1 April 2026

The Hon. Christopher Bishop

Minister of Transport

Minister of Infrastructure | Associate Minister of Finance

Parliament Buildings

Wellington 6160

RE: Proposal — FBT Exemption and Novated Leasing for Electric Vehicles and Plug-in Hybrid Vehicles

Dear Minister Bishop,

Drive Electric New Zealand is the country's peak industry body for electric transport, representing vehicle manufacturers and importers, fleet operators, charge point operators, electricity networks, and industry service providers. We write to propose two targeted, fiscally transparent tax policy changes that we believe represent one of the most cost-effective levers available to the Government to address New Zealand's energy security vulnerability, accelerate transport decarbonisation, and reduce households' exposure to global oil price volatility.

We make this submission in the context of New Zealand's current energy security concerns. With all refined petroleum now imported — predominantly from refineries in South Korea (48% of import value) and Singapore (33%)[1] — New Zealand spends approximately NZD $7–9 billion per year on petroleum imports in total, of which an estimated NZD $4–5 billion relates directly to road transport fuels.[2] This structural

[1] Infometrics / Olsen, B. (2025, 27 May). Where does our fuel come from? Infometrics Economic Service. Korea contributes 48% of NZ fuel import value; Singapore 33% (12 months to March 2025). NZ trade deficit with Korea ~$4B; with Singapore ~$5.3B (12 months to December 2024), driven primarily by fuel imports. economics.infometrics.co.nz/article/2025-05-where-does-our-fuel-come-from

[2] Ministry of Business, Innovation and Employment (MBIE). (2024). Energy in New Zealand 2024 — Oil Statistics. Wellington: MBIE. mbie.govt.nz. The $7–9B total petroleum import figure is derived from Statistics New Zealand overseas merchandise trade monthly data (petroleum and products), annualised from 2024 monthly import values of NZD $600–$700M per month. The $4–5B road transport component reflects petrol and diesel for land transport (excludes aviation fuel, marine fuel, and non-transport petroleum products).

dependence represents one of New Zealand's most significant balance-of-payments pressures and a material strategic vulnerability, as demonstrated by recent geopolitical disruptions to global fuel supply chains.

Drive Electric New Zealand respectfully requests that the Government introduce two complementary measures, ideally with an effective date of 1 July 2026 or sooner, with a pre-announcement in Budget 2026:

- Measure 1 — Full FBT Exemption: An amendment to the Income Tax Act 2007 to exempt from Fringe Benefit Tax (FBT) eligible battery electric vehicles (BEVs) and plug-in hybrid electric vehicles (PHEVs) provided by employers or accessed through salary packaging, for vehicles valued below NZD $60,000 (GST-inclusive).

- Measure 2 — Formalised Novated Lease Framework: A legislative framework enabling employees to access EVs and PHEVs through a three-party salary sacrifice arrangement (employee, employer, and finance provider), with 100% of lease and bundled running costs funded from pre-tax salary — modelled on Australia's Electric Car Discount, introduced in July 2022.

The Evidence Base: Australia's Experience

We do not ask the Government to act on untested theory. Australia introduced a functionally identical policy — the Electric Car Discount — in July 2022. The results are unambiguous:

- Australia's EV market share grew from under 2% of new vehicle sales in mid-2022 to 12.1% by 2026, with battery electric vehicle sales exceeding 100,000 units for the first time in 2025 — a record year.[3]

[3] National Automotive Leasing and Salary Packaging Association (NALSPA) / Fleet EV News. (2026, 21 January). EV FBT Exemption Drives Record EV Sales in 2025. fleetevnews.com.au. BEV sales figure (103,000+) per Federal Chamber of Automotive Industries (FCAI) and Electric Vehicle Council (EVC). Market share trajectory confirmed in: Australian Government Joint Media Release (Ministers Bowen and Chalmers). (2025, December). Electric Car Discount Review. minister.dcceew.gov.au/bowen/media-releases/joint-media-release-electric-car-discount-review

- Uptake has been strongest among working families in outer suburbs and regional centres, not high-income inner-city households — directly challenging the perception that EV incentives are regressive.[4]
- The novated lease channel has been particularly powerful: over 50% of PHEV passenger and SUV sales in Australia were through novated leases at peak, demonstrating that the salary packaging mechanism reaches broad workforce participation.[5]
- Australia's National Automotive Leasing and Salary Packaging Association (NALSPA) confirmed in January 2026 that without the tax incentive, "tens of thousands fewer EVs would be on Australian roads today."[6]
- Australia's Climate Change Authority estimates approximately half of all new cars sold between now and 2035 must be electric to meet emissions targets — and that this requires sustained policy support, including the FBT exemption.[7]

