



Motor Trades Association of Australia

Mr Richard Grant
Acting Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Mr Grant

I refer to your invitation of 15 June 2011 for submissions to the Senate Legislation Economics Committee's Inquiry into the *Tax Laws Amendment (2011 Measures No 5) Bill (Cth) 2011*, which seeks to reform fringe benefits rules as they apply to motor vehicles. I thank you for the opportunity to provide the Committee with comments on that Bill.

The Motor Trades Association of Australia (MTAA) is a federation of the various state and territory motor trades associations and automobile chambers of commerce and represents the nation's largest small business industry sector with some 108,000 retail motor trade businesses, employing over 308,000 people and an aggregated turnover of more than \$160 billion per annum.

MTAA agrees the existing rules connected with fringe benefits tax (FBT), as it relates to motor vehicles, would benefit from simplification and will always support good policy and mechanisms that seek to reduce regulatory and other compliance burdens upon small businesses. In that context, MTAA offers its in-principle support to the reforms outlined by the Bill.

However MTAA believes there will be potentially unrealised and consequential impacts as a result of the operation of the proposed Bill.

MTAA has previously observed motor vehicle market distortions fuelled by changed consumer behaviours. This has, on occasion, resulted from delays in implementing new or changed policy, regulations and / or legislation.

Examples include:

- motor vehicle purchase or replacement decisions have accelerated or been delayed creating market uncertainty- particularly for new car dealers;
- the impact of changes on consumer driving habits, particularly in regional and rural Australia where businesses are required to travel long distances.

These potential issues could be addressed by bringing forward the implementation date.

The 20% flat rate changes, as proposed, will raise around \$1 billion in additional revenue over the next four years. MTAA believes any flat rate should be cost neutral if not accompanied by holistic motor vehicle taxation reform. MTAA would reconsider this position if Government were to consider other areas of vehicle taxation – such as the Luxury Car Tax - as called for in the Henry Review.

I appreciate the limited time the Secretariat has been afforded to progress this matter and trust the comments provided are of assistance. If there is any further assistance you think I can provide the Committee, please have no hesitation at contacting me at any time of your convenience.

Yours sincerely

RICHARD DUDLEY
Executive Director

20 June 2011