



**FEDERAL CHAMBER
OF AUTOMOTIVE
INDUSTRIES**

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The Chair
Senate Standing Committee on Economics
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Review of Changes to Car Fringe Benefits Arrangements

The Federal Chamber of Automotive Industries (FCAI), the peak body representing the interests of the Australian automotive sector, has a keen interest in the range of taxation measures that impact on new vehicle purchases including the tax treatment of fringe benefits.

Taking into account that the policy is in the early stage of the implementation and considering the full impact of the 20% statutory rate will be phased in over a number of years, our view is that on balance, the changes have succeeded in the aim of reducing complexity. However, we are unable to comment on whether it has achieved the objective of reducing the incentive to drive more kilometres simply to achieve a more attractive taxation position.

Of most interest to the FCAI members is the impact that the changes may have on consumer or company behaviour, which will in turn be reflected through the mix and timing of new motor vehicle sales. You may recall that there were some thoughts that the changes may lead to a slower turn-over of fleet vehicles and this of course would directly impact new vehicle supply. FCAI is of the view that it is far too early in the policy implementation phase for any sound conclusions to be reached on this particular aspect of the changed policy. FCAI would recommend that in light of the above the current policy remain in place for a period of a further twenty four months after which stage a further review should be instigated. During that subsequent review if there is evidence of a direct negative impact on sales of new motor vehicles then adjustments to the statutory 20% rate should be made.

Please feel free to contact the FCAI should you wish to discuss the above or require any further information.

Yours sincerely

Tony Weber
Chief Executive Officer