Please note that Drive Electric New Zealand engaged with Inland Revenue during its 2025 FBT Options for Change consultation, submitting in favour of a greater rate differential between ICE and EV vehicles.[8] The Government's own consultation process has therefore already flagged the direction of travel — our proposal asks that

[4] NALSPA / Autotalk Australia. (2024, November). FBT exemption boosting regional EV uptake. NALSPA postcode data shows strongest FBT exemption uptake in outer suburbs and regional centres, not inner cities. autotalk.com.au/industry-news/ev-fbt-exemption-working. Also confirmed in: NALSPA submission to Australian Centre for Evaluation review of Electric Car Discount, February 2026.

[5] NALSPA / Autotalk Australia. (2024, November). FBT exemption boosting regional EV uptake. "Since July 2024 alone we estimate that novated leases have made up over half or more of PHEV passenger and PHEV SUV sales in the Australian market per month." — NALSPA CEO Rohan Martin. autotalk.com.au/industry-news/ev-fbt-exemption-working

[6] NALSPA CEO Rohan Martin, quoted in: Fleet EV News. (2026, 21 January). EV FBT Exemption Drives Record EV Sales in 2025. fleetevnews.com.au/ev-fbt-exemption-drives-record-ev-sales-in-2025/. Also confirmed in: Mirage News. (2026, January). EV Discounts Propel Record 100k Sales in 2025. miragenews.com

[7] Australian Government Joint Media Release (Ministers Bowen and Chalmers). (2025, December). Electric Car Discount Review. Quoting advice from the Climate Change Authority that approximately half of new cars sold to 2035 must be electric to meet "even the lower end of Australia's emissions target." minister.dcceew.gov.au/bowen/media-releases/joint-media-release-electric-car-discount-review. See also: Parliamentary Budget Office (Australia). (2025). Election Commitments Report ECR-2025-2045: Tax breaks for electric vehicles — reverse. pbo.gov.au

[8] Inland Revenue New Zealand. (2025, April). Fringe Benefit Tax — Options for Change (Officials' Issues Paper). Wellington: Inland Revenue. Drive Electric New Zealand submitted to this consultation in September 2025, calling for a greater differential between FBT rates on ICE vehicles versus EVs. taxpolicy.ird.govt.nz/publications/2025/consultation-fbt-options-for-change

the Government move from differential rates to a full exemption for qualifying vehicles.

This proposal also builds on clear parliamentary precedent. On 20 November 2024, the Hon Julie Anne Genter's Income Tax (Clean Transport FBT Exclusion) Amendment Bill — drawn from the Members' ballot — was debated and defeated at first reading by the National-led government. The principal objection raised during that debate was that a blanket FBT exemption without a vehicle value cap could disproportionately benefit high-income earners in premium EVs. Drive Electric's proposal directly addresses this concern: the NZD $60,000 vehicle value cap targets mainstream, working-family-accessible vehicles and structures the incentive consistent with the Government's equity objectives. Parliament has therefore already deliberated on the principle — the question before the Government now is how the policy should be designed to work, not whether it should exist.

Our Fiscal Calculations

We present these figures transparently and invite Inland Revenue and Treasury to model them formally. The following are our own estimates, based on published data and the Australian precedent, and represent order-of-magnitude guidance rather than Budget-quality costings.

Our key modelling assumptions are:

- Uptake: 3,000–5,000 additional EV/PHEV novated lease or employer-provided vehicles in Year 1, rising to 12,000–18,000 by Year 3, representing conservative to moderate penetration relative to New Zealand's approximately 140,000 new vehicle sales per year.
- Average vehicle value: NZD $48,000–$52,000 (GST-inclusive), consistent with current BEV pricing in the New Zealand market below the proposed $60,000 cap.

