

**Submission:**

# **Super Luxury Car Duty Immediate Impacts**

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# **The impact of new super-luxury duty on LMCT and consumer focussing on pre-exiting deals to be delivered after 30 June 2019**

## **About VACC**

The Victorian Automobile Chamber of Commerce (VACC) is Victoria's peak automotive industry association, representing the interests of more than 5,000 members in over 20 retail automotive sectors that employ over 50,000 Victorians.

The Victorian Automobile Dealers Association (VADA) is a Division of VACC. VADA represents the interest of over 640 Victorian Franchise Dealers and is the peak association representing new car dealers in Victoria.

VACC members range from new and used vehicle dealers (passenger, truck, commercial, motorcycles, recreational and farm machinery), repairers (mechanical, electrical, body and repair specialists, i.e. radiators and engines), vehicle servicing (service stations, vehicle washing, rental, windscreens), parts and component wholesale/retail and distribution and aftermarket manufacture (i.e. specialist vehicle, parts or component modification and/or manufacture), and automotive dismantlers and recyclers.

In addition to VACC, its sister organisations – the Motor Trade Associations, represent the automotive industry for their respective states.

VACC is charged with the responsibility to communicate to government where policy matters adversely affect operations within the industry.

This paper provides representations on behalf of the industry relating to the recent announcement emanating from the 2019-20 Victorian State Budget that will see the introduction of two new super-luxury thresholds from July 2019<sup>1</sup>. The thresholds as mandated will cause major hardship to a new and car retailing market that is already suffering in deplorable trading conditions.

## **About this submission**

This submission has been created using 100 per cent LMCT member feedback. Data has been gathered via an industry survey and data collection tool. The VACC Survey targeted LMCT members who were specialised in the category of cars that would be affected by the new thresholds.

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<sup>1</sup> Victorian Budget papers 2019-20 Service Delivery Pg. 124

Preferred policy positions as stated have been formulated in consultation with the Executive Committees of the Victorian Automobile Dealers Association and the VACC Used Car Traders Division (UCTD). Data presented in this report relates to new car deals. Used car data is sourced from VicRoads is typically transfer based as opposed to consumer transaction based.

### The current overall new car market

New vehicle sales (VFACTS) for the month of May 2019 were announced on 5 May 2019 by the peak body of the representing vehicle manufacturers in Australian, the Federal Chamber of Automotive Industries (FCAI).<sup>2</sup>

The May 2019 VFACTS figures advise that monthly national sales totalled 92,561 new vehicles, a decrease of 8.1 per cent on the same month in 2018.

The overall figures advise that the Australian market has seen the same trend throughout 2019, resulting in an overall decrease of around eight per cent for the first five months of the year.

FCAI have attributed this trend to known market factors such as an economic downturn, drought, political events, the tightening of financial lending and lack of confidence in the market.

### State by State Analysis

VFACTS shows the Victorian figure for overall sales of all new vehicles to be down 7 per cent May 18 v May 2019.

State/Territory	May-19	May-18	% diff
AUSTRALIAN CAPITAL TERRITORY	1,448	1,568	-7.7
NEW SOUTH WALES	29,654	32,523	-8.8
NORTHERN TERRITORY	948	1,188	-20.2
QUEENSLAND	19,158	21,143	-9.4
SOUTH AUSTRALIA	5,626	6,087	-7.6
TASMANIA	1,747	1,657	5.4
VICTORIA	26,136	28,104	-7.0
WESTERN AUSTRALIA	7,844	8,484	-7.5
<b>Total</b>	<b>92,561</b>	<b>100,754</b>	<b>-8.1</b>

### The luxury markets in Victoria

The sales of new prestige vehicles in the Victorian market shows a decline of 10.6 per cent in May 2019 versus May 2018<sup>4</sup>.

