

Income Tax (Clean Transport FBT Exclusion) Amendment Bill

Member's Bill

Explanatory note

General policy statement

Transport makes up a significant and growing percentage of New Zealand's greenhouse gas emissions. It is estimated that to ensure a stable planet we need to halve fossil fuel use by 2030 and eliminate fossil fuels completely by 2050.

Since 1990, road vehicle emissions have grown faster than any other source of climate pollution, and now make up about 17 percent of all greenhouse gas emissions. Transport emissions are likely to continue to rise in the next few years if there is not sustained government intervention. Previous legislative changes have already encouraged businesses to support clean modes of transport: by removing fringe benefit tax (FBT) from public transport passes provided to employees and removing the FBT from low-emissions active transport, including bikes, e-bikes, scooters and e-scooters. The Clean Car Discount previously resulted in a record uptake of electric vehicles. This Bill seeks to restore momentum to electric vehicle uptake by exempting, for five years, zero emissions vehicles that are provided to staff as part of their salary package. This will provide an incentive for employers and employees to choose zero-emissions vehicles over fossil-fuel powered vehicles until such time that they reach price parity.

Providing employees with cars for personal use attracts FBT at the same rate, no matter what type of vehicle is used. Removing FBT from electric vehicles would be an incentive to restore the momentum to the market for electric vehicles, which should also contribute to a growing second-hand market for electric vehicles in a few years' time. This Bill also clarifies that, for the purposes of the FBT rules, a double-cab ute must be treated as a car.

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 is the commencement clause and provides for the Bill to come into force on the day after the date on which it receives the Royal assent.

Clause 3 states that the Bill amends the Income Tax Act 2007 (the **principal Act**).

Clause 4 amends section CX 6, which relates to fringe benefit tax on employees' private use of motor vehicles, by excluding electric vehicles. The exclusion will expire after 5 years.

Clause 5 amends the definition of **car** in section YA 1 to include a double-cab ute in the FBT rules, and in the definition of **work-related vehicle**.

Hon Julie Anne Genter

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The Parliament of New Zealand enacts as follows:

- 1 Title**
This Act is the Income Tax (Clean Transport FBT Exclusion) Amendment Act **2024**.
- 2 Commencement** 5
This Act comes into force on the day after the date of Royal assent.
- 3 Principal Act**
This Act amends the Income Tax Act 2007.
- 4 Section CX 6 amended (Private use of motor vehicle)** 10
In section CX 6, after subsection (2), insert:
Exclusion: electric vehicles
(2A) Subsection (1) does not apply if the vehicle is a motor vehicle with motive power provided solely from a battery that is charged by connecting to an external source of electricity.

(2AB) **Subsection (2A)** expires and is repealed on the close of the day that is 5 years after the date on which that subsection comes into force.

5 Section YA 1 amended (Definitions)

In section YA 1, definition of **car**, after paragraph (b)(ii), insert:

(iia) includes a double-cab ute:

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