



20 June 2011

Mr Richard Grant  
Acting Secretary  
Senate Standing Committee on Economics  
Parliament House  
Canberra ACT 2600

FEDERAL CHAMBER  
OF AUTOMOTIVE  
INDUSTRIES

ABN 53 008 550 347

---

LEVEL 1

59 WENTWORTH AVENUE

KINGSTON ACT 2604

AUSTRALIA

PHONE: 02 6247 3811

FAX: 02 6248 7673

Dear Mr Grant

The Federal Chamber of Automotive Industries (FCAI), the peak body representing the Australian automotive industry, accepts the need to reform the current statutory formula used to calculate Fringe Benefits Tax on cars.

The industry acknowledges that the existing approach, using kilometre-based thresholds, is out of date and is inconsistent with the goal of reducing carbon emissions from motor vehicles.

In seeking to reform FBT, the industry would expect reforms to be implemented on a revenue neutral basis.

The FCAI is extremely disappointed that the Government has used this opportunity to reform the tax system as an opportunity to further increase the tax liability on motorists.

Budget papers indicate that the proposed change will raise around \$1 billion in additional revenue over the next four years, rising to around \$460 million a year by 2014-15.

Additional analysis contained in a Treasury costing report, released by Senator Bob Brown on 7 April, shows that of the 570,000 fringe benefit vehicles, 60.4% (344,280 motorists) will be adversely affected by this change. As rural, regional and outer-metropolitan motorists are more reliant on their motor vehicles for daily work purposes, they are also likely to incur a higher burden from this tax increase.

A motorist travelling 25,000 kilometres per year, will incur more than \$3,000 in additional tax per year (based on a vehicle price of \$35,000).

Amending the Tax Laws Amendment (2011 Measures No. 5) Bill 2011, to a flat rate of 15% would, as discussed in the Henry Tax Review, remove the current distortion to increase vehicle use and result in a more modest increase in taxation revenue.

The FCAI therefore strongly urges the Committee to consider:

- The taxation liability incurred by more than 340,000 motorists who will be worse off under a 20% flat rate of FBT.
- The relative impact that a flat rate of FBT at 20% will have on regional and rural communities who tend to have a greater reliance on a motor vehicle and are therefore likely to incur the greatest increase in tax liability.
- Options to moderate the impact of a flat rate including the adoption of a 15% flat rate of FBT.

The FCAI would welcome the opportunity to further discuss these issues with the Committee.

Yours sincerely

Tim Reardon  
**Director Government Policy**