

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Estimates 22-23 October 2008

**Question: sbt 79**

**Topic:           Luxury Car Tax**

**Hansard Page:       E128**

**Senator ABETZ asked:**

Senator ABETZ —Did it take into account the forgone revenue of the vehicles above \$75,000 that did not have to pay the luxury car tax up to that threshold of \$75,000?

Mr Brown —Yes, it did, Senator. That is a threshold at which the luxury car tax will start for cars that meet the criterion. So, yes, it did.

Senator ABETZ —So it took that into account as well. All right. Now, Minister, can I ask you: why did the government propose this amendment? Was it designed to help change people's attitude and behaviour and, therefore, the buying pattern?

Senator Sherry —I would have to take that on notice, Senator.

Senator ABETZ —Well, one would have thought to exempt it, and given all the discussion in the Senate, that was the purpose of it, because the Treasury has told me in answer to a question, 'Did the Treasury modelling of the luxury car tax take into account—I said, 'the huge impact' but we can leave out the word 'huge'—the impact this measure would have on car sales and on revenue streams?' And I was told, 'The Treasury costing assumes no behavioural responses.'

So if the costing assumed no behavioural responses, and increased taxes have no behavioural responses, one wonders why you would then bother to provide a tax exemption for certain vehicles if it did not engender behavioural responses. So possibly, Minister, you could take that on notice as well.

Senator Sherry —I will.

Senator ABETZ —Even my basic economics 50.5—I will not even say 101—tells me that the higher the price the less likely it is that people will buy, and, therefore, it impacts on behavioural responses. I would have thought.

Senator Sherry —There is an interesting—

Senator ABETZ —I would have thought that was basic, but you have taken it on notice, and I thank you.

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**Answer:**

The Government proposed the fuel efficient car limit amendment following agreement between the Government and the Australian Greens to establish a new threshold of \$75,000 for fuel efficient luxury cars in the luxury car tax law. The vehicles eligible for the fuel efficient car limit are those with a fuel consumption not exceeding 7 litres per 100 kilometres. The fuel efficient car limit will act, over time, as an incentive to car manufacturers and importers to get fuel efficient cars into the Australian market.