<sup>2</sup> VFACTS May 2019

<sup>3</sup> FCAI Media Release 5 June 2019

<sup>4</sup>VFCATS Victorian Data May 2019 pg. 12, pg. 16 , pg. 17

Type	May 2018 Sales	May 2019 Sales	% Difference
Upper large > \$100k	37	11	-70.2 %
Sports > \$80k	176	167	-5.1%
Sports > \$200k	63	45	-28.6%
SUV Large >\$70k	583	489	-16.1%
SUV Upper Large >\$100	72	120	+66.7%
Totals	931	832	-10.6 %

### Impacted vehicle segments by VFACTs

VFACTs data and member VADA and UCTD member data clearly show the Victorian > \$80 k market on a backwards trend. The data clearly demonstrates this is not time to introduce increased duty categories into the Victorian vehicle sales market.

### Industry impact of new super-luxury duty

VACC is receiving reports from industry participants who have now taken drastic business decisions to stop acquiring stock of high value. This reluctance to trade has the potential to cause serious disruption to the market and drag the wholesale and resale prices of all vehicles to unsustainable levels. It has been noted by VACC that rates of spending by consumers is dropping significantly and it strongly suggested that the recent changes to vehicle stamp duties will create further spending constrictions in the Victorian economy.

Dealers have begun advising purchasers of pre-existing deals that have been ordered before the recent budget announcements, but due for delivery after 30 June, that a new super-luxury duty is to apply to that sale. These are conversations that have not gone well. The result is dealers are losing what was an iron clad sale as the consumer will not pay the difference the new super-luxury duty mandates.

Many vehicles have been ordered up to 12 months before the budget announcement and consequently unsuspecting consumers now are at a massive loss. Dealers cannot absorb the new amount of super-luxury duty into the price as this will lead to economic and business loss.

## **VACC super-luxury duty survey**

VACC surveyed VADA and UCTD members who retail stock that will be affected by the new super-luxury duty thresholds.

### **Key findings from the survey respondents reflected that:**

- 61 % of affected dealers were metropolitan based
- 39% of affected dealers were regionally based
- 78% of dealers advised that they will lose deals on pre-ordered/pre-existing deals for stock delivered after 30 June 2019
- 83% of dealers will absorb some or all the new duty on pre-ordered/pre-existing stock delivered after 30 June 2019
- On average dealers sell 163 vehicles in the > \$100,001- \$150,000 threshold
- On average dealers sell 64 vehicles in the > \$150,001 threshold
- On average dealers currently, stock 43 vehicles in the > \$100,001- \$150,000 threshold
- On average, dealers currently stock 42 vehicles in > \$150,001 threshold
- Dealers expect to lose 50 per cent of pre-existing sales as a result on the new thresholds
- On average dealerships invested \$31 Million in capital expenditure in their business
- On average dealers employ 110 people in their business <sup>5</sup>.

### **VACC Recommendation:**

- That the Victorian Government grants an exemption of the new-super-luxury duty to deals or contracts on any affected vehicle from a pre-existing or pre-ordered vehicle that will be registered after 30 June 2019. At the least VACC requests that the Government exempts transactions, pre-ordered or executed by the LMCT and consumer before the 27 May 2019 (the date of the Budget announcement).
- VACC also seeks relief from the forward estimates that will see this new super-luxury duty further impact the sale of vehicles within those thresholds.

## **Victorian duty and tax charges when purchasing a new or used car**

You will find in Appendix A an extensive document that shows the total of all duty and taxes that a LMCT must factor into the price of a vehicle in Victoria and collect on behalf of state and federal governments. These figures do not show dealer delivery charges.

In Appendix B, four brands are displayed that will be affected by the new super-luxury tax and the price difference a consumer must pay from 1 July 2019, including the price that a consumer or industry will be forced to pay if taking delivery of a vehicle ordered before 30 June 2019 but delivered after that date. These figures do not show dealer delivery charges.

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<sup>5</sup> VACC super-luxury survey June 2019

**APPENDIX A**

Data supplied by VADA member dealers.

