PCG 2023/D1 (Finalised) - Electric vehicle home charging rate - calculating electricity costs when a vehicle is charged at an employee's or individual's home

This cover sheet is provided for information only. It does not form part of *PCG 2023/D1 (Finalised) - Electric vehicle home charging rate - calculating electricity costs when a vehicle is charged at an employee's or individual's home*

This document has been finalised by PCG 2024/2.

Status: **draft only – for comment**

Draft Practical Compliance Guideline

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

Relying on this draft Guideline

This Practical Compliance Guideline is a draft for consultation purposes only. When the final Guideline issues, it will have the following preamble:

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.

Table of Contents **Paragraph**

What this draft Guideline is about 1
Who this Guideline applies to 6
Employers who can rely on this Guideline 6
Individuals who can rely on this Guideline 7
Example 1 – not a zero emissions vehicle – plug-in hybrid 8
Date of effect 11
The practical compliance approach 12
Example 2 – charging your electric vehicle at both a commercial charging station and at your home 17
Transitional approach – 2023 fringe benefits tax year and 2023 income tax year 18
Employers with fringe benefits tax obligations 20
Car fringe benefits 20
Residual fringe benefit 23
Car expense payment fringe benefit 24
Example 3 – reimbursement of electricity charging cost as a car expense payment benefit 25
Example 4 – statutory formula method, electric vehicle above the luxury car tax threshold and not eligible for fringe benefits tax exemption 28
Example 5 – electric vehicle eligible for fringe benefits tax exemption and benefit is required to be included in employee's reportable fringe benefit amount 32
Example 6 – operating cost method 39
Deductibility of electric vehicle electricity charging expenses for income tax purposes 44
Example 7 – logbook method 53
Record keeping 58
Your comments **59**

Status: **draft only – for comment**

What this draft 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 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 individual taxpayers (taxpayers), the Australian Taxation Office has 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 if they want to use the methodology outlined in this draft Guideline[2] or if they would like to 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. Where the electric vehicle is a plug-in hybrid vehicle which has an internal combustion engine, you cannot rely on this Guideline as the methodology is a shortcut method which applies the home charging rate to all kilometres driven in the FBT or income tax year.

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

Table 1: Relevant provisions for which EV home charging rate may be applied

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 • 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

[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
- is fuelled by either
  - an off-vehicle electrical power source
  - a battery
  - an electric generator, or
  - a hydrogen fuel cell.

[2] All further references to 'this Guideline' refer to the Guideline as it will read when finalised. Note that this Guideline will not take effect until finalised.

[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 motor cycle or similar vehicle) designed to carry a load of less than 1 tonne and fewer than 9 passengers.

[6] This includes any vehicle not covered by the definition of 'car' in subsection 995-1(1) of the ITAA 1997.

Status: **draft only – for comment**

Who this Guideline applies to

Employers who can rely on this Guideline

6. 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 associate for private use resulting in the provision of a car fringe benefit[7], 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 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
  - car expense payment benefit – where the electricity charging cost incurred by the employee is reimbursed by the employer
  - 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

7. 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 while carrying out your income-earning activities
- 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

8. *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.*

[7] This includes providing a car to an employee (or their associate) by way of a novated lease arrangement.
[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 made available by employers to current employees. 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.
[9] See paragraphs 56 to 58 of this Guideline.

9. *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.*

10. If you choose to rely on this Guideline, you must ensure the electric vehicle home charging electricity cost has been incurred. 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. 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.

Date of effect

11. This Guideline will apply:

- 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 7 of this Guideline.

The practical compliance approach

12. If an employer satisfies the criteria outlined in paragraph 6 of this Guideline, they can choose to rely on this Guideline.

13. If an individual satisfies the criteria outlined in paragraph 7 of this Guideline, they can choose to rely on this Guideline.

14. The Commissioner will not apply compliance resources to review your calculation of electricity costs of charging an electric vehicle at a residential premises:

- for FBT purposes (see paragraph 22 of this Guideline), or
- for income tax purposes (see paragraph 44 of this Guideline)

if you choose to rely on this Guideline and 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]

[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. Sources are as follows:
- Electric Vehicle Database
- Green Vehicle Guide
- Australian Energy Market Commission.

15. If electric vehicle charging costs are incurred at a commercial charging station, a choice has to be made. The EV home charging rate can be used, but only if the commercial charging station cost is disregarded. If the commercial charging station cost is used, the EV home charging methodology set out in this Guideline cannot be applied. Further, all necessary records such as receipts must be kept to substantiate the claim, as per normal record-keeping rules.

16. The choice to rely on this Guideline for an electric vehicle is applicable for the whole FBT or income year.

Example 2 – charging your electric vehicle at both a commercial charging station and at your home

17. *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. 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 – 2023 fringe benefits tax year and 2023 income year

18. If odometer records have not been maintained as at 1 April or 1 July 2022, a reasonable estimate may be used based on service records, logbooks or other available information.

19. The transitional approach is only available for the opening odometer reading at 1 April or 1 July 2022.

Employers with fringe benefits tax obligations

Car fringe benefit

20. 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.

21. 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.

22. 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
- operating cost method – to include the electricity charging cost, both for the operating cost and the recipient contribution components, or

[11] See paragraphs 56 to 58 of this Guideline.

