

Draft Luxury Car Tax Determination

Luxury car tax: how to determine the principal purpose of a vehicle

The Australian Taxation Office (ATO) has released Draft Luxury Car Tax (LCT) Determination LCTD 2022/D1.

It is important to note that LCTD 2022/D1 is currently in draft form only. This bulletin has been forwarded to you for your information and for you to prepare for when the ATO finalizes the Determination.

You can view LCTD 2022/D1 by taking this [link](#).

What is the purpose of the ATO LCTD 2022/D1?

The purpose of LCTD 2022/D1 is to explain to taxpayers how to determine the principal purpose of a car for the purposes of the *A New Tax System (Luxury Car Tax) Act 1999 (the Act)*.

Why is the term principal purpose so important for dealers and taxpayers?

The term 'principal purpose' is relevant in determining whether a car is a 'luxury car' on which LCT may be payable.

The ATO advise that LCT is not payable on the supply or importation of cars whose principal purpose is the carriage of goods rather than passengers.

When is the proposed date for the new Determination to apply?

The ATO advise that when the final Determination is issued, it is proposed to apply both before and after its date of issue.

However, the Determination will not apply to taxpayers to the extent that it conflicts with the terms of settlement of a dispute agreed to before the date of issue of the Determination. To this end the ATO advise that you refer to paragraphs 75 and 76 of Taxation Ruling [TR 2006/10 Public Rulings](#).

Next steps

The ATO is inviting stakeholders to comment on the draft Determination, including the proposed date of effect. Contact details for forwarding comments are included in LCTD 2022/D1.

You are encouraged to liaise through your own taxation advisor(s) for any commentary on the ATO draft determination and for professional advice on how the Determination may impact your business.

Please feel free to call me directly with any other queries.

Michael McKenna MBA MBLaw
Industry Policy Advisor
P: 03 9829 1280 | M: 0418 822 939