



## MODERNISING THE LUXURY CAR TAX FOR FUEL-EFFICIENT VEHICLES

### SUMMARY OF CONSULTATION PROCESS OUTCOMES

The Government announced on 13 December 2023, in the 2023-24 Mid-Year Economic and Fiscal Outlook (MYEFO), that it would modernise the Luxury Car Tax (LCT) by tightening the definition of a fuel-efficient vehicle and aligning the indexation rate for LCT thresholds, from 1 July 2025.

This measure was included in Treasury Laws Amendment (Tax Incentives and Integrity) Bill 2024, which was introduced into Parliament on 28 November 2024.

Consultation on the draft legislation was conducted between 20 September 2024 and 16 October 2024. Seven submissions were received.

Submissions can be viewed on the Treasury website [www.treasury.gov.au](http://www.treasury.gov.au). The Government announced in the 2023-24 Mid-Year Economic and Fiscal Outlook (MYEFO) on 13 December 2023 that it would remove the ability to deduct general interest charge (GIC) and shortfall interest charge (SIC) expenses incurred on or after 1 July 2025.

### SUMMARY OF FEEDBACK

Six public submissions were received during the consultation period on the draft legislation. These were from the Australian Automotive Dealers Association (AADA), the Australian Chamber of Commerce and Industry (ACCI), Dr Monique Ryan MP, the Federal Council of Automotive Industries (FCAI), the Motor Trades Association of Australia (MTAA), and Toyota Australia.

Many of the submissions raised issues beyond the scope of the draft legislation. For instance, some stakeholders advocated for the abolition of the LCT, or called for substantial increases to LCT thresholds, and changes to the LCT rate and to the kinds of vehicles subject to LCT. These suggestions have not been adopted.

Submissions also raised issues that were more directly related to the draft legislation. Multiple stakeholders suggested changes that would delay the transition to the new fuel-efficient definition, such as delaying the commencement date for the legislation, and phasing in the new fuel-efficient definition over time. These suggestions were not adopted, as a delay would have risked undermining the effectiveness of this legislation in supporting the Government's National Electric Vehicle Strategy and efforts to reduce transport sector emissions.

Some stakeholders suggested that the transitional arrangement be broadened to capture consumers who had ordered cars before 1 July 2025, but the car had not been supplied or



imported into Australia before that date. The administrative difficulties in enacting this suggestion were acknowledged. The change to the fuel-efficient threshold was announced in the 2023-24 MYEFO, on 13 December 2023, providing consumers and industry 18 months' lead time ahead of the commencement date. As such, these suggestions have not been adopted.

## Questions

Questions on the consultation process for this measure can be forwarded to [indirecttax@treasury.gov.au](mailto:indirecttax@treasury.gov.au).

Thank you to all participants in the consultation process.