- reimbursement by the employer to the employee where the expenditure is a Division 28 car expense.[12]

Residual fringe benefit

23. Where you provide your employee with an electric vehicle that is not a car 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 is likely going to require the keeping of a logbook. Alternatively, you can use the cents per kilometre method in respect of private kilometres travelled.[13]

Car expense payment fringe benefit

24. A car expense payment fringe benefit may arise (unless an exemption applies) 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.

Example 3 – reimbursement of electricity charging cost as a car expense payment benefit

25. *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.*

26. *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 × 4.20c per km

10,000 km × 4.20c per km = $420

27. *In determining his FBT liability, Roger is required to calculate the taxable value of the electricity reimbursement. This will be the amount of the reimbursement less any reduction that applies due to the application of the otherwise deductible rule.*[14]

Example 4 – statutory formula method, electric vehicle above the luxury car tax threshold and not eligible for fringe benefits tax exemption

28. *An employer purchased an electric vehicle for $90,000 (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 during that FBT year.*

29. *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.*

[12] As defined in subsection 136(1) of the FBTAA.
[13] Refer to Miscellaneous Taxation Ruling MT 2034 *Fringe benefits tax: private use of motor vehicles other than cars* for further information.
[14] Section 24 of the FBTAA.

30. *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 × 4.20c per km

27,037 km × 4.20c per km = $1,135

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

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

$90,000 × 20% × 274 ÷ 365 − $1,135 = $12,377

Example 5 – electric vehicle eligible for fringe benefits tax exemption and benefit is required to be included in employee's reportable fringe benefit amount

32. *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.*

33. *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.*

34. *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.*

35. *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.*

36. *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 × 4.20c per km

27,037 km × 4.20c per km = $1,135

37. *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

38. *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 6 – operating cost method

39. *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.*

40. *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.*

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

total km travelled by vehicle × 4.20c per km = electric vehicle electricity charging cost

27,037 km × 4.20c per km = $1,135

42. *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.*

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

$$A \times B - C$$

$$\$11,800 \times 25\% - \$1,135 = \$1,815$$

Where:

- ***A** is $11,800 (total operating costs)*
- ***B** is 25% (percentage of private use)*
- ***C** is $1,135 (amount of the recipient contribution)*

Deductibility of electric vehicle electricity charging expenses for income tax purposes

44. 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.

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

- a valid logbook[15]
- odometer records[16]
- written evidence[17] of your car expenses.[18]

46. 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.[19]

47. A home charging electricity deduction will be based on the number of business kilometres[20] 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.

---

[15] See Subdivision 28-G of the ITAA 1997.
[16] See Subdivisions 28-H and 28-I of the ITAA 1997.
[17] See section 28-100 and Subdivisions 900-C, 900-D and 900-E of the ITAA 1997.
[18] 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.
[19] D1 Work-related car expenses 2022.
[20] 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).

48. 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 × 4.20c per km = home charging electricity cost

49. You then apply the business use percentage[21] (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

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

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

51. 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.[22] Although you are not required to keep a logbook, it is the easiest way to calculate your work-related use of your motor vehicle.

52. 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 7 – logbook method

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

54. *He drives the 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 travel throughout the whole 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, these records show Ephrem drove a total of 32,000 kilometres.*

55. *Ephrem's logbook and odometer records show a total of 8,000 kilometres were travelled for the 12-week logbook period. 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 (32,000 kilometres × 50%).*

56. *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

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

[21] See section 28-90 of the ITAA 1997.
[22] For which you have kept written evidence as per sections 900-15 and 900-80 and Subdivision 900-E of the ITAA 1997.

Status: **draft only – for comment**

Record keeping

58. If a taxpayer wishes to rely on the EV home charging rate to calculate their electricity charging expenses, they 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.

59. If an employer chooses 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.

60. If an individual chooses 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
31 March 2023

Status: **draft only – for comment**

Your comments

61. You are invited to comment on this draft Guideline, including the proposed date of effect. Please forward your comments to the contact officer by the due date.

62. A compendium of comments is prepared when finalising this Guideline, and an edited version (names and identifying information removed) may be published on ato.gov.au

Please advise if you do not want your comments included in the edited version of the compendium.

Due date: 26 May 2023

Contact officer details have been removed following publication of the final guideline

Status: **draft only – for comment**

References

Related Rulings/Determinations:

MT 2034; TR 97/7

Legislative references:

- ITAA 1997 8-1
- ITAA 1997 Div 28
- ITAA 1997 28-90
- ITAA 1997 28-90(4)
- ITAA 1997 28-100
- 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
- ITAA 1997 Subdiv 900-E
- ITAA 1997 995-1(1)
- FBTAA 1986 Pt III Div 2 Subdiv B
- FBTAA 1986 Pt III Div 5
- FBTAA 1986 Pt III Div 12 Subdiv B
- FBTAA 1986 24
- FBTAA 1986 Pt XIB
- FBTAA 1986 136(1)
- Treasury Laws Amendment (Electric Car Discount) Act 2022

Other references:

D1 Work-related car expenses 2022
Electric Vehicle Database
Green Vehicle Guide
Australian Energy Market Commission

ATO references

NO:	1-TSHP5B5
ISSN:	2209-1297
BSL:	SEO, IAI
ATOlaw topic:	Fringe benefits tax ~~ Employer's taxable amount ~~ Calculation Income tax ~~ Deductions ~~ Business and professional expenses ~~ Motor vehicle expenses Income tax ~~ Deductions ~~ General deductions - section 8-1 ~~ Other

© AUSTRALIAN TAXATION OFFICE FOR THE COMMONWEALTH OF AUSTRALIA

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).