



**FEDERAL
CHAMBER OF
AUTOMOTIVE
INDUSTRIES**

FCAI submission in response to:

Review of the Electric Car Discount

FEBRUARY 2026

FEDERAL CHAMBER OF AUTOMOTIVE INDUSTRIES
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1. EXECUTIVE SUMMARY

1.1 Introduction

The FCAI is the peak Australian industry organisation representing more than 60 global automotive brands that design, manufacture, import, distribute and sell light duty passenger vehicles, light commercial vehicles, and motorcycles in Australia across more than 400 models supported by almost 4,000 dealers.

FCAI brings its members together to consider changes to the operating environment, develop industry-wide positions or perspectives, and drive collective initiatives for the benefit of members, consumers and the broader industry.

FCAI members currently deliver roughly 1.2 million vehicles annually to Australian private, business, government and rental consumers with power sources including petrol, diesel, hybrid (HEV), plug-in hybrid (PHEV), battery electric (BEV) and fuel cell electric vehicles (FCEV). FCAI members generate around \$8 billion annually in tax revenue for Federal and State Governments.

During 2025, FCAI members delivered 1,209,808 vehicles to Australian consumers, which included 72,041 BEVs and 53,484 PHEVs¹.

The industry is on a pathway to decarbonising the light duty transport sector and supports efforts by governments at all levels to introduce ambitious and achievable policies that support these efforts.

A full list of FCAI members is available at

<https://www.fcmai.com.au/about-fcai/member-manufacturers/>

1.2 Recommendation

The FCAI supports actions from Governments that encourage an increase in the sale of BEVs.

The New Vehicle Efficiency Standard (NVES) introduced in January 2025 has played a role in the increase of BEV models available to Australian car buyers. Currently, there are more than 100 BEV models across several vehicle segments on sale in Australia.

Supply of BEVs will continue to increase during 2026. At the same time, measures that support consumer demand for BEVs have been removed or are under review. State and territory governments have largely removed consumer grants and other limited support such as registration discounts. As a result, the Electric Car Discount is currently the only significant government policy measure that supports consumer demand for BEVs.

Since its inception in 2022 the Electric Car Discount has played a role in driving consumer demand for BEVs and PHEVs. The FCAI notes that the Electric Car Discount for PHEVs ended in April 2025.

The Electric Car Discount has achieved this through two primary measures. First, it removes customs duty on all passenger vehicles, including SUVs, that are BEVs or PHEVs. Second, it exempts eligible BEVs - priced below the Luxury Car Tax fuel-efficient threshold from Fringe Benefits Tax (FBT).

The FCAI also recognises that the FBT exemption is generous but narrowly focussed, as not all consumers can access it, and it provides greater benefit to those in higher tax brackets.

International experience demonstrates that government policies and programs have had a material impact on incentivising consumer demand for BEVs. Conversely, when these incentives have been removed prematurely, demand for BEVs has fallen.

An increase in consumer demand for BEVs is a key element in meeting the policy objectives of the NVES. With the assistance of the FBT exemption, BEVs still accounted for only 8.3 per cent of new vehicle sales in 2025². As NVES targets become more stringent, the FCAI is concerned that without demand-side measures, these targets will not be met. This would delay Australia's transition to a low emissions fleet, increase cost for consumers and undermine emissions reduction objectives.

FCAI members have increased the supply of BEVs in response to NVES targets. If the NVES is to succeed, consumer demand must also be stimulated.

On this basis, the FCAI recommends that:

- **The Federal Government should continue to provide demand-side incentives, such as the FBT exemption, to encourage consumers to buy vehicles that facilitate Australia's transition to a low emissions fleet. This will complement the NVES, which is a supply-side measure.**
- **Any potential reform or replacement of the FBT exemption should target a more equitable distribution of incentives across consumers.**
- **The tariff exemption for passenger vehicles should be expanded to include light commercial vehicles with BEV or PHEV powertrains, given the increasing supply from markets without an active free trade agreement.**

The analysis below provides supporting evidence from the Australian market and international experience.

2. MARKET DEVELOPMENTS

2.1 Australian Market

The Australian light vehicle market recorded more than 1.2 million vehicle sales in 2025 across more than 400 models supplied by more than 60 brands.

SUVs are the dominant vehicle segment, accounting for 60.7 per cent of total sales, followed by light commercial vehicles (22.6 per cent) and passenger vehicles (13.0 per cent).

