



## Policy costing

Exempting historic vehicle imports from the luxury car tax	
Person/party requesting the costing:	Mr Julian Hill MP, Member for Bruce
Date costing completed:	27 February 2020
Expiry date of the costing:	Release of the next economic and fiscal outlook report.
Status at time of request:	Submitted outside the caretaker period <input checked="" type="checkbox"/> Confidential <input type="checkbox"/> Not confidential
Summary of proposal: This proposal would remove the luxury car tax on imported vehicles over 40 years of age. Goods and services tax (GST) would continue to apply to imported vehicles. The request also sought an assessment of the likely impact on GST due to increased economic activity. This proposal has a start date of 1 July 2020.	

## Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$3.9 million over the 2019-20 Budget forward estimates period. This impact reflects a net decrease in revenue of \$3.1 million, and an increase in expenses in the form of GST payments to the states and territories of \$0.8 million. There would be no timing difference between the fiscal and underlying cash balances as luxury car tax and GST on imports are generally payable at the time of importation.

This proposal would be expected to have an impact beyond the 2019-20 Budget forward estimates period. A breakdown of the impacts over the period to 2029-30 is provided at [Attachment A](#).

Departmental expenses associated with this proposal are not expected to be material.

There is uncertainty in the estimates because of uncertainty in the magnitude of the behavioural response to the proposal. It is assumed that the removal of luxury car tax on affected vehicles would increase imports of vehicles over 40 years of age into Australia by a small proportion. It is expected that this would lead to a small increase in GST revenue and a corresponding increase in GST payments to the states and territories as GST would be payable on the customs value and associated importation costs of additional imported vehicles under this proposal.

There is also uncertainty on the exact amount of luxury car tax paid on imported vehicles over 40 years of age. The Department of Home Affairs only has data on the value of luxury car tax paid on imported vehicles over 30 years of age and therefore an assumption has been made on the amount of luxury car tax on imports that relate to vehicles over 40 years of age. This assumption affects the overall costing.

**Table 1: Financial implications (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	<b>Total to 2022–23</b>
Fiscal balance	-	-1.2	-1.3	-1.4	<b>-3.9</b>
Underlying cash balance	-	-1.2	-1.3	-1.4	<b>-3.9</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.

## Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions.

- Growth in imports of vehicles over 40 years of age subject to the luxury car tax would be in line with the estimated growth in overall luxury car tax revenue.
- Importation of vehicles over 40 years of age would increase by approximately 5 per cent as a result of the removal of luxury car tax under the proposal.
- Approximately 90 per cent of imported vehicles over 30 years of age are assumed to be over 40 years of age. This proportion is based on data from the Australian Bureau of Statistics' *Motor Vehicle Census 2019*.
- The total customs value data excludes importation costs whereas the GST applies to importation costs and the total customs value. To determine importation costs we have grossed-up the total customs value by approximately 0.4 per cent.
  - This gross-up is based on the proportion of GST on the total customs value of imported historic vehicles between 2017-18 and 2019-20.
- The 2018-19 Budget measure *Removing luxury car tax on re-imported cars following refurbishment overseas* would not have a material impact on this costing.
- Businesses that import vehicles over 40 years old and pay luxury car tax through their business activity statement when the vehicle is sold would not materially impact this costing.
- GST on taxable importation is payable at the time of importation.
  - There would be no timing difference between GST and luxury car tax on imports.
  - There would be no timing difference between when GST revenue is collected and when it is paid to the states and territories.

## Methodology

Data on the value of luxury car tax paid on imported vehicles over 30 years of age was obtained from the Department of Home Affairs. The PBO used the average total value of luxury car tax on imported vehicles over 30 years of age from 2014-15 to 2019-20. This value was then grown by estimates of total luxury car tax collections. Australian Bureau of Statistics' data on total vintage and collector vehicles registered in Australia was used to estimate the proportion of these cars that are over 40 years old. This proportion was used to adjust the luxury car tax paid on imported vehicles over 30 years old. The estimate was grown using estimated growth in total luxury car tax revenue over the

period to 2029-30. The estimated behavioural change to allow for an increase in the number of vehicles imported as a result of the proposal was applied based on the change in total price to estimate the increase in value of vehicles imported. The estimated increase in the value of imports was used to calculate an increase in GST from the car sales that would occur as a result of this proposal.

## Data sources

The Australian Bureau of Statistics provided data underpinning the *Motor Vehicle Census 2019*.

The Department of Home Affairs provided data on imports of historic vehicles for financial years between 2014-15 and 2019-20 (as at 17 February 2020).

Mabit, Stevan and Fosgerau, Mogens, 2010. *Demand for alternative-fuel vehicles when registration taxes are high*, DTU Transport Technical University of Denmark, Lyngby.

## Attachment A – Exempting historic vehicle imports from the luxury car tax – financial implications

**Table A1: Exempting historic vehicle imports from the luxury car tax – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	2027–28	2028–29	2029–30	Total to 2022–23	Total to 2029–30
<b>Revenue</b>													
<i>Luxury car tax</i>	-	-1.2	-1.3	-1.4	-1.4	-1.5	-1.6	-1.7	-1.8	-1.9	-2.0	-3.9	-15.7
<i>GST</i>	-	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.8	3.2
<b>Total – revenue</b>	-	-0.9	-1.0	-1.1	-1.1	-1.2	-1.3	-1.4	-1.4	-1.5	-1.6	-3.1	-12.5
<b>Expenses</b>													
<i>GST</i>	-	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.8	-3.2
<b>Total – expenses</b>	-	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.4	-0.4	-0.4	-0.8	-3.2
<b>Total</b>	-	-1.2	-1.3	-1.4	-1.4	-1.5	-1.6	-1.7	-1.8	-1.9	-2.0	-3.9	-15.7

- (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms.  
A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.  
A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms.  
A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- (b) Figures may not sum to totals due to rounding.  
- Indicates nil.