Bill 2022*.

Dear Chair and Committee,

The Motor Trades Association of Australia Limited (MTAA) welcomes the opportunity to make a submission to the Committee's inquiry on the *Treasury Laws Amendment (Electric Car Discount) Bill 2022*.

MTAA is a unique peak not-for-profit automotive federation whose members are the State and Territory Motor Trades Associations and Automotive Chambers of Commerce. MTAA Member organisation constituents are the thousands of businesses representing the entire automotive supply chain. Found in almost every community across rural, regional, and suburban Australia, these businesses provide MTAA unparalleled grassroots capability to inquire, assess, and advocate for or against the impact of any proposed policy or regulation. These critical businesses also provide early warning capacity of actions, conduct, or implications of matters causing detriment or concern.

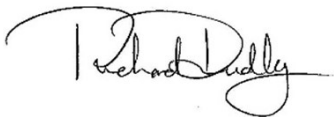
MTAA welcomes the swift and deliberate action of the Government in fulfilling a pre-2022 election commitment to increase access to certain electric vehicles by exempting those vehicles from Fringe Benefits Tax requirements.

This action exemplifies practical temporary action, likely to have the intended impact and more than some other targeted incentives and subsidies currently available.

MTAA and Member organisations, while welcoming the initiative, suggest it may also offer opportunities to go further by expansion and removal of constraints that may negatively impact intent.

MTAA's formal submission is attached for the Committee's consideration, and please do not hesitate to contact me should you require any additional information or clarity concerning this request on 0412146828.

Yours sincerely



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MTAA Submission to Senate Standing Committees on Economics – Legislation Inquiry into Treasury Laws Amendment (Electric Car Discount) Bill 2022

Summary

The Motor Trades Association of Australia Limited (MTAA) welcomes and supports the Treasury Laws Amendment (Electric Car Discount) Bill 2022 and applauds the Government's decisive action on its introduction during the first sitting week of the 47th Parliament.

The intent of the Bill to encourage increased uptake of certain electric vehicles by exempting Fringe Benefits Tax (FBT) broadly aligns with MTAA industry objectives. These objectives embrace electrification as part of a timely, considered, and sustainable national passenger and light commercial fleet transition.

It is an effective measure as a 'quick win' and something tangible for fleet purchase decisions that have to be made now. But it does not address the need for refreshed thinking, new approaches and sharper mindsets if a timely, considered, and sustainable transition of the national passenger and light commercial fleet is to be achieved and in sync with emissions reduction targets.

MTAA, its Members, and the thousands of automotive retail, service, repair, fuel, recycling, and specific trade businesses need the promoted National Electric Vehicle Strategic Plan to detail all the crucial elements of the transition. Elements such as addressing current skills shortages, future workforce planning, harmonisation of all incentive and subsidy measures, and federally led or at least nationally consistent application of transition requirements and milestones.

Also critical will be tax reform that delivers a modern tax system reflecting changed mobility and road use.

MTAA sees initiatives such as the FBT exemption for certain electric vehicles as a needed but temporary measure designed to elicit faster behavioural change in motor vehicle purchase decisions.

It is not the critical review and reform of a tax system that must accompany such a fundamental generational shift in the nation's reliance on mobility and the transition of the national passenger and light commercial fleet.

Extend, Expand and clarify

MTAA suggests there is still room to expand, clarify and enhance the amendment's provisions as an interim measure to enhance the intent of uptake by expanding, extending and clarifying provisions. MTAA strongly suggests focusing on developing, agreeing, and implementing a national strategic plan. However, influencing uptake remains essential, and the Federation believes the FBT exemption could still be further enhanced.

For example:

- Extending or clarifying the application of the Bill includes associated costs peculiar to Zero and Low Emission Vehicles (ZLEV), such as home charging infrastructure, batteries and auxiliary equipment used in external charging. The Australian Tax Office could provide guidance material that clarifies that the exemption also captures the associated ZLEV costs.
- Examine the potential for extending the FBT exemption to used electric vehicles. New electric vehicle supply chain delays are continuing. As well, demand has surged for used electric vehicles. Easing the criteria to include used electric vehicles and associated running costs should be considered.
- Revisit the definition of Zero and Low Emission vehicles to provide increased options.
- Develop policy alternatives that remove the Luxury Car Tax (LCT) thresholds.

Luxury Car Tax and tax reform

MTAA recognises the comparative ease of amending existing legislation instead of reforming and crafting alternate legislation to reflect the generational change. The Federation respects the task of encouraging uptake quickly to maximise influence over future purchase decisions.

However, this cannot and must not be the endpoint. National vehicle fleet transition must consider policy and regulatory reform, including reliance on the LCT, an archaic tax from a bygone era. As we transition from Internal Combustion Engine (ICE) vehicles, so must we transition away from out-of-touch tax regimes.

MTAA is disappointed that the Luxury Car Tax (LCT) thresholds remain. The LCT fails every test of reasonableness, rationale, and requirement and threatens Free Trade Agreements with the EU. In addition, some jurisdictions, in a thirst for alternative revenue streams, are further altering the original intent of the LCT by adding their own further definition and State Luxury Tax charge. It is the view of MTAA that these influences will continue to dampen demand and negatively impact uptake.

MTAA continues to call for the abolition of the Luxury Car Tax, and its undue influence, at a time when mobility is undergoing the most significant change since the arrival of the automobile. It is incongruous that such a tax remains so prominent in implementing actions to encourage electric vehicle uptake.

Jurisdiction grabs for cash are also evident in rushed attempts to resolve electric vehicle road use by applying immature, ill-considered user charging regimes. Patchwork and piecemeal approaches, sans a nationally consistent model and application, are destined to create unforeseen consequences and potentially damage EV uptake and transition aspirations.

Taxation reform must be a consideration in a national strategic plan for fleet transition.

Targeted incentives/ subsidies

As part of a national strategic plan, incentives should either be Federally led or at the very least be nationally consistent.

Mixed messaging and inconsistent approaches to incentives and subsidies will likely generate unforeseen consequences and buyer behaviours potentially undermining transition. For example, the current flurry of consumer incentives and subsidies on a jurisdictional basis is on a limited vehicle availability at essentially higher price points. Many of these offerings have nominated sunset clauses which will expire before increased product offerings become available. Larger demographics wanting to transition to ZLEV will likely be disadvantaged.

Similarly, a scattergun approach to at-home and public infrastructure rollout plans and support will negatively impact uptake.

MTAA, on behalf of member organisations and their thousands of automotive business constituents, provides this submission highlighting key areas and specific observations and recommendations where the Federation believes there are opportunities to improve the Bill, clarify intent, and mitigate risks for potential misinterpretation.

Ends.