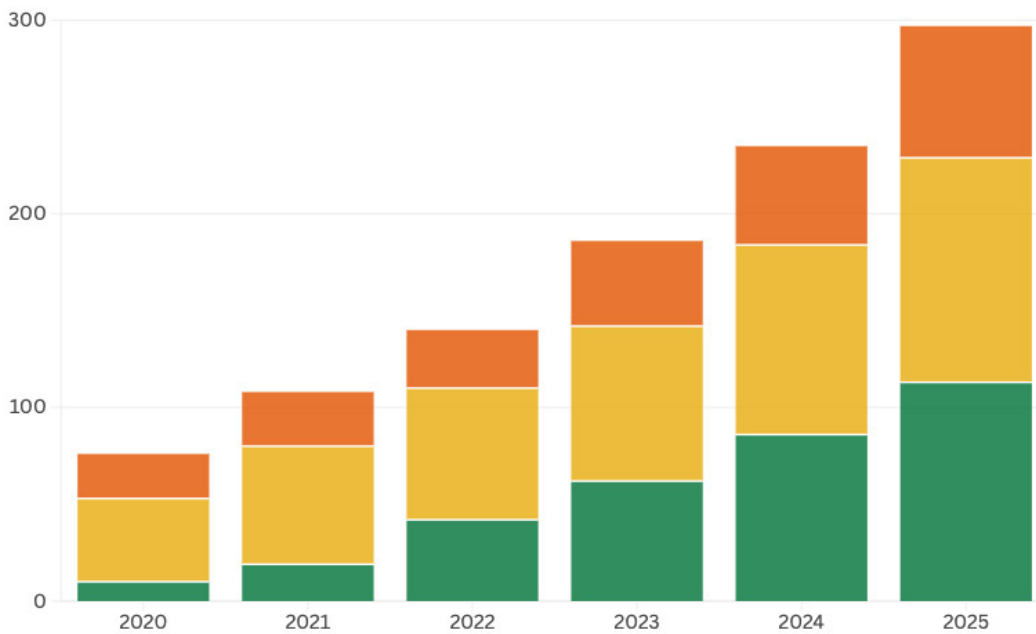
Electrified powertrains are an increasing component of overall sales, with BEVs representing 8.3 per cent of the market, PHEVs 4.2 per cent and hybrids 23.6 per cent. However, BEV market share increased by only a 1.1 percentage point in the two years to December 2025³.

More than 100 BEV models and more than 50 PHEV models were available to Australian consumers during 2025, reflecting significant growth in supply following introduction of the NVES.

Electrified vehicles in Australia

Availability of low and zero emissions models in Australia 2020-2025

■ BEV ■ Hybrid ■ PHEV

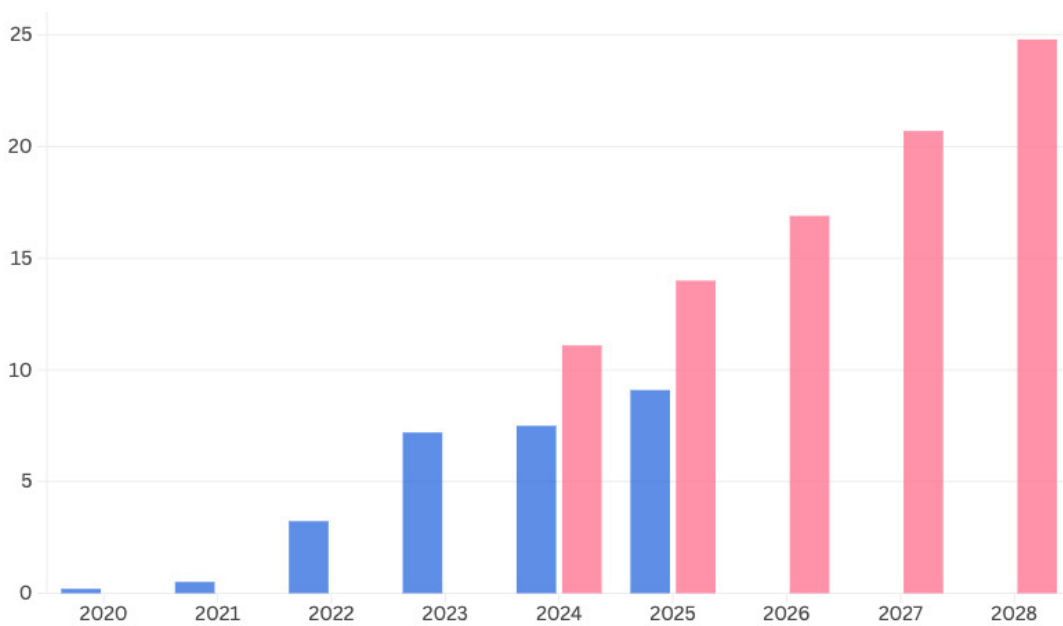


Source: VFACTS

Despite this increase in availability, growth in consumer demand for BEVs has been more limited.

