



**FEDERAL
CHAMBER OF
AUTOMOTIVE
INDUSTRIES**

9 January 2024

**Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra, ACT, 2600**

To whom it may concern,

Submission on Treasury Laws Amendment (Tax Incentives and Integrity) Bill 2024

The Federal Chamber of Automotive Industries (FCAI) welcomes the opportunity to provide the following submission to the Senate Standing Committee of Economics regarding the Treasury Laws Amendment (Tax Incentive and Integrity) Bill 2024 ('the Bill').

The FCAI is the peak industry body for Australian importers and distributors of light duty passenger vehicles, light commercial vehicles, motorcycles and off highway vehicles. FCAI members supplied more than 1.2 million new vehicles into the Australian market in 2024.

In October 2024 the FCAI provided feedback to Treasury on the draft content of the Bill, specifically relating to Luxury Car Tax ('LCT') which has been provided alongside this submission.

In summary our feedback focussed on the following key areas:

1. The LCT has become a redundant and inefficient tax on Australian consumers which penalises them for choosing vehicles with improved fuel efficiency and safety technologies.
2. Halving of the consumption definition for Fuel Efficient Vehicles, from 7.0L/100km to 3.5L/100km, is a sudden and dramatic change. During the 2023-24 financial year this could have resulted in 6,493 vehicles previously considered fuel efficient vehicles moving to the lower threshold, taxing Australian consumers an additional \$24.1 million.
3. A number of vehicles excluded from the Fuel Efficient Vehicles definition under the proposed change includes Hybrid and Plug-In Hybrid technologies which are widely accepted, and acknowledged, as important technologies to reduce transport related emissions.
4. Using the CPI-MV risks penalising consumers for favouring innovation, and bringing more mainstream family vehicles into the LCT, which is contrary to the policy intent.
5. The sudden imposition of the changes, without any form of transitional arrangements, could negatively impact consumers who have ordered a vehicle before the implementation of the changes, but not yet taken delivery due to any number of reasons. This would unfairly burden consumers by subjecting them to changed taxation rates which they may not have considered at the time of purchase.

The FCAI is of the opinion that the LCT should be repealed given it has become a redundant and inefficient tax which distorts the Australian market, and that the Committee should recommend this to the Parliament in order to reduce the tax burden on Australian motorists.

Failing that, we would encourage the Committee to focus on recommending the Bill be amended to:



- Introduce the lower fuel consumption for Fuel Efficient Vehicles in a staged manner, progressively decreasing it from the current level to the proposed level over a period of three years. This would help to mitigate the impact to consumers in the immediate future.
- Utilise All Groups CPI as the index number for determining annual changes to thresholds.
- Implement transitional arrangements for the introduction of any changes to accommodate consumers who have purchased/ordered a vehicle before 1 July 2025 but have not yet taken delivery.

The FCAI is available to engage further on this matter, and should you wish to discuss please contact Philip Skinner, Director – Policy & Advocacy, on [REDACTED] or via email at [REDACTED].

Kind Regards



Tony Weber
Chief Executive