

2008

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

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TAX LAWS AMENDMENT (LUXURY CAR TAX) BILL 2008  
A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION–GENERAL)  
AMENDMENT BILL 2008  
A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION–CUSTOMS)  
AMENDMENT BILL 2008  
A NEW TAX SYSTEM (LUXURY CAR TAX IMPOSITION–EXCISE)  
AMENDMENT BILL 2008

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EXPLANATORY MEMORANDUM

(Circulated by the authority of the  
Treasurer, the Hon Wayne Swan MP)



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# **General outline and financial impact**

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## **Increased rate of luxury car tax**

These Bills amend the luxury car tax legislation to increase the luxury car tax rate from 25 per cent to 33 per cent.

*Date of effect:* 1 July 2008.

*Proposal announced:* This measure was announced in the 2008-09 Budget and in the Treasurer's Press Release No. 042 of 13 May 2008.

*Financial impact:* The revenue impact from the measure is estimated to be:

<i>2008-09</i>	<i>2009-10</i>	<i>2010-11</i>	<i>2011-12</i>
\$130m	\$140m	\$140m	\$145m

*Compliance cost impact:* Minor transitional compliance and administration costs are expected resulting from the rate change.



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# 1 Chapter 1

## ***Increased rate of luxury car tax***

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### **Outline of chapter**

.1 These Bills amend the luxury car tax legislation to increase the luxury car tax rate from 25 per cent to 33 per cent from 1 July 2008.

### **Context of amendments**

.2 Luxury car tax is a tax imposed on 'luxury cars' as defined in Division 25 of the *A New Tax System (Luxury Car Tax) Act 1999*. Luxury car tax is generally payable when a car is sold or imported at the retail level. It is additional to any goods and services tax (GST) payable.

.3 Since 1979, successive Australian Governments have imposed an additional tax on luxury vehicles. The luxury car tax was introduced on 1 July 2000 when the GST was introduced and the wholesale sales tax abolished. Since that time there has been no change to the luxury car tax rate.

.4 Luxury car tax applies to cars whose GST-inclusive value exceeds the luxury car tax threshold (\$57,123 for 2007-08). The luxury car tax rate applies to the GST-exclusive value of the luxury car that exceeds the luxury car tax threshold. The formula used to calculate the value of the luxury car tax is:

$$\text{luxury car tax rate} \times \frac{10}{11} \times (\text{luxury car tax value} - \text{luxury car tax threshold})$$

.5 The luxury car tax threshold is indexed using the motor vehicle purchase component of the consumer price index which includes both imported and domestically produced vehicle sales. The threshold also represents the car limit. The car limit is used in a calculation to limit the maximum amount of depreciation deductions allowed on the car under the income tax law for the relevant financial year.

.6 There is no liability for luxury car tax after two years from the time of local manufacture or importation. Certain types of cars including:

- 2 commercial vehicles not designed for the principal purpose of carrying passengers;
- 3 most second-hand cars;
- 4 motor homes;
- 5 campervans; and
- 6 prescribed emergency vehicles,

are exempt from luxury car tax.

.1 The luxury car tax applies to both domestically produced and imported vehicles.

## **Summary of new law**

.2 These Bills amend the *A New Tax System (Luxury Car Tax) Act 1999* as well as the *A New Tax System (Luxury Car Tax Imposition–Excise) Act 1999*, the *A New Tax System (Luxury Car Tax Imposition–Customs) Act 1999* and the *A New Tax System (Luxury Car Tax Imposition–General) Act 1999* to increase the luxury car tax rate from 25 per cent to 33 per cent from 1 July 2008.

.3 No other changes are being made to the operation of the luxury car tax.

## **Detailed explanation of new law**

.4 The 25 per cent rate that appears in section 4 of the *A New Tax System (Luxury Car Tax Imposition–Excise) Act 1999*, section 4 of the *A New Tax System (Luxury Car Tax Imposition–Customs) Act 1999* and section 4 of the *A New Tax System (Luxury Car Tax Imposition–General) Act 1999* will be replaced by a 33 per cent rate applying on or after 1 July 2008. [*Schedule 1, items 1 and 2, section 4 of the A New Tax System (Luxury Car Tax Imposition–Excise) Amendment Bill 2008; Schedule 1, items 1 and 2, section 4 of the A New Tax System (Luxury Car Tax Imposition–Customs) Amendment Bill 2008; Schedule 1, items 1 and 2, section 4 of the A New Tax System (Luxury Car Tax Imposition–General) Amendment Bill 2008*]



.5 Additionally, an amendment will alter the rate applicable in subsections 5-15(1) and 7-15(1) of the *A New Tax System (Luxury Car Tax) Act 1999* by replacing the existing rate of 25/100 with the word **rate** which will be defined as the rate applying under the *A New Tax System (Luxury Car Tax Imposition–Excise) Act 1999*, the *A New Tax System (Luxury Car Tax Imposition–Customs) Act 1999* and the *A New Tax System (Luxury Car Tax Imposition–General) Act 1999*. The rate applying under such Acts will be 33 per cent. This change directly links the rate imposed under the relevant imposition Acts to the *A New Tax System (Luxury Car Tax) Act 1999*. [*Schedule 1, items 1 to 3, Tax Laws Amendment (Luxury Car Tax) Bill 2008*]

## **Application and transitional provisions**

.6 There are no transitional provisions. The new rate will apply to any taxable supply or taxable importation of a luxury car made on or after 1 July 2008.



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## **Schedule 1: Luxury car tax**

<i>Bill reference</i>	<i>Paragraph number</i>
Items 1 and 2, section 4, A New Tax System (Luxury Car Tax Imposition-Excise) Amendment Bill 2008; Schedule 1, items 1 and 2, section 4, A New Tax System (Luxury Car Tax Imposition-Customs) Amendment Bill 2008; Schedule 1, items 1 and 2, section 4, A New Tax System (Luxury Car Tax Imposition-General) Amendment Bill 2008	1.10
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