BEV sales: Forecast v Actual Demand

■ ACTUAL ■ FORECAST



Source: VFACTS, S&P GLOBAL • Actual figures for 2024 and 2025 were recorded after the forecast was made.

The FCAI has previously engaged S&P Global to provide a forecast on the potential uptake of BEVs in the Australian market (above). Actual sales figures for the Australian market in 2024 and 2025 have demonstrated a lower uptake than what was originally expected, illustrating the challenge in forecasting BEV demand. Consumer purchasing decisions continue to be influenced by total cost of ownership, suitability to individual needs and access to recharging infrastructure.

The FCAI acknowledges the investment and programs undertaken by governments at all levels to expand public recharging infrastructure. Further substantial investment will be required to maintain consumer confidence as the number of BEVs on Australian roads increases.

2.2 Electric Vehicles and Fringe Benefits Tax

The market for electric vehicles has changed substantially since the introduction of the Electric Car Discount.

External factors including increased manufacturer investment, the attractiveness of the Australian market and emissions policy development have contributed to a growing number of BEV models.

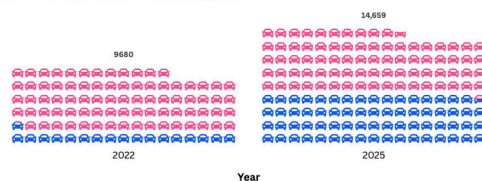
The Electric Car Discount has operated as a demand focused policy by improving the financial attractiveness of BEVs and PHEVs for consumers able to access leasing arrangements.

Industry data analysis indicates that in the six months prior to implementation of the policy (January to June 2022) there were 16 BEV models, and 12 PHEV models eligible for the FBT exemption. These models recorded combined sales of 9,673 units, representing 1.9 per cent of all light duty vehicle sales during that period⁴.

By contrast, in 2025 there were more than 100 BEV models available to consumers, with 83 eligible under the FBT exemption. These models recorded combined sales of 96,723 units, representing 8.1 per cent of all light duty vehicle sales in 2025⁵.

Battery electric sales in Australia

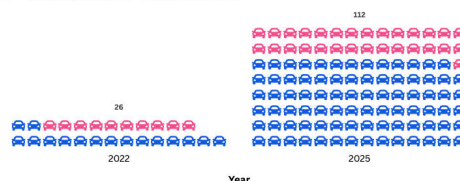
🚗 = 100 🚗 BEV sales over LCT 🚗 BEV sales under LCT



Source: VFACTS

Battery electric models in Australia

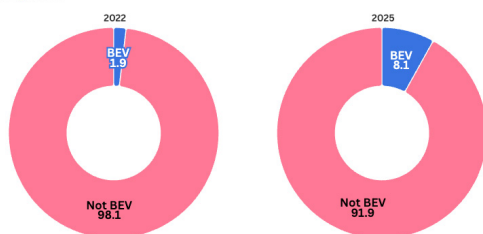
🚗 = 1 🚗 BEV models under LCT 🚗 BEV models over LCT