Make	List price	GST	Rego (inc TAC)	Federal Luxury Car Tax 2019/2020	Vic Stamp Duty PRESENT	Vic Stamp Duty 1 July 2019	Total Drive Away price present	Total Drive Away price 1 July 2019	Difference
New	\$20,000.00	\$2,199.00	\$861.80	\$-	\$1,016.40	\$1,016.40	\$26,067.20	\$26,067.20	\$0.00
New	\$30,000.00	\$3,199.00	\$861.80	\$-	\$1,478.40	\$1,478.40	\$37,529.20	\$37,529.20	\$0.00
New	\$40,000.00	\$4,199.00	\$861.80	\$-	\$1,940.40	\$1,940.40	\$48,991.20	\$48,991.20	\$0.00
New	\$50,000.00	\$5,199.00	\$861.80	\$-	\$2,402.40	\$2,402.40	\$60,453.20	\$60,453.20	\$0.00
New	\$60,000.00	\$6,199.00	\$861.80	\$-	\$3,546.40	\$3,546.40	\$72,597.20	\$72,597.20	\$0.00
New	\$70,000.00	\$7,199.00	\$861.80	\$1,098.90	\$4,180.80	\$4,180.80	\$85,330.50	\$85,330.50	\$0.00
New	\$80,000.00	\$8,399.00	\$861.80	\$7,817.40	\$5,220.80	\$7,028.00	\$106,289.00	\$108,096.00	\$1,807.00
New	\$110,000.00	\$11,499.00	\$861.80	\$18,047.40	\$7,519.20	\$10,122.00	\$152,917.40	\$155,520.20	\$2,602.80
New	\$120,000.00	\$12,499.00	\$861.80	\$21,347.40	\$8,268.00	\$14,310.00	\$167,966.20	\$174,008.20	\$6,042.00
New	\$130,000.00	\$13,399.00	\$861.80	\$24,317.40	\$8,933.60	\$15,462.00	\$181,501.80	\$188,030.20	\$6,528.40
New	\$140,000.00	\$14,499.00	\$861.80	\$27,947.40	\$9,755.20	\$16,884.00	\$198,053.40	\$205,182.20	\$7,128.80
New	\$150,000.00	\$15,499.00	\$861.80	\$31,247.39	\$10,493.60	\$18,162.00	\$213,091.76	\$220,760.16	\$7,668.40
New	\$160,000.00	\$16,499.00	\$861.80	\$31,788.90	\$11,096.80	\$19,206.00	\$225,236.50	\$233,345.70	\$8,109.20
New	\$200,000.00	\$20,499.00	\$861.80	\$47,747.40	\$14,216.80	\$24,606.00	\$288,315.00	\$298,704.20	\$10,389.20

## APPENDIX B

Data supplied by Porsche, Toyota, Lexus and Mercedes Dealers

Make (New or Demo)	List price	GST	Rego (inc TAC)	Federal Luxury Car Tax	Vic Stamp Duty PRESENT	Vic Stamp Duty 1 July 2019	Total Drive Away price present	Total Drive Away price 1 July 2019	Difference
E200 Sedan	\$80,000.00	\$8,399.00	\$861.80	\$7,817.40	\$5,220.80	\$7,028.00	\$106,289.00	\$108,096.00	\$1,807.00
GLS350d SUV	\$110,000.00	\$11,499.00	\$861.80	\$18,047.40	\$7,519.20	\$10,122.00	\$152,917.40	\$155,520.20	\$2,602.80
E450 Coupe	\$120,000.00	\$12,499.00	\$861.80	\$21,347.40	\$8,268.00	\$14,310.00	\$167,966.20	\$174,008.20	\$6,042.00
CLS450 Coupe	\$130,000.00	\$13,399.00	\$861.80	\$24,317.40	\$8,933.60	\$15,462.00	\$181,501.80	\$188,030.20	\$6,528.40
C63 S AMG Coupe	\$140,000.00	\$14,499.00	\$861.80	\$27,947.40	\$9,755.20	\$16,884.00	\$198,053.40	\$205,182.20	\$7,128.80
GLE63 S AMG SUV	\$150,000.00	\$15,499.00	\$861.80	\$31,247.39	\$10,493.60	\$18,162.00	\$213,091.76	\$220,760.16	\$7,668.40
S350d Sedan	\$160,000.00	\$16,499.00	\$861.80	\$31,788.90	\$11,096.80	\$19,206.00	\$225,236.50	\$233,345.70	\$8,109.20
G63 AMG SUV	\$200,000.00	\$20,499.00	\$861.80	\$47,747.40	\$14,216.80	\$24,606.00	\$288,315.00	\$298,704.20	\$10,389.20

