



AUSTRALIAN CUSTOMS NOTICE NO 2009/41

Luxury Car Tax in the Integrated Cargo System - Update (Amendment)

This ACN supersedes ACN 2008/51

This notice clarifies the reporting requirements for importers of certain fuel efficient luxury cars that are exempt from luxury car tax (LCT) at the time of importation on or after 3 October 2008. It also clarifies how the Integrated Cargo System (ICS) currently calculates LCT payable on fuel efficient luxury cars with a value exceeding the fuel efficient luxury car threshold.

Legislative Framework

The *A New Tax System (Luxury Car Tax) Act 1999* (LCT Act) is the legislative basis for the imposition of LCT on importation of luxury cars and fuel efficient luxury cars.

LCT applies to motor vehicles (except motor cycles or similar vehicles) with a *Luxury Car value* that exceeds the LCT threshold of \$57,180 that are:

- designed to carry a load of less than two tonnes and fewer than nine passengers; and
- which have a *Luxury Car value* (see below) above the threshold.

For LCT purposes, the definition of a car includes limousines regardless of the passenger carrying capacity.

Fuel efficient luxury cars, are cars that have a fuel consumption of 7 litres per 100 kilometres or less as a combined rating under vehicle standards in force under section 7 of the *Motor Vehicle Standards Act 1989*.

LCT does not apply to fuel efficient cars below the fuel efficient luxury car threshold of \$75,000 for the 2008-09 financial year.

Certain luxury cars and fuel efficient luxury cars are entitled to exemption from the LCT. These include certain emergency vehicles such as ambulances, fire trucks and some vehicles specially fitted to transport people confined to wheel chairs. More information is available from www.ato.gov.au.

How the Luxury Car value is calculated (for LCT purposes)

The *Luxury Car value* (also known as Luxury Car tax value) is determined by the application of the formula below:

$$\begin{aligned} \text{Luxury Car value} &= \text{Value of the Taxable Importation (VoTI)} + \text{Goods and Services Tax (GST)} \\ &= \text{VoTI} \times 11/10 \end{aligned}$$

Where the VoTI is the sum of:

- the customs value;
- any duty payable; and
- the amount paid or payable to transport the vehicle to Australia and to insure the vehicle for that transport.

Example 1 – Importation of a luxury car with a customs value of \$55,000

- Duty payable (5%) = \$2,750
- Transport and Insurance = \$1,750

Luxury Car value = (\$55,000 + \$2,750 + \$1,750) x 11/10 = \$65,450

How LCT is