

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 3-5 June 2008

Question: bet 25

Topic: Luxury Car Tax

Hansard Page: Written

Senator Cormann asked:

1. Referring to the budget decision of the Rudd Labor Government to increase the luxury car tax from 25 per cent to 33 per cent on every dollar over \$57,123 after GST, which will result in an additional \$555 million over the forward estimates, what modelling has the government undertaken to assess the impact of the measure on:
 - a) budget revenue and
 - b) the Automotive industry?
2. Has the government assessed international comparisons of this increase? If so, are these findings available? If not, why not?
3. Has the government undertaken modelling on the environmental impacts of this tax due to the fuel efficiencies of the cars over the threshold?
4. If so, is this modelling available? If not, why not?
5. Is it the case that this tax will be backdated to agreements which were made before, but are not delivered until after 1 July 2008?
6. If so, would it be possible to pay a deposit for a car at the beginning of the year, before the increase was even announced, and still have to pay the increased level of Luxury Car Tax? In that scenario, would the Luxury Car Tax also be payable on the deposit amount?
7. Is it the case that if an agreement was made a) before the announcement was made or b) before the measure comes into effect and the consumer paid the total amount due by 1 July 2008, no increase in Luxury Car Tax would be payable?
8. In the budget papers the 2008-09 forward estimates state that an initial revenue of \$130 million will be gained, with \$140 million over the following two years. Has modelling been done to estimate revenues from pre 1 July 2008 ordered vehicles?
9. If so, is this modelling available? If not, why not?
10. Did the Prime Minister and/or relevant Ministers endorse this retrospective taxation on vehicles ordered but not paid for in full before 1 July 2008?
11. Regarding the threshold level for the Luxury Car Tax which currently sits at \$57,123:
 - a) Is the indexation adjusted annually in line with the CPI as stated by Senator Carr in evidence to the Committee or adjusted annually in line with the movements in motor vehicle purchase sub-group of the CPI

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- b) Is it the case that the motor vehicle purchase sub-group is derived from the average price of all car models?
12. Since 2000, the Luxury Car Tax threshold has risen by 3.6%. Yet in the same period the CPI has increased by 25% and the average price of a 6 cylinder sedan by 15%. Has the government:
- a) assessed bracket creep from cars which were not initially considered as being luxury, but now are included due to an increase in price.
- b) assessed other indexation measures to truly reflect the rise in price of luxury vehicles?
13. Has the Government considered the option of indexing the Luxury Car Tax threshold level using the same 'indexation formula' as applied to the Medicare levy surcharge threshold for singles which is proposed to be indexed by 100%?
14. By when does the Government expect the Holden Commodore to become subject to the Luxury Car Tax tax trap?

Answer:

1. a) The costing methodology for this measure was based on the forward estimates of revenue and calculated the revenue gain as the increase in revenue associated with the increase in the luxury car tax rate. The methodology assumed no overall change in motor vehicle sales.

b) No modelling was conducted on the impact on the automotive industry.

2. No.

3. No.

4. See the response to question 3.

5. The Commissioner of Taxation's press release of 23 June 2008 noted that 'where a luxury car is ordered but not delivered before 1 July, the supplier is entitled to include the extra luxury car tax in the price of the vehicle. This is because the rate of luxury car tax is determined by the date of delivery, not the date the order is placed'.

6. Yes. See answer to question 5. The luxury car tax is payable on the value of the vehicle that exceeds the luxury car tax threshold.

7. a) It depends on the date of delivery. See the response to question 5.

b) It depends on the date of delivery. See the response to question 5.

8. No.

9. See the response to question 8.

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10. The 1 July 2008 start date was announced in the Budget and set out in the amending legislation that was passed by the House of Representatives on 28 May 2008. The Treasurer, in a press release of 23 June 2008, announced that the Government will not be amending the commencement date for the luxury car tax.

11. a) The luxury car tax threshold is indexed annually using the motor vehicle purchase component of the consumer price index.

b) The motor vehicle purchase sub-group is derived from the change in price level of a representative group of both imported and domestic vehicles purchased by consumers.

12. a) No.

b) No.

13. No. See answer to question 12a.

14. The Government has not undertaken this modelling.