

Chapter 3

Conclusion

3.1 The currently high inflation rate is a reason for tighter fiscal policy. Given that high income earners have got significant income tax cuts, and are probably benefiting more from the resources boom than are low income earners, the committee regards it as reasonable for them to bear the burden of higher prices for luxury imported goods, whose prices have in many cases fallen due to the stronger Australian dollar.

3.2 The committee sees some merit in the argument that it is 'unfair' that luxury cars are taxed but not other luxury purchases such as yachts or expensive artworks and jewellery. However, as there is already a luxury cars tax, there are less administrative and compliance costs in increasing it, rather than introducing new taxes on other luxury goods. Introducing any more general luxury taxes should await the Henry review of the tax system.

Recommendation 1

3.3 The committee recommends that the Senate pass the bill.

3.4 The committee was not convinced by the submissions calling for the threshold to be raised. There are many comfortable, environmentally responsible and safe new vehicles (not to mention second-hand vehicles) available priced well under the current threshold, including vehicles with four wheel drive and other features required by drivers in remote areas.

3.5 The committee thought a reasonable case had been made that the treatment of imported historical vehicles may be anomalous and would like Treasury to investigate this further.

The 'retrospective application' of the LCT increase

3.6 There has been criticism of the uncertainty generated by the tax applying to cars delivered after 1 July but the bill not having passed the Senate yet. The vendor of a vehicle is responsible for paying the tax and it is a matter of their commercial judgement whether or how they pass the tax on to their customers. Complaints about this process are effectively criticisms of tax office procedures and the decision of the Senate to conduct an inquiry and have no bearing on the merits of the bill itself.

Senator Annette Hurley

Chair