

ASSOCIATION OF MOTORING CLUBS INC.

Submission to the Senate Economics Committee Inquiry into Luxury Car Tax legislation

(with particular reference to Terms of Reference

[e] the rationale for taxing 'luxury' cars at a higher rate than other goods and services
and

[g] the overall taxation burden on ownership and operation of motor vehicles including
customs duty, GST, LCT stamp duty and excise on fuel)

Introduction

The Inquiry into Luxury Car Tax (LCT) presents an opportunity to rectify a significant anomaly in this legislation; one which works against the best interests of Australia's heritage motor vehicle movement and has no implications for the real purposes of the legislation.

The problem

Since the 1970s, Australia's historic vehicle movement has benefited from the elimination of import duty on vehicles and parts more than thirty years old. This recognised the fact that there were no commercial or industry implications in the hobby of old vehicle restoration and maintenance and that its social and community value was enhanced by not imposing barriers.

Unfortunately, and probably due to no more than oversight, the advent of Luxury Car Tax did not acknowledge this category of exemption and imposed a barrier to the bringing of historic vehicles to Australia. Moreover, in the past two or three decades the historic vehicle fleet in this country –once recognised as one of the finest in the world, with many examples of the rarest survivors from the first forty years of motoring history- has been decimated. Hundreds, perhaps thousands, of early vehicles have been shipped to buyers from countries with stronger currencies, such as the UK, Europe and the US. Those local enthusiasts who may have wished to redress such depredation in a small way have faced prohibitive cost barriers due to the impact of GST and LCT. LCT does not apply to domestic sales of old vehicles, its application to imports is inconsistent and has simply made worse the net losses of our pool of historic vehicles.

GST has a similarly inconsistent application to the historic vehicle hobby. Old cars and parts are bought and sold between enthusiasts without any GST implication. If the opportunity or necessity arises to acquire from the international old car community then GST is imposed. Again the tax system's macro policy settings have arbitrarily swept up hobbyists in its swathe.

Why is it important?

The local historic vehicle movement represents some 120,000 enthusiasts committed to preserving a part of our heritage by developing their own skills and techniques and utilising the specialist resources of a network of suppliers and workshops throughout metropolitan and regional Australia. The vehicles are used only very occasionally and in ways that do not contribute to traffic congestion or environmental damage. They do contribute to the colour and variety of our social landscape through their rallies and the support they lend to charity and community events. Some of Australia's major historic vehicle events have even attained international stature, such as Adelaide's "Bay to Birdwood". The annual swap meet

in Bendigo is likewise an internationally recognised event, as well as a major source of regional economic benefit.

The impact of LCT on the movement has been to restrict Australia's access to the middle and upper strata of old vehicles –the very ones that we have lost most of in the one-way traffic out of the country. They are also the very ones that act in the same way as elite athletes do for mainstream participation in sport; they act as the beacons to inspire and attract new, younger people to the movement.

What would change?

Exempting vehicles over thirty years old from luxury car tax would have virtually no effect on revenues. Of the total of \$262.2 million raised in 2002-3 by Luxury Car Tax, only 0.4% (less than one million) was gathered by Customs (the point at which private vehicle imports of this type are levied). It is estimated that less than five percent of this (that is less than \$10,000) might come from vehicles over thirty years old. It is a tax with no impact except to effectively preclude such vehicles coming into this country. If it was about revenue, we should be seeking to tax the steady stream of old vehicles leaving the country!

However, a Luxury Car Tax exemption for old vehicles in would generate local economic activity by way of supporting local restoration and parts enterprises, insurers etc. Our cottage industry would be boosted. The value of the type of car that would be freed from LCT is such that their owners are the main customers of local restorers and suppliers. This would lead to economic benefit (including GST) from that local activity, well in excess of the foregone LCT.

Conclusion

Luxury Car Tax on old vehicles is inequitable, and counterproductive. It should be eliminated, to be consistent with the philosophy behind the long-standing policy of exempting old cars and parts from Customs Duty. To correct the situation simply requires an addition to the list of vehicles defined as not a luxury car in the Act. Specifically, "a vehicle manufactured more than thirty years prior to being entered for home consumption" should be added to the list under Division 25-1 (Meaning of Luxury Car).

Similarly, GST on imported vehicles and parts more than thirty years old is an inconsistent and inhibitive policy with a negative effect on the heritage car hobby and its domestic social and economic value, whilst having no meaningful revenue rationale.

Such changes, at effectively no cost, would confer a measure of fairness and an economic boost to Australia's heritage vehicle movement.

Association of Motoring Clubs
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