PCG 2024/2 - Electric vehicle home charging rate - calculating electricity costs when a vehicle is charged at an employee's or individual's home

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Practical Compliance Guideline

Electric vehicle home charging rate – calculating electricity costs when a vehicle is charged at an employee's or individual's home

Relying on this Guideline

This Practical Compliance Guideline sets out a practical administration approach to assist taxpayers in complying with relevant tax laws. Provided you follow this Guideline in good faith, the Commissioner will administer the law in accordance with this approach.

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What this Guideline is about

1. With the use of zero emissions vehicles[1] (electric vehicles) on the rise in Australia, employers with fringe benefits tax (FBT) obligations and individual taxpayers (individuals) who incur work-related car and motor vehicle expenses are faced with the compliance challenge of calculating electricity costs incurred when charging electric vehicles at residential premises. This is because electricity usage for charging electric vehicles is combined with the total electrical consumption of the household, and often cannot be separately identified and valued.

2. To address the compliance challenge for employers and individuals, we have developed a methodology to calculate the cost of electricity when an electric vehicle is charged at an employee's or individual's, home.

3. It is the employer's or individual's choice to either use the methodology outlined in this Guideline or determine the cost of the electricity by determining its actual cost. The choice is per vehicle and applies for the whole income or FBT year. However, it can be changed by the employer or individual from year to year.

4. This Guideline does not apply to an electric vehicle that is a plug-in hybrid vehicle[2] which has an internal combustion engine. You cannot rely on this Guideline for such vehicles because they operate on a combination of petrol-driven and electricity-driven kilometres. The methodology provided in this Guideline is a shortcut method which applies the electric vehicle home charging rate (EV home charging rate) only to vehicles that are solely fuelled by electric power.

5. This Guideline also does not apply to electric motorcycles or electric scooters.

[1] A zero emissions vehicle (which includes a car and a motor vehicle) is a road vehicle that:
- uses one or more electric motors to drive, and
- is fuelled by any of the following
  - an off-vehicle electrical power source
  - a battery
  - an electric generator, or
  - a hydrogen fuel cell.

[2] A plug-in hybrid vehicle is a motor vehicle that:
- uses an electric motor for propulsion
- takes and stores energy from an external source of electricity
- is fitted with an internal combustion engine for either or both of
  - the generation of electrical energy
  - propulsion of the vehicle.

6. Table 1 of this Guideline outlines the relevant provisions for FBT and income tax purposes for which the EV home charging rate may be applied.

Table 1: When to apply the EV home charging rate

Fringe Benefits Tax Assessment Act 1986 **(FBTAA)**	***Income Tax Assessment Act 1997*** **(ITAA 1997)**
• taxable value of a car[3] fringe benefit under Subdivision B of Division 2 of Part III • taxable value of a residual fringe benefit[4] under Subdivision B of Division 12 of Part III • taxable value of a car expense payment fringe benefit under Division 5 of Part III • reimbursement of car expenses under Division 13 of Part III • reportable fringe benefit amount under Part XIB	• car[5] expenses claimed using the logbook method under Division 28 • motor vehicle[6] expenses claimed under section 8-1

7. This Guideline does not deal with the GST implications of payments that employers make to their employees in relation to the cost of charging of an electric vehicle at an employee's home.

Who this Guideline applies to

Employers who can rely on this Guideline

8. You may rely on this Guideline to calculate electricity costs of charging an electric vehicle at the employee's home if you are an employer who:

- provides the electric vehicle to an employee or their associate for private use resulting in the provision of either a car fringe benefit[7] or a residual fringe benefit, or pays for expenses associated with the car resulting in a car expense payment benefit
- provides the electric vehicle to an employee or their associate who charges the electric vehicle using electricity at a residential premises, where the electricity cost directly attributable to charging the electric vehicle cannot be practically segregated from the cost of running other electrical appliances in the home, and
- is required to calculate the taxable value for one or more of the following as part of your FBT obligations
  - car fringe benefit
  - residual fringe benefit

[3] Under the FBTAA, 'car' has the meaning given by subsection 995-1(1) of the ITAA 1997.
[4] 'Residual fringe benefit' means a fringe benefit that is a residual benefit – subsection 136(1) of the FBTAA.
[5] For income tax purposes, 'car' is defined in subsection 995-1(1) of the ITAA 1997 to mean a motor vehicle (except motorcycle or similar vehicle) designed to carry a load of less than 1 tonne and fewer than 9 passengers.
[6] This includes vehicles not covered by the definition of 'car' in subsection 995-1(1) of the ITAA 1997. However, as per paragraph 5, for the purposes of this Guideline it also excludes motorcycles and scooters.
[7] This includes providing a car to an employee (or their associate) by way of a novated lease arrangement.