Source: VFACTS

BEV under the LCT Fuel Efficient Threshold share of all sales

🚗 BEV 🚗 Not BEV



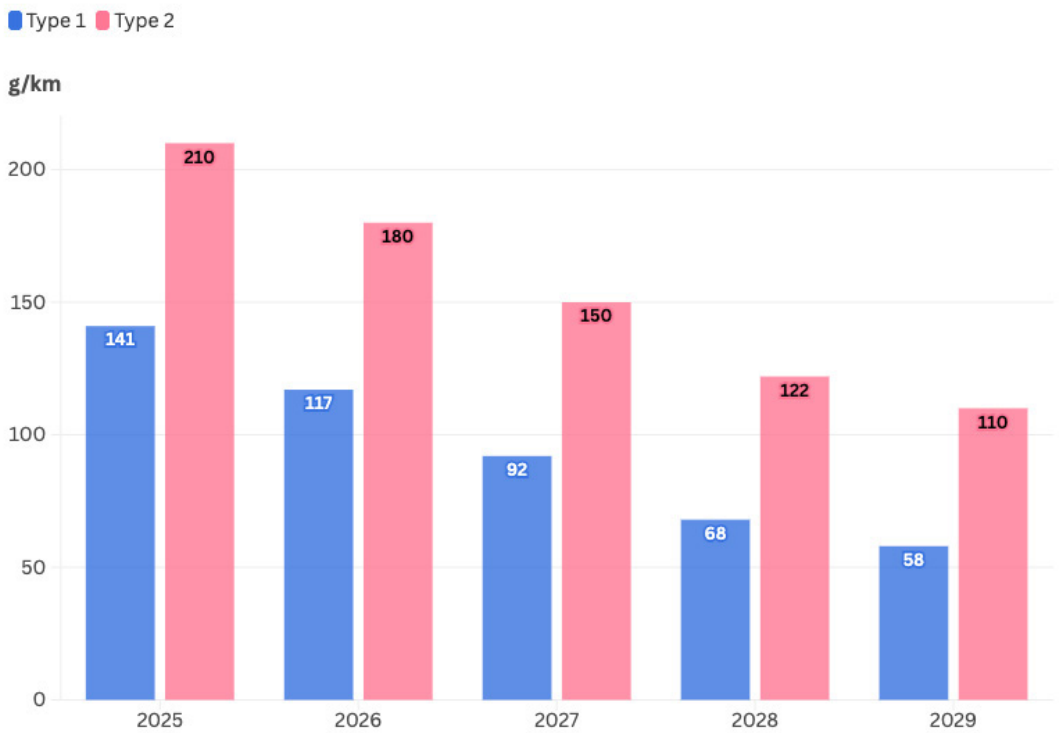
Source: VFACTS

2.3 New Vehicle Efficiency Standard

The NVES applies to all new light duty vehicles sales in Australia and has played a role in the supply of an expanded range of new vehicle models. As targets tighten between 2026 and 2029, manufacturers are required to offer a broader range of low and zero emission technologies to meet their obligations.

The industry has responded by increasing the range of BEVs, PHEVs and hybrids. However, the significant rate of improvement required to meet the more stringent NVES targets will require a significant increase in consumer demand for BEVs. The rate of improvement requires the support of Government to stimulate consumer demand through appropriate policy settings.

NVES Headline Targets



Source: Australian Government

2.4 Tariff Exemptions

As part of the Electric Car Discount package, Australian Customs Notice No. 2022/34 removed customs duties on certain electric vehicles under the fuel-efficient luxury car tax threshold. While most BEVs imported to Australia originate from countries with Free Trade Agreements, the Notice has improved the affordability and competitiveness of vehicles sourced from other markets. However, the exemption does not extend to light commercial vehicles.

Origin of electrified LCVs

Sales in 2025 2500 ○ 5000

■ Free Trade Agreement ■ No Free Trade Agreement



Source: VFACTS

FCAI analysis indicates that a growing range of electrified LCVs are being sourced from countries without free trade agreements. These vehicles remain subject to a 5 per cent import duty, placing them at a competitive disadvantage.

The FCAI recommends extending tariff exemptions to all BEVs, including light commercial vehicles, to support fleet decarbonisation and maintain a level playing field.

3. INTERNATIONAL MARKETS

International experience provides useful context for understanding how demand-side measures influence consumer uptake of BEVs, particularly during periods of transition when markets are not yet fully mature.

While national circumstances differ, a consistent pattern can be observed across multiple jurisdictions: demand-side incentives have supported the growth of BEV sales, and abrupt removal or significant redesign of those incentives has been associated with declines in uptake.

3.1 Role of incentives in driving consumer behaviour

Incentive programs have played an important role in supporting consumer uptake of BEVs in a range of international markets.

The International Energy Agency's Global EV Outlook 2025 notes that total government spending on BEV remains at historically high levels. Global government contributions to BEV incentives are estimated at approximately US\$38 billion in 2024⁶.

Across jurisdictions, one of the recurring features associated with sustained growth in BEV sales has been long-term policy certainty.

In many cases, incentive programs have operated over extended periods and have been progressively refined rather than withdrawn. This has provided consumers with confidence and supported steady market development. Overall, international experience indicates that demand-side incentives have supported increased BEV uptake particularly during the early and intermediate stages of market transition.

3.1.1 Norway

Norway is a leading global market for BEV adoption, with BEVs accounting for more than 95 per cent of new vehicle sales in 2025⁷. A key contributor to this outcome has been the long-term provision of consumer incentives to drive market growth. Norway introduced incentives for BEVs in the early 1990s, including exemptions from purchase and import taxes that applied to other powertrains. Over subsequent decades, policy settings evolved to include measures such as value-added tax exemptions, reduced road taxes, lower toll charges, free parking and access to bus lanes.

Many of these incentives remain in place, albeit at reduced levels compared to earlier periods, and continue to support a high level of BEV uptake. Norway's experience demonstrates the role that sustained and predictable demand-side measures can play in achieving high levels of market penetration.

