

26 November 2008

## **TAX LAWS AMENDMENT (LUXURY CAR TAX— MINOR AMENDMENTS) BILL 2008**

### **Second Reading**

**Mr BRADBURY (Lindsay) (6.49 p.m.)** — I rise in support of the Tax Laws Amendment (Luxury Car Tax—Minor Amendments) Bill 2008 and wish to make a few observations in relation to these minor technical amendments. They are, of course, technical amendments of a minor nature, given that they are designed to correct some drafting difficulties that emerged with the amendments that had been moved in the Senate in relation to the government's proposed increase in the luxury car tax, which formed a central part of the budget back in May. I note that as a result of negotiations that occurred in the Senate—in particular in relation to proposals that were put forward by Senator Fielding—the amendments that were ultimately carried sought to ensure that primary producers and tourism operators would be shielded from the increase in the luxury car tax by being allowed to claim it back from the Australian Taxation Office as a rebate after purchasing their vehicles.

Clearly the intention of those amendments was to ensure that farmers and tourist operators acquiring vehicles that would otherwise be subject to the luxury car tax increase would be protected from those increases regardless of whether or not the vehicle itself had been purchased specifically by the end user, whether it be the farmer or the tourist operator. The way in which the amendments were drafted did not adequately take into account leasing arrangements, and I understand that right across the farming sector and the tourist industry it is not uncommon for lease-type arrangements to be in existence. Indeed, I have seen some figures to suggest that they could involve anywhere up to 60 per cent of the particular users of those vehicles within these two sectors. Clearly this was a situation that was not satisfactory. Given the legislative intent of the earlier amendments, something had to be done, and the government, in consultation with Treasury, the Australian Taxation Office and, indeed, with industry, has sought to bring these minor technical amendments before the House as quickly as possible in order to remedy this situation.

I note the member for Casey had indicated that this matter emerged as a result of industry concerns. That was certainly confirmed by Deputy Commissioner Konza of the Australia Taxation Office at the Senate estimates hearing held earlier this year. Certainly, the government has sought to act as quickly as possible to accept that that position needed to be rectified and to bring this amendment before the House. At the time these details emerged, I note the Chief Executive Officer of the National Farmers Federation, Ben Fargher, said:

We do not need any taxes on business inputs, and if the intent of the policy is to exclude farmers, then they need to have another look at it.

Indeed, the government has had another look at this and that has led to the bringing of these amendments before the House.

In relation to the specifics of the bill, there are amendments to the Taxation Administration Act 1953, A New Tax System (Luxury Car Tax) Act 1999 and, of course, the Tax Laws Amendment (Luxury Car Tax) Act 2008. In relation to the amendments to A New Tax System (Luxury Car Tax) Act 1999 subsection 18.5(2)(a), the bill proposes to insert after 'refund-eligible car' the following:

... you have borne luxury car tax on the supply or importation if you had acquired the car directly rather than entering into a financing arrangement relating to the car.

Clearly, the effect of these amendments moved by the Senate earlier this year is to put beyond a shadow of a doubt that the benefit of those refunds will be passed on to the end user of the vehicle, whether it be a farmer or a tourist operator. By inserting that particular provision, we will be achieving absolute clarity in relation to that particular proposal.

Clause 13 of the bill relates to the bill's application and states:

The amendments made by this Schedule do not apply where:

(a) the contract to make the taxable supply or taxable importation of the luxury car was entered into before 7.30 pm, by legal time in the Australian Capital Territory, on 13 May 2008;—

which, of course, was the time of the budget announcement—

or (b) the contract to make the taxable supply or taxable importation of the luxury car was entered into before that time and, after that time, a contract to finance the making of the supply is entered into.

Clearly, the benefit of these provisions would not flow on in cases where arrangements may have been entered into after the event.

Before I conclude on this matter, I will make a few general observations in relation to the luxury car tax. I note that those on the other side have been a little bit free with the truth when it comes to the facts on this matter. One of the issues that they have certainly not sought to highlight or publicise in any way is the fact that the very first tax on luxury cars—though it was not called a luxury car tax back then—was introduced during the Fraser government. So the suggestion that it has always been the Labor Party bringing forward proposals to tax luxury cars does not stand up to any rigorous analysis.

I also note that the luxury car tax in its current form found its way into legislation with the introduction of A New Tax system in 2000—and I note the presence of the member for Higgins in the chamber at the moment. So, far from being a new tax, this is an amendment to an existing tax. Indeed, it was first introduced by the Fraser government and its more recent manifestation was a tax that was introduced by the Howard government under the stewardship of the then Treasurer, the member for Higgins.

I will conclude by saying that I think that the various investigations, reports and the Senate committee inquiries have gone a long way towards dispelling some of the myths in relation to larger vehicles. One of the suggestions in relation to the luxury car tax was that it would be a tax on large families. I remember stating the position very clearly when the substantive bill was before the House that I did not believe that to be the case. The evidence brought before the Senate Standing Committee on Economics certainly



held that to be the case. Having now achieved passage of that bill through this particular amendment, we will achieve clarity and ensure that the intention of the Senate and indeed this parliament that the benefit of the refund will be passed on to the end user, whether it be tourist operators or primary producers. I commend the bill to the House.