- car expense payment benefit – where the electricity charging cost incurred by the employee is reimbursed by the employer, or
- the grossed-up taxable value for reporting of the reportable fringe benefit amount (RFBA) for your employee – which continues to be reportable, even if the car benefit arising from the provision of the electric vehicle is exempt.[8]

Individuals who can rely on this Guideline

9. You may rely on this Guideline to calculate electricity costs of charging an electric vehicle at your home if you:

- use a zero emissions electric vehicle in gaining or producing your assessable income
- incur electricity expenses when charging your electric vehicle at home, and
- have kept the relevant records[9] for the income year.

Example 1 – not a zero emissions vehicle – plug-in hybrid

10. *Zoe owns a plug-in hybrid electric vehicle (PHEV) which is powered by a combination of liquid fuel and electricity. PHEVs can be charged with electricity from a residential power source, but also contain an internal combustion engine that uses liquid fuel.*

11. *As Zoe's PHEV can be powered by electricity but also uses liquid fuel, it is not considered to be a zero emissions vehicle and Zoe is unable to rely on this Guideline.*

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12. If you choose to rely on this Guideline, you must have incurred the electric vehicle home charging electricity cost. The electric vehicle home charging electricity cost is incurred when an amount is actually paid or when a definitive obligation to pay the amount arises. This will generally occur where you have entered into a contract for the supply of electricity for the home which is in place at the time you charge the electric vehicle. Further, it would generally be accepted the electricity cost is incurred by you where there is a private household arrangement under which you had a shared obligation (either solely or jointly) to pay the bill in a household. See Taxation Ruling TR 97/7 *Income tax: section 8-1 meaning of 'incurred' – timing of deductions* for more detailed guidance on the meaning of 'incurred' and the timing of deductions under section 8-1 of the ITAA 1997.

[8] The *Treasury Laws Amendment (Electric Car Discount) Act 2022* applies to benefits provided on or after 1 July 2022 and exempts from FBT the use, or availability for use, of cars that are zero or low emissions vehicles (provided no amount of luxury car tax is payable) made available by employers to current employees) – subsection 8A(1) of the FBTAA. These exempt benefits continue to be included in the employee's individual fringe benefits amount for the purposes of determining the employee's reportable fringe benefits amount for each FBT year in which the exempt benefit is provided – subsection 135P(3) of the FBTAA.

[9] See paragraphs 73 to 75 of this Guideline.

Date of effect

13. This Guideline applies:

- for FBT purposes, from 1 April 2022, when calculating the taxable value of benefits outlined in paragraph 6 of this Guideline, or
- for income tax purposes, from 1 July 2022, when calculating the relevant car or motor vehicle expenses, as outlined in paragraph 6 of this Guideline.

The practical compliance approach

14. If you are an employer that satisfies the criteria outlined in paragraph 8 of this Guideline, you can choose to rely on this Guideline.

15. If you are an individual who satisfies the criteria outlined in paragraph 9 of this Guideline, you can choose to rely on this Guideline.

16. The Commissioner would not have cause to apply compliance resources to review your calculation of electricity costs of charging an electric vehicle at a residential premises for FBT purposes or for income tax purposes (see Table 1 of this Guideline) if you multiply the cents per kilometre rate (the EV home charging rate indicated in Table 2 of this Guideline) by the total number of relevant kilometres travelled by the electric vehicle in the relevant income year or FBT year.

Table 2: Cents per kilometre rate

Rate applying to fringe benefits tax year or income year commencing on and after	**EV home charging rate**
1 April 2022	4.20 cents per km[10]

17. The choice to rely on this Guideline for an electric vehicle is applicable for the whole FBT or income year. However, this choice can be changed by the employer or individual from year to year.