Make (New or Demo)	List Price	GST	Federal Luxury Car Tax	RRP	Rego (incl TAC)	Vic Stamp Duty PRESENT	Vic Stamp Duty 1 July 2019	Total Drive Away Price	Total Drive Away Price 1 July 2019	Difference
Lexus GS350 F Sport	\$80,307.40	\$8,030.74	\$6,602.14	\$94,940.28	\$991.50	\$4,940.00	\$4,940.00	\$100,871.78	\$100,871.78	\$0.00
Lexus GS350 Sports Luxury	\$88,510.21	\$8,851.02	\$9,309.07	\$106,670.30	\$991.50	\$5,553.60	\$7,476.00	\$113,215.40	\$115,137.80	\$1,922.40
Lexus GS F	\$122,964.48	\$12,296.45	\$20,678.98	\$155,939.91	\$991.50	\$8,112.00	\$12,480.00	\$165,043.41	\$169,411.41	\$4,368.00
Lexus RC F	\$107,712.10	\$10,771.21	\$15,645.69	\$134,129.00	\$991.50	\$6,978.40	\$9,394.00	\$142,098.90	\$144,514.50	\$2,415.60
Lexus RC F Track	\$129,782.73	\$12,978.27	\$22,929.00	\$165,690.00	\$991.50	\$8,621.60	\$13,264.00	\$175,303.10	\$179,945.50	\$4,642.40
Lexus LC500	\$146,782.73	\$14,678.27	\$28,539.00	\$190,000.00	\$991.50	\$9,880.00	\$15,200.00	\$200,871.50	\$206,191.50	\$5,320.00
Lexus LS500 F Sport	\$147,132.38	\$14,713.24	\$28,654.39	\$190,500.00	\$991.50	\$9,911.20	\$15,248.00	\$201,402.70	\$206,739.50	\$5,336.80
Lexus LS500 Sport Luxury	\$150,908.60	\$15,090.86	\$29,900.54	\$195,900.00	\$991.50	\$10,192.00	\$15,680.00	\$207,083.50	\$212,571.50	\$5,488.00
Lexus RX350 Sports Luxury	\$83,496.22	\$8,349.62	\$7,654.45	\$99,500.29	\$991.50	\$5,179.20	\$5,179.20	\$105,670.99	\$105,670.99	\$0.00
Lexus LX570	\$113,767.97	\$11,376.80	\$17,644.13	\$142,788.90	\$991.50	\$7,425.60	\$9,996.00	\$151,206.00	\$153,776.40	\$2,570.40
Lexus LX570 S	\$131,460.35	\$13,146.04	\$23,482.62	\$168,089.00	\$991.50	\$7,846.40	\$13,456.00	\$176,926.90	\$182,536.50	\$5,609.60
Lexus LX450d	\$107,712.03	\$10,771.20	\$15,645.67	\$134,128.90	\$991.50	\$6,978.40	\$9,394.00	\$142,098.80	\$144,514.40	\$2,415.60

