

TOYOTA

Submission by
Toyota Motor Corporation Australia to
the
Luxury Car Tax Treasury Amendments

October 2024

Key points

Toyota Motor Corporation Australia Limited (Toyota) welcomes the Treasury's discussion paper on the Luxury Car Tax (LCT) Amendments and aligns with the views of the Federal Chamber of Automotive Industries (FCAI). We would like to reinforce and add the following commentary:

- The Ken Henry report (2010) recommended the abolition of the LCT, highlighting the need for a reassessment of its relevance.
- The current LCT regime, despite its complexities, has remained stable since around 2008, providing a consistent framework for the industry.
- Changing the fuel-efficient car definition to from 7 litres per 100 km to 3.5 litres is overly ambitious and hasty. If changes are necessary, we advocate for a gradual transition: a decrease from 7 to 6 litres over the first three years, followed by a move to 5 litres in the next three years, and ultimately to 3.5 litres in the years following.
- Consumers often place orders months or years in advance, meaning that changes to LCT at the time of delivery could impose unexpected financial burdens. We recommend that the order point should be protected for LCT, while also acknowledging the potential systems challenges associated with this approach.
- In 2023, Australian motorists contributed \$978 million in LCT and \$35 billion in automotive-related taxes overall, underscoring the significant revenue generated by the current system¹. Changes to the LCT will further burden tax-contributing motorists, intensifying their financial strain and limiting their choices. It's crucial to consider the potential impact on Australians already facing increasing cost of living, particularly with the prospect for further penalties under the NVES.

We appreciate the opportunity to contribute to this important discussion and look forward to further dialogue on these critical issues.

1. Source: Australian Automotive Dealer Association Dealernomics 2024