Home charging percentage can be accurately determined

18. Where a zero emissions vehicle has the functionality to accurately report the percentage of a vehicle's total charge based on the type of charging location, electric vehicle charging costs can include both home charging and commercial charging station costs. This is because the extent to which the vehicle has been charged at home (that is, its home charging percentage) can be accurately determined.

19. The total number of relevant kilometres used to calculate home charging costs must be adjusted by applying the home charging percentage to arrive at the relevant kilometres for the purpose of this Guideline.

Example 2 – home charging percentage can be accurately determined

20. *Bill owns an electric vehicle which generates a report detailing the annual percentage of total charge that relates to home charging. Bill charges his electric vehicle 75% at home during the 2022–23 FBT year.*

[10] This rate is based on the state and territory new motor vehicle registrations data (2014–2020), electrical consumption rates (watt hours per km) from the Electric Vehicle Database and Green Vehicle Guide, and the Australian Energy Market Commission state and territory electricity prices to derive the long-term population-weighted national average electricity cost.

21. *Bill travelled a total of 10,000 km in the 2022–23 FBT year. His home charging kilometres are determined by applying the home charging percentage of 75% to the 10,000 total kilometres travelled. Therefore, the relevant kilometres for the purpose of this Guideline are 7,500 kms.*

22. *Bill has kept relevant records and can therefore also claim the cost of electricity purchased at a commercial charging station.*

Home charging percentage cannot be accurately determined

23. If electric vehicle charging costs are incurred at a commercial charging station and the home charging percentage cannot be accurately determined, you can choose to either:

- use the EV home charging rate, but only if the commercial charging station cost is disregarded, or
- use the commercial charging station cost, but only if the EV home charging methodology set out in this Guideline is not applied.

24. Further, all necessary records such as receipts must be kept to substantiate the claim, as per normal record-keeping rules.

Example 3 – home charging percentage cannot be accurately determined

25. *Sue owns an electric vehicle. She usually charges it at home and occasionally at a commercial charging station. Her electricity purchase from the commercial charging station was $250 for the income year. Sue has kept the relevant records*[11] *and opts to rely on this Guideline but her electric vehicle does not have the functionality to accurately determine her home charging percentage.*

26. *Using the EV home charging rate, Sue calculates her electricity work-related car expenses to be $840. Given Sue has relied on this Guideline, she must disregard the $250 cost of electricity purchased at a commercial charging station and not include the amount as part of her work-related car expenses deduction claim.*

Transitional approach – 2022–23 and 2023–24 fringe benefits and income tax years

27. If odometer records have not been maintained as at the start of the 2022–23 or 2023–24 FBT or income tax years (that is, as at 1 April or 1 July 2022, or as at 1 April or 1 July 2023), a reasonable estimate may be used based on service records, logbooks or other available information.

Employers with fringe benefits tax obligations

Taxable value of a car fringe benefit

28. If you are an employer and your employees use a car you hold for private purposes, you may be providing a car fringe benefit, and may be liable for FBT.

[11] See paragraphs 73 to 75 of this Guideline.

29. To calculate the taxable value of a benefit arising from the provision of an electric vehicle which is a car fringe benefit, you can use either the statutory formula method or the operating cost method.

30. The EV home charging rate can be used under this Guideline to determine the home electricity charging costs for the:

- statutory formula method – to include in the recipient contribution component, or
- operating cost method – to include the electricity charging cost, both for the operating cost and the recipient contribution components.

Expense payment fringe benefit

31. An expense payment fringe benefit arises when your employee incurs home electricity charging expenses for the electric vehicle that the employee owns, and you either reimburse them or pay a third party for the expense. This may be an exempt benefit where the EV home charging rate is used to calculate the amount of the reimbursement.[12]

32. Where a car benefit is provided and you reimburse your employee's associated car expenses[13], including fuel, the reimbursement of these expenses is an exempt benefit[14] and no FBT liability will arise. This would include the amount of a reimbursement that is calculated using the EV home charging rate.

