

BULLETIN

Industry Divisions



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VACC Update: New super-luxury tax:

Licensed Motor Car Traders (LMCTs) are advised that this bulletin is the second in a series of communications from VACC and the Victorian Automobile Dealers Association (VADA) regarding the recent announcements emanating from the 2019-20 Victorian State Budget.

VACC is aware that LMCTs are anxious to understand the gravity of the Budget reforms and their impact on new and used car dealers.

The two key issues emanating from the budget, that will come into force on 1 July 2019, that are the source of many dealer LMCT queries are listed below.

1. Service Demonstrator Vehicles (SDV)

VACC will be provided with the deeming provisions regarding the SDV exemption.

VACC has put forward member sourced suggestions to the Department of Treasury and Finance (DTF) as to how the deeming provisions should look. VACC will also provide a draft version of a new Revenue Rulings for the consideration of Government.

We will keep you informed as to outcomes. VACC knows that the introduction of this exemption / category will be of great assistance to LMCTs.

2. Member issues re new motor vehicle luxury tax

VACC thanks members who have rung VACC regarding the recent changes to Motor Vehicle Duty.

VACC has entered dialogue with DTF and the Senior Economist at Victorian Treasury seeking further guidance for the new super-luxury thresholds and other reforms to the Duties Act 2000 that will allow for ancillary use of SDVs. VACC has also had the opportunity to liaise with Treasurer Pallas' Senior Advisor to relay LMCTs disappointment that such a super-luxury tax has been introduced.

VACC has also informed the Government of industry outrage that such a new super-luxury tax could be introduced without opportunity for industry to advise on impact or that there was no formulation of a Regulatory or Business Impact Statement. The timing is terrible as the industry is currently suffering as a result of deplorable trading conditions.

[Take this link](#) to view a copy of the Victorian Government supplied luxury duty factsheet.

Motor vehicle duty – luxury vehicles next steps

VACC will soon survey LMCT members seeking specific data as to the potential or actual impact the super-luxury taxes will have upon your business and provide to Treasury.

To this end VACC will be holding a meeting of LMCTs who are affected by the new super-luxury tax to discuss strategy and lobbying pursuits that may have some influence with regards to the 2020-21 budgetary period.

- When: 11 June 2018
- Time: 1000-1200
- Where: Level 7 VACC House

It is hoped that a senior representative from the Victorian Government will attend.

I would request that LMCTs who wish to attend this meeting contact me on the phone numbers below.

LMCT queries on new tax

VACC has also fielded many queries regarding the new super-luxury taxes, many that have a common theme. Those queries and replies from DTF are stated below:

1. Is the "super-luxury" duty of 7% and 9% applied to the full purchase price of the car or is it applied on a progressive scale basis (similar to income tax)?

The duty is applied to the full dutiable value of the car and not on a progressive basis.

2. Does the "super-luxury" duty also apply to all used cars that fall within the designated super luxury thresholds?

Yes. The rates apply to both new and used passenger cars.

3. Does the motor vehicle duty relief that currently applies to Demonstrator vehicles that that have been Demonstrators for more than 60 days (currently 4.2% once sold) also apply to Super Luxury Demonstrators once sold?

This question is in relation to the Duties Act s.218 1ab - the 60 days provision will be repealed. Please see the State Taxation Acts Amendment Bill 2019 - Explanatory Memorandum (Clause 17) as below:

Section 218(1)(ab) is impliedly repealed as a consequence of the substitution of section 218(1). Section 218(1)(ab) provides that certain motor vehicles first registered within the previous 60 days by a licensed motor car trader, and previously exempt from duty because of the use of the motor vehicle (e.g. demonstrator vehicles), were charged duty at the same rate as in section 218(1)(a) (i.e. the rate for new motor vehicles). The new rates of duty provided by this Bill impose equivalent rates of duty on new and used passenger cars of the same dutiable value; accordingly, the provision in section 218(1)(ab) is no longer relevant. [Click here for legislative guidance.](#)

Thank you to VADA members, Zagames, Northern Motor Group and Penfolds for providing input and technical expertise on the questions.

I will keep you all informed as we move forward.

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