

Ms Amber Ibbott
Australian Taxation Office
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Dear Amber

Draft Practical Compliance Guideline PCG 2023/D1: Electric vehicle home charging rate – calculating electricity costs when charging a vehicle at an employee’s or individual’s home

CPA Australia is Australia’s leading professional accounting body and one of the largest in the world. We represent the diverse interests of more than 173,000 members in over 100 countries and regions. We make this submission in response to the [Draft Practical Compliance Guideline PCG 2023/D1: Electric vehicle home charging rate – calculating electricity costs when charging a vehicle at an employee’s or individual’s home](#) on behalf of our members and in the broader public interest.

As an overarching observation we welcome the issue of Draft Practical Compliance Guideline PCG 2023/D1 as a constructive measure which provides employee drivers of eligible electric vehicles₁ with some degree of parity to employee drivers of non-electric cars₂ in terms of reducing the taxable value of vehicle fringe benefits by their fuel costs.

In particular, we acknowledge the considerable resources devoted by the ATO in determining a national weighted average electricity cost₃ calculated as a cents per kilometre rate₄ given the differences₅ in electricity prices based on provider, jurisdiction and time of use.

However, we make the following comments for your consideration which we believe would further improve the efficacy of the final Guideline.

1. Inability to salary sacrifice the estimated cost of kilometres travelled

The Draft Guideline does not allow an employee to salary sacrifice the estimated cost of kilometres travelled by applying the 4.2 cents per kilometre rate. That is, it cannot be funded from pre-tax salary under an effective salary sacrifice arrangement.

Accordingly, such a cost must₁ by necessity₂ be treated as a recipient’s contribution.

We note that there does not appear to be any explicit rationale as to why such an expense cannot be salary sacrificed.

In addition, should the view prevail that the cents per kilometre rate can only be claimable as a recipient contribution it would be beneficial to amend the Draft Guideline to expressly state that it does not apply to amounts which are salary sacrificed from pre-tax salary. This will provide greater clarity and reduce any potential misunderstanding.

2. Cents per kilometre rate should be subject to annual review

There is no reference to the 4.2 cents per kilometre rate being subject to annual review.

Furthermore, we understand that there is currently no intention to annually adjust the amount of the rate for either inflation or changes in electricity prices. In particular, the 4.2 cents rate is based on State and Territory new motor vehicle registrations data for the period 2014 – 2020, which is dated and not reflective of the current high interest rate and high inflation environment, and the significant recent hikes in electricity prices.

We believe that it would be appropriate to conduct an annual review in the same way as the cents per kilometre rate is annually adjusted for individuals claiming business travel of 5,000 kilometres or less as a tax deduction, or for applying the cents per kilometre rate in calculating the taxable value of a non-car residual fringe benefit where eligible.

This is important in the current context given the current inflationary pressures in the economy and the volatility of electricity prices, which appear are forecast to significantly increase in the short to medium term.

3. Practical approach to transition period

We recognise the pragmatic view that the ATO has adopted in respect of the initial transitional year, given that the Draft Guideline will effectively apply on a retrospective basis from 1 April 2022 or 1 July 2022.

This is an important feature of the Draft Guideline as employee drivers calculating the taxable value of eligible electric cars have not typically maintained odometer readings since the change in the statutory formula calculation which took effect from 10 May 2011.

We note that reference is made to employee drivers making a reasonable estimate, based on service records. This may also be challenging for some, given that electric cars typically require only limited maintenance.

Accordingly, it would be beneficial to elaborate on the other categories of information that may be potentially relied upon by employee drivers in making estimates of business kilometres travelled in the finalised Guideline.

We also suggest that the ATO accepts reasonable estimates of closing kilometres in respect of closing odometer readings as at 31 March 2023, given the limited lead time that leasing companies and salary packaging organisations have had to put systems in place to monitor kilometres travelled.

4. Monitoring for emerging technologies

We believe that it would be prudent to monitor emerging technologies to determine if the Guideline needs to be revised when it becomes possible to separately identify the electricity cost of recharging the vehicle at home, independently of the electricity applied for other purposes.

Such changes may arise in the medium term which would create the need for the Guideline to be updated, to accommodate such a change.

If you have any queries, contact Elinor Kasapidis, Senior Manager Tax Policy on 0466 675 194 or elinor.kasapidis@cpaustralia.com.au.

Yours sincerely,

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