Residual fringe benefit

33. Where you provide your employee with an electric vehicle that is not a car[15] and is used for private purposes, a residual fringe benefit will arise (unless an exemption applies). To calculate the taxable value of the residual benefit you can apportion operating costs on the basis of the proportion of private kilometres to total kilometres travelled. This will probably require the keeping of a logbook. Alternatively, you can use the cents per kilometre method in respect of private kilometres travelled.[16]

Examples

34. The following examples illustrate the application of the practical compliance approach to calculating electricity costs of charging an electric vehicle at the employee's home in an FBT context:

Example 4 – reimbursement by the employer of electricity charging cost for a car benefit provided under a novated lease arrangement

35. *Sally and her employer have a salary sacrifice arrangement in place where benefits are provided in exchange for a reduction in salary. A car is provided under a novated lease agreement. The car is an electric vehicle, eligible for the electric vehicle exemption.*

[12] Section 22 of the FBTAA. Note that this amount will need to be included in the employee's assessable income under section 15-70 of the ITAA 1997.
[13] As defined in subsection 136(1) of the FBTAA.
[14] Section 53 of the FBTAA.
[15] A motor vehicle designed to carry a load of one tonne or more or 9 or more passengers – see definition of car in subsection 995-1(1) of the ITAA 1997.
[16] Refer to Miscellaneous Taxation Ruling MT 2034 *Fringe benefits tax: private use of motor vehicles other than cars* for further information.

36. *Sally exclusively charges her vehicle at home. The odometer reading is provided for the relevant period, and the cost of electricity is calculated using the methodology outlined in this Guideline.*

37. *Sally seeks reimbursement of the electricity cost from her employer under the lease arrangement.*

38. *The reimbursement of the electricity cost is an exempt car expense payment benefit under section 53 of the FBTAA.*

39. *From a reportable fringe benefits perspective, expenses reimbursed under a salary sacrifice agreement are not a recipient contribution, and therefore cannot reduce the taxable value of the benefit.*

Example 5 – reimbursement of electricity charging cost as a car expense payment benefit

40. *Jack owns an electric vehicle and uses the vehicle for both work-related and private purposes. Based on Jack's records, he travelled a total of 10,000 km in the 2022–23 FBT year.*

41. *Roger, who employs Jack, reimburses the home electricity charging cost Jack incurs. He calculates the amount of the reimbursement to be:*

electric vehicle electricity charging cost = total km travelled by vehicle × EV home charging rate

10,000 km × 4.20c = $420

42. *This amount is an exempt benefit under section 22 of the FBTAA. The amount will be included in Jack's assessable income under section 15-70 of the ITAA 1997.*

Example 6 – statutory formula method, electric vehicle above the luxury car tax threshold and not eligible for fringe benefits tax exemption

43. *An employer purchased an electric vehicle for $120,000 (including goods and services tax and luxury car tax) on 1 July 2022. It was provided to an employee for private use for the 2022–23 FBT year, and the employee travelled a total of 27,037 kilometres during that FBT year.*

44. *The employee charged the electric vehicle at their residential premises throughout the year, paid for the electricity and provided the employer with the necessary declaration for the electricity costs. The home charging electricity cost was a recipient contribution amount.*

45. *Applying the EV home charging rate, the employee worked out the home charging electricity cost as:*

electric vehicle electricity charging cost = total km travelled by vehicle × EV home charging rate

27,037 km × 4.20c = $1,135

46. *Therefore, the taxable value for FBT purposes is:*

(base value of the car × statutory formula %) × (days held in year ÷ 365) − recipient contribution

($120,000 × 20%) × (274 ÷ 365) − $1,135 = $16,881

Example 7 – electric vehicle eligible for fringe benefits tax exemption and benefit is required to be included in employee's reportable fringe benefit amount

47. *An employer purchased an electric vehicle for $60,000 (including goods and services tax) on 1 July 2022. It was provided to an employee for private use for the 2022–23 FBT year, and the employee travelled a total of 27,037 kilometres.*

48. *As the value of the electric vehicle at the first retail sale was below the luxury car tax threshold for fuel-efficient vehicles, and it was first held and used on or after 1 July 2022, the car fringe benefit was an exempt benefit and therefore not subject to FBT.*