3.1.2 China

China has implemented extensive consumer and manufacturer incentives over a prolonged period to support the growth of EVs.

New Energy Vehicles, which include BEVs and PHEVs now account for more than 50 per cent of all new vehicle sales in China⁸. Incentive programs have been in place since the mid-2000s, combining purchase subsidies, manufacturing incentives and other policy measures to stimulate both supply and demand.

While direct purchase subsidies have been wound back in recent years, a range of demand-side measures remain in place, including tax exemptions, trade-in rebates for older vehicles and preferential registration arrangements. In some cities, registration plates for non-electric vehicles are subject to quotas, lotteries or auctions, while registration for BEVs and PHEVs is facilitated, increasing their relative attractiveness.

China's experience highlights how a combination of sustained incentives and regulatory measures can support large-scale market transformation.

3.1.3 New Zealand

New Zealand introduced nationwide consumer incentives for BEVs with the Clean Car Discount, which commenced in April 2022. The scheme provided upfront rebates for low-emission vehicles, including BEVs, funded through fees on higher-emission vehicles, with the objective of accelerating the uptake and reducing transport emissions.

Following the introduction of the Clean Car Discount, BEV sales increased sharply and by 2023, BEVs accounted for more than 25 per cent of all new passenger vehicle registrations. This placed New Zealand among the leading BEV adopters globally on a per-capita basis. The rebate reduced upfront purchase costs and was influential for first-time BEV buyers, helping to pull forward demand and broaden the market beyond early adopters.

In December 2023, the Clean Car Discount was repealed, with rebates ceasing at the end of the year. This was followed by the removal of the road user charge exemption for BEVs in April 2024. After these changes, BEV sales declined sharply. BEVs accounted for 5.4 per cent of new vehicle sales in 2024 and 5.6 per cent in 2025⁹.

3.1.4 Germany

Between 2016 and 2023 the program distributed approximately €10 billion in incentives and supported the purchase of around 2.1 million electric vehicles. The subsidy reduced upfront cost for buyers and was associated with rising BEV registrations through the early 2000s.

Germany introduced a federal BEV purchase subsidy in 2016 to accelerate BEV adoption. This program was later enhanced through higher rebates and an innovation bonus during the COVID-19 recovery period.

Due to budgetary constraints and legal challenges, the program was terminated abruptly in December 2023, with no new applications accepted after 17 December 2023 and official closure from 1 January 2024. Following the removal of the subsidy, BEV sales declined significantly, with BEV market share falling from 18.4 per cent in 2023 to 13.5 per cent in 2024¹⁰. The German Government has since indicated it is considering the introduction of new targeted incentives from 2026 to support BEV uptake.

3.1.5 United States of America

The United States has operated a combination of federal, state and local incentives to support BEV uptake over an extended period.

The primary consumer incentive, the Clean Vehicle tax credit, was introduced in 2008 and reformed under the Inflation Reduction Act in 2022. The incentive provided a credit of up to US\$7,500.

Long-term policy continuity, combined with state and local incentives, supported a gradual increase in BEV uptakes, with BEV sales reaching a high point of 10.5 per cent of new vehicle sales in the third quarter of 2025. This figure was influenced in part by the advance announcement that the incentive would be ceasing as of October 2025, which likely brought forward consumer purchases.

Although it is too early to show a clear trend, the removal of the incentives is likely to result in a reduced demand for BEVs into 2026.

3.2 Implications for Australia

Taken together, international experience demonstrates that demand-side incentives have supported BEV adoption across a range of markets and that abrupt changes to those incentives can result in declines in uptake.

While Australia's market characteristics differ from those of other jurisdictions, the underlying consumer dynamics are comparable. Vehicle purchasing decisions are influenced by upfront cost, total cost of ownership and confidence in policy settings.

These observations support the conclusion that demand-side measures remain an important complement to supply-side regulation in supporting the transition to a lower emissions vehicle fleet.

4. CONCLUSION

There is a substantial body of evidence demonstrating how demand-side policies support the growth of BEV sales.

With ambitious emission reduction targets and tightening NVES obligations, demand-side measures remain necessary to support consumer adoption and ensure the effectiveness of supply-side regulation.

The FCAI therefore reiterates its recommendation that:

- **Demand side incentives, including the FBT exemption should continue to complement the NVES which is a supply side measure.**
- **Any reforms or replacement of the FBT exemption, should seek to improve equity.**
- **Tariff exemptions should be expanded to include electrified light commercial vehicles.**

The FCAI will support the Federal Government in developing sustainable transport emission policies that balance ambition with affordability and consumer choice.

5. REFERENCES

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