

**Senate Economics Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**TREASURY**  
**Australian Taxation Office**  
(Budget Estimates 30 May 2006)

**Question**                    **BET-143**  
**Topic:**                      **LUXURY VEHICLE PROJECT**  
**Hansard page**            **Written Question**

Senator **Sherry** asked:

To highlight possible problems that could occur through the ATO's luxury vehicle project.

*1. Have any pilot programs or a scoping audit been conducted into luxury vehicle purchases before?*

**Answer:**        The Tax Office has undertaken some programs in relation to motor vehicles and other high value assets, including audits in relation to Luxury Car Tax, Fringe Benefits Tax and GST obligations connected to imported and auctioned vehicles.

*2. Would a scoping audit have given the ATO an indication of the compliance issues that might arise in a full scale audit project?*

**Answer:**        Scoping audits are one way of acquiring intelligence that could help detect compliance issues. With respect to the Luxury Vehicle Project, information gathered from the earlier programs mentioned above has been used to shape the data request.

*3. Would a scoping audit have taken a sample of information from registries and data matched with ATO information?*

**Answer:**        Yes.

*4. Why has the ATO gone straight into a full blown data matching project?*

**Answer:**        The principal purpose for obtaining all records was to ensure that owners and/or users of high value motor vehicles are meeting their lodgment obligations. As the Tax Office is dealing with relatively few authorities (one per State or Territory) acquiring sample data and then acquiring the full set would have increased the costs to the authorities holding the data. To avoid this the Tax Office has decided on obtaining data once.

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5. *Could ordinary honest taxpayers be contacted mistakenly by the ATO under this data matching project?*

**Answer:** Yes, it is possible that for the purpose of excluding taxpayers from Tax Office enquiries, taxpayers who have purchased a luxury vehicle but who have legitimately declared low incomes or not lodged an income tax return may be contacted. All decisions to contact taxpayers will be made in the light of an apparent need to do so. Initial approaches will be in the form of enquiries rather than demands. Further, these enquiries will be undertaken and resolved quickly to minimise any disruption to taxpayers.

6. *What safeguards has the ATO applied to ensure these taxpayers are not disturbed?*

**Answer:** By using a risk review approach, taxpayers who have legitimately declared low incomes or are found to have no requirement to lodge will have their matters resolved as quickly as possible.

7. *The project applies to vehicles \$70,000 and over. Surely this is too low?*

**Answer:** Under the *New Tax System (Luxury Car Tax) Act 1999* a luxury car is valued at greater than \$57,009 for the 2005/2006 year. For this program a higher threshold of \$70,000 has been set to concentrate on higher value vehicles.

8. *The lower figure casts a wide net over many car purchasers that are not considered affluent. How many ordinary people do you know who drive a Saab, Volvo or Audi. So will ordinary honest taxpayers be contacted mistakenly by the ATO?*

**Answer:**

A motor vehicle valued at \$70,000 requires significant income to support either loan repayments or a cash purchase. It would be unusual for a purchaser in this market to not have a requirement to lodge income tax returns.

Part of the process is to review not only the tax compliance of individual owners but also the compliance of companies and trusts (and other entities) associated with those vehicles with respect to Fringe Benefits Tax, Luxury Car Tax and Goods & Services Tax. Refer to answers to Questions 5 and 6 with regard to the matter of taxpayers being mistakenly contacted.

It is important to note that this information will allow the Tax Office to assess risk and prioritise case work without contacting taxpayers. A lessening of contact with taxpayers should result.

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9. *Was it a good idea to publicise the names of the vehicle manufacturers?*

**Answer:** The specification of certain brands of vehicles was done to cover situations involving transfers of high value vehicles for uncommercial amounts. To rely solely on sale values, such transactions would be missed.

10. *Wouldn't this lead to a decline in sales of these manufacturers as prospective buyers will look for other alternatives for fear of being picked up in an ATO project audit.*

**Answer:** It is unlikely that data requests will adversely affect the luxury car market. Purchases of all brands of vehicles during the period 1 July 2002 to 30 June 2005 will be matched. Notably, this will include the purchase of all types and models of luxury vehicles, not just those specifically named in the Data Matching Protocol.

11. *By announcing the manufacturers who'll be targeted, tipping off individuals who've failed to meet their tax obligations that may have been caught if the manufacturers hadn't been released?*

**Answer:** As at question 10, the Tax Office is examining purchases above \$70,000 from all manufacturers.