49. *However, its taxable value must be determined for the purpose of determining the employee's RFBA for the 2022–23 FBT year in which the exempt benefit is provided.*

50. *The employee home-charged the electric vehicle throughout the year, paid the electricity bills and provided the employer with the necessary declaration for the electricity costs. The home charging electricity cost formed part of the recipient contribution amount.*

51. *Applying the EV home charging rate, the employee worked out the home charging electricity cost as:*

electric vehicle electricity charging cost = total km travelled by vehicle × EV home charging rate

27,037 km × 4.20c = $1,135

52. *Therefore, the taxable value for FBT purposes is:*

(base value of the car × statutory formula %) × (days held in year ÷ 365) − recipient contribution

($60,000 × 20%) × (274 ÷ 365) − $1,135 = $7,873

53. *As the taxable value of the car fringe benefit provided to the employee exceeds $2,000 in the FBT year, the employer must include the grossed-up taxable value in the employee's RFBA.*

Example 8 – operating cost method

54. *An electric vehicle purchased by an employer in April 2022 is provided to an employee for private use throughout the 2022–23 FBT year. During the FBT year, the employee travelled a total of 27,037 kilometres.*

55. *The employee home-charged the electric vehicle throughout the year, paid for the electricity and provided the employer with the necessary declaration for the electricity costs. The home charging electricity cost formed part of the recipient contribution amount.*

56. *Applying the EV home charging rate, the employee worked out the home charging electricity cost as:*

total km travelled by vehicle × EV home charging rate = electric vehicle electricity charging cost

27,037 km × 4.20c = $1,135

57. *The $1,135 home charging electricity cost formed part of the $11,800 total operating costs, which also included insurance, registration, repairs, and decline in value. Further, the employee's logbook and odometer records for the 12-week period showed 75% business travel and 25% private travel.*

58. *Applying the operating cost method, the taxable value for FBT purposes is:*

A × B − C

$11,800 × 25% − $1,135 = $1,815

where

- ***A** is the total operating costs*

- ***B** is the percentage of private use*
- ***C** is the amount of the recipient contribution.*

Deductibility of electric vehicle electricity charging expenses for income tax purposes

59. For income tax purposes, the EV home charging rate can be used to calculate work-related car expenses when using the logbook method and otherwise when calculating work-related motor vehicle expenses.

60. To use the logbook method to claim your work-related car expenses, you need to keep:

- a valid logbook[17]
- odometer records[18]
- written evidence[19] of your car expenses.[20]

61. To indicate you are using the logbook method when completing your individual tax return, in item 'D1 Work-related car expenses', enter the code letter 'B' in the 'Claim type' box beside your total claim.[21]

62. A home charging electricity deduction will be based on the number of business kilometres[22] the car travelled during the income year. You calculate the number of business kilometres by making a reasonable estimate which must take into account:

- any logbook, odometer records or other records you have
- any variations in the pattern of use of the car, and
- any changes in the number of cars you used to undertake your work-related activities.

63. To calculate the home charging electricity cost for your car, you calculate the total kilometres travelled by the car during the period you owned it during the income year and multiply the total kilometres by the EV home charging rate:

total km travelled by car × EV home charging rate = home charging electricity cost

64. You then apply the business use percentage[23] (business kilometres during the period you owned it during the income year divided by the total number of kilometres the car travelled in the period you owned it during the income year) to your home charging electricity cost as follows:

business km ÷ total km × home charging electricity cost = home charging electricity deduction

[17] See Subdivision 28-G and section 28-150 of the ITAA 1997.
[18] See Subdivisions 28-H and 28-I and section 28-155 of the ITAA 1997.
[19] See section 28-100 and Subdivisions 900-C, 900-D and 900-E of the ITAA 1997.
[20] Under subsection 900-70(3) of the ITAA 1997, if you are using the logbook method and your expense is for fuel or oil, you do not need to get written evidence of it, because section 28-100 already requires you to keep odometer records for the period when you held the car in the income year.
[21] Refer to the information for Label D1 Work-related car expenses in the Individual tax return instructions for the relevant income year.
[22] Business kilometres are kilometres the car travelled in the course of producing your assessable income or your travel between workplaces (see subsection 28-90(4) of the ITAA 1997).
[23] See section 28-90 of the ITAA 1997.