## APPENDIX B

Data supplied by Porsche, Toyota, Lexus and Mercedes Dealers

Hybrid Electric/Petrol Powered						\$75,526.00	LCT Threshold Incl GST 18/19 Financial Year			
Make (New or Demo)	List Price	GST	Federal Luxury Car Tax	RRP	Rego (incl TAC)	Vic Stamp Duty PRESENT	Vic Stamp Duty 1 July 2019	Total Drive Away Price	Total Drive Away Price 1 July 2019	Difference
Lexus GS450h F Sport	\$91,425.03	\$9,142.50	\$7,512.46	\$108,079.99	\$891.50	\$5,626.40	\$7,574.00	\$114,597.89	\$116,545.49	\$1,947.60
Lexus GS450h Sports Luxury	\$99,627.83	\$9,962.78	\$10,219.38	\$119,810.00	\$891.50	\$6,240.00	\$8,400.00	\$126,941.50	\$129,101.50	\$2,160.00
Lexus LC500h	\$148,851.61	\$14,885.16	\$26,463.23	\$190,200.00	\$891.50	\$9,890.40	\$15,216.00	\$200,981.90	\$206,307.50	\$5,325.60
Lexus LS500h F Sport	\$149,236.22	\$14,923.62	\$26,590.15	\$190,749.99	\$891.50	\$9,921.60	\$15,264.00	\$201,563.09	\$206,905.49	\$5,342.40
Lexus LS500h Sports Luxury	\$152,994.97	\$15,299.50	\$27,830.54	\$196,125.01	\$891.50	\$10,202.40	\$15,696.00	\$207,218.91	\$212,712.51	\$5,493.60
Lexus RX450h F Sport	\$87,494.97	\$8,749.50	\$6,215.54	\$102,460.01	\$891.50	\$5,335.20	\$7,182.00	\$108,686.71	\$110,533.51	\$1,846.80
Lexus RX450h Sports Luxury	\$91,795.66	\$9,179.57	\$7,634.77	\$108,609.99	\$891.50	\$5,657.60	\$7,616.00	\$115,159.09	\$117,117.49	\$1,958.40

Make (New or demo)	List price	GST	Rego (inc TAC)	Federal Luxury Car Tax	Vic Stamp Duty PRESENT	Vic Stamp Duty 1 July 2019	Total Drive Away price present	Total Drive Away price 1 July 2019	Difference
Toyota 2019 Kluger Grange AWD <b>Demo/Used</b>	\$62339.58	\$6727.01	\$888.78	\$2299.85	\$3208.8	\$3972.8	\$76,297.00	\$77,061.00	\$764.00
Toyota 2019 LC200 VX <b>NEW</b>	\$83838.67	\$8613.38	\$888.78	\$8524.85	\$5376.8	\$7238	\$103,272	\$105,133.21	\$1,861.20
Toyota 2019 LC200 Sahara <b>NEW</b>	\$98062.45	\$10154.08	\$888.78	\$13609.15	\$6520.8	\$8778	\$125,304.00	\$127,561.20	\$2,257.20

**APPENDIX B**

Data supplied by Porsche, Toyota, Lexus and Mercedes Dealers

Make (New or demo)	List price	GST	Rego (inc TAC)	Federal Luxury Car Tax	Vic Stamp Duty PRESENT	Vic Stamp Duty 1 July 2019	Total Drive Away price present	Total Drive Away price 1 July 2019	Difference
Porsche Macan S	\$88,000	\$8,800	\$1,026	\$9,140	\$5,152	\$7,392	\$112,479	\$114,001	\$1,522
Porsche Cayenne S	\$128,500	\$12,850	\$1,026	\$22,505	\$8,528	\$14,724	\$173,410	\$179,248	\$5,838
Porsche Cayenne Turbo	\$200,000	\$20,000	\$1,026	\$46,100	\$13,842	\$23,922	\$280,969	\$290,691	\$9,722
911 Porsche Carrera S	\$222,000	\$22,200	\$1,026	\$53,360	\$15,475	\$26,766	\$314,062	\$324,995	\$10,933
Porsche 911 GT3RS	\$363,000	\$36,300	\$1,026	\$99,890	\$25,958	\$44,910	\$526,175	\$544,769	\$18,594

Government fees on top of list price



Mercedes-Benz E200



Government fees on top of list price



Mercedes-Benz G63 S AMG SUV

