
TREASURY LAWS AMENDMENT (2018 MEASURES NO. 5) BILL 2018

EXPOSURE DRAFT EXPLANATORY MATERIALS

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Glossary

The following abbreviations and acronyms are used throughout this explanatory memorandum.

<i>Abbreviation</i>	<i>Definition</i>
Bill	Treasury Laws Amendment (2018 Measures No. #) Bill 2018
LCT Act	<i>A New Tax System (Luxury Car Tax) Act 1999</i>

Chapter 1

Removing luxury car tax on re-imported cars refurbished overseas

Outline of chapter

1.1 Schedule # to this Bill removes liability for luxury car tax from cars that are re-imported following service, repair or refurbishment overseas.

Context of amendments

1.2 Under the LCT Act, a person who makes a taxable importation of a luxury car is liable to pay luxury car tax. A luxury car is a car that has a luxury car tax value that exceeds the relevant luxury car tax threshold.

1.3 A taxable importation is made where a luxury car is imported and entered for home consumption.

1.4 The LCT Act does not generally distinguish between an importation and a re-importation. Where re-importation occurs luxury car tax is payable unless it is a non-taxable re-importation.

1.5 Generally, for cars that were manufactured, imported or exported after 1 July 2000, a non-taxable re-importation occurs if:

- the car was exported from the indirect tax zone and is returned without having been subject to any treatment, industrial processing, repair, renovation, alteration or any other process since its export; and
- the importer is the manufacturer of the car, has previously acquired the luxury car by taxable supply, or has previously made a taxable importation of the luxury car.

1.6 Because luxury car tax is payable in relation to a taxable supply or a taxable importation of a luxury car, if a car is refurbished in Australia without a change in ownership, luxury car tax is not payable. However, cars exported from Australia to be refurbished overseas and then re-imported are subject to the tax if the luxury car tax value of the car exceeds the relevant luxury car tax threshold.

1.7 Removing luxury car tax in relation to cars that have been refurbished overseas and are re-imported to the indirect tax zone ensures

that Australia complies with its trade obligations with foreign trading partners.

Summary of new law

1.8 Schedule # to this Bill removes liability for luxury car tax from cars that are re-imported following service, repair or refurbishment overseas.

Detailed explanation of new law

1.9 What constitutes a non-taxable re-importation is expanded to include a importation of a car if:

- the car has been exported from the indirect tax zone (broadly Australia) and is returned to the indirect tax zone;
- the car was subject to any treatment, industrial processing, repair, renovation, alteration or any other process after its export; and
- the ownership of the car has not changed in the period beginning immediately before the car was exported and ending at the time it is returned to the indirect tax zone.

[Schedule #, item 1, subsection 7-20(1A) of the LCT Act]

1.10 References to ‘the car’ require each of the above conditions to be satisfied in relation to ‘the car’ that is re-imported. Generally, even where significant treatment or alterations are undertaken (for example, stretching a sedan into a limousine) ‘the car’ will be considered the same car that was exported. *[Schedule #, item 1, subsection 7-20(1A) of the LCT Act]*

1.11 For the avoidance of doubt, this amendment does not affect the rules in the LCT Act about including the price of supplies made in relation to the car when determining the luxury car tax value on the taxable supply of a luxury car. For example, if a taxable supply of a luxury car is made in Australia, and under an arrangement with the supplier entered into before the end supply the vehicle will be sent overseas for modifications, the luxury car tax value will include the value of the modifications (subsection 5-20(3) of the LCT Act).

1.12 These amendments ensure that the luxury car tax treatment of cars subject to any treatment (or otherwise) outside of Australia is consistent with the tax treatment for cars subject to any treatment in Australia, as required under Australia’s international obligations under the *General Agreement on Tariffs and Trade*.

Application and transitional provisions

1.13 The amendments apply in relation to importations occurring on or after 1 January 2019. This is regardless of whether the car is exported from the indirect tax zone before, on or after 1 January 2019. *[Schedule #, item 2]*