65. The business use percentage is also applied to your other car expenses:

business km ÷ total km × other car expenses = other car expenses deduction

66. If you use a motor vehicle which does not meet the definition of a car, you can claim the work-related percentage of your vehicle expenses.[24] Although you are not required to keep a logbook, it is the easiest way to calculate your work-related use of your motor vehicle.

67. To calculate the home charging electricity cost for your vehicle, you calculate the total kilometres travelled by the vehicle during the period you owned it during the income year and multiply it by the EV home charging rate. You then apply your work-related use percentage to your home charging electricity cost. The work-related use percentage is also applied to your other vehicle expenses.

Example 9 – logbook method

68. *Ephrem is an owner of an electric vehicle that satisfies the definition of a 'car' and he charges its battery at his home on average 3 nights per week.*

69. *Ephrem drives his electric vehicle for both business and private purposes. He keeps a logbook for 12 continuous weeks to record his business travel, which is broadly representative of his travel throughout the year. He has recorded the odometer readings at the start and end of the logbook period, and the start and end of the income year. For the 2022–23 income year, Ephrem's records show he drove 32,000 kilometres.*

70. *Ephrem's logbook and odometer records show that he travelled 8,000 kilometres for the 12-week logbook period, and 4,000 kilometres were for work-related purposes. As Ephrem's logbook is representative of the business kilometres he travelled during the 2022–23 income year, his business use percentage will be 50% and his total business kilometres will be 16,000 km (32,000 kilometres × 50%).*

71. *Applying the EV home charging rate, Ephrem calculates his work-related home electricity charging cost as:*

home charging electricity cost = 32,000 km × 4.20c = $1,344

home charging electricity deduction = 16,000 km ÷ 32,000 km × $1,344 = $672

72. *Ephrem can claim a home charging electricity deduction of $672, along with 50% of his other car expenses, for the 2022–23 income year.*

Record keeping

73. If you are an employer or an individual choosing to rely on the EV home charging rate to calculate the electricity charging expenses, you will need to keep a record of the distance travelled by the car (odometer records) in either the applicable FBT year to 31 March or the income year to 30 June.

74. If you are an employer choosing to apply this Guideline and the EV home charging rate for FBT purposes, a valid logbook must be maintained if the operating cost method is used.

[24] For which you have kept written evidence as per sections 900-15 and 900-80 and Subdivision 900-E of the ITAA 1997.

75. If you are an individual choosing to apply this Guideline and the EV home charging rate for income tax purposes, to satisfy the record-keeping requirements you must have:

- a valid logbook to use the logbook method of calculating work-related car expenses. For other vehicles, it is recommended a logbook is maintained to demonstrate work-related use of the vehicle, and
- one electricity bill for your residential premises in the applicable income year to show you have incurred electricity costs.

Commissioner of Taxation
1 February 2024

References

Previous draft:

PCG 2023/D1

Related Rulings/Determinations:

MT 2034; TR 97/7

Legislative references:

- ITAA 1997 8-1
- ITAA 1997 15-70
- ITAA 1997 Div 28
- ITAA 1997 28-90
- ITAA 1997 28-90(4)
- ITAA 1997 28-100
- ITAA 1997 28-150
- ITAA 1997 28-155
- ITAA 1997 Subdiv 28-G
- ITAA 1997 Subdiv 28-H
- ITAA 1997 Subdiv 28-I
- ITAA 1997 900-15
- ITAA 1997 Subdiv 900-C
- ITAA 1997 900-70(3)
- ITAA 1997 Subdiv 900-D
- ITAA 1997 900-80
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- FBTAA 1986 8A(1)
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- FBTAA 1986 Pt III Div 12 Subdiv B
- FBTAA 1986 Pt III Div 13
- FBTAA 1986 22
- FBTAA 1986 53
- FBTAA 1986 Pt XIB
- FBTAA 1986 135P(3)
- FBTAA 1986 136(1)
- Treasury Laws Amendment (Electric Car Discount) Act 2022

Other references:

Electric Vehicle Database
Green Vehicle Guide
Australian Energy Market Commission

ATO references

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