- FBT foregone: calculated as the difference between the current 19.4% reduced rate and a full exemption, applied at the 49.25% FBT alternate rate.[9]
- PAYE foregone: calculated on the salary sacrifice component (lease + running costs, estimated NZD $15,000–$16,000 per vehicle per year) at a weighted average marginal tax rate of 33%, reflecting an assumed participant income range of NZD $70,000–$130,000.
- Partial GST offsets: GST on electricity charging and residual value disposals at lease end, estimated conservatively.

Component	Year 1	Year 2	Year 3
FBT foregone (full exemption)	$(15–25)M	$(33–48)M	$(55–83)M
PAYE foregone (salary sacrifice)	$(16–26)M	$(36–51)M	$(59–89)M
Partial GST offsets	+$2–5M	+$8–13M	+$16–24M
Estimated net fiscal cost	$(37)M	$(74)M	$(118)M

Note: These are Drive Electric's own estimates for directional guidance. We recommend formal Treasury and Inland Revenue revenue costing as part of Budget 2026.

Countervailing Fiscal and Economic Returns

We ask that the net fiscal cost above be assessed against the following substantive offsets, which we believe materially change the true cost-benefit calculation:

- Petroleum import savings: An additional 15,000–20,000 EVs annually by Year 3 displaces approximately NZD $52–70 million per year in petroleum import spend, flowing instead to domestic electricity generation — a direct current account improvement.

[9] Inland Revenue New Zealand. (2025, June). Fringe Benefit Tax Guide IR409. Wellington: Inland Revenue. Sets out the differentiated FBT vehicle rates effective from 1 April 2025: 26% standard ICE, 22.4% hybrid, 19.4% electric. Taxable value = rate % × vehicle cost price; FBT payable = taxable value × alternate rate (49.25% for most employees). ird.govt.nz/employing-staff/deductions-from-other-payments/fringe-benefit-tax

- Emissions abatement: Each EV avoids approximately 2.5–3.5 tonnes of CO_2-equivalent per year versus an average petrol vehicle. 10,000 additional EVs per annum represents 25,000–35,000 tonnes of CO_2-e avoided annually by Year 2 — reducing New Zealand's exposure to offshore mitigation costs (currently NZD $25–100+ per tonne).

- No direct fiscal outlay: Unlike the Clean Car Discount, which required direct cash rebate payments from the Crown, the proposed measures operate entirely through existing tax system mechanisms. The fiscal cost is foregone revenue rather than appropriated expenditure — and scales only if the policy succeeds in driving uptake.

- Used vehicle pipeline: Fleet EVs exiting novated leases at three-to-five-year intervals will supply quality, well-maintained second-hand EVs at prices accessible to mainstream New Zealanders — supporting broader fleet electrification without additional government intervention.

- Public health: Transport emissions in urban centres are a material contributor to particulate matter and NO_2 pollution. Accelerating fleet electrification delivers measurable healthcare cost reductions.

Proposed Implementation Path

We propose the following implementation pathway, designed to minimise Crown exposure to upside fiscal risk while providing the market certainty needed for employers and leasing providers to develop compliant products:

- Pre-announcement in Budget 2026 (May 2026), providing employers and the novated lease industry with sufficient lead time to develop documentation and product offerings.
- Effective date of 1 July 2026 (or sooner if the legislative process allows), via amendment to the Income Tax Act 2007.
- Inland Revenue to issue a Commissioner's Interpretation Statement or Binding Ruling to provide certainty on the application of the exemption and novated lease mechanics.
- An IRD home EV charging rate guideline (analogous to Australia's PCG 2024/2 at 4.2 cents/km) to simplify employer calculation of electricity costs.
- A mandatory statutory review within three years of commencement, examining uptake, equity of access, fiscal performance versus projections, and PHEV eligibility — ensuring the Government retains full ability to calibrate or withdraw the measures if warranted.

Our Request

We respectfully request the opportunity to meet with Ministers and officials to present this proposal in detail, answer questions on our fiscal modelling, and discuss the implementation design. We are also happy to engage directly with Inland Revenue and Treasury officials as part of any formal revenue costing process.

A full policy proposal document — including detailed fiscal tables, an extended international evidence base, implementation framework, and a comprehensive reference list — is attached to this letter and available on request.

Drive Electric New Zealand stands ready to work constructively with the Government on the design of these measures. We believe that a well-designed FBT exemption and novated lease framework, introduced promptly, represents one of the most powerful and fiscally efficient tools available to New Zealand at this moment — and we commend it to you without reservation.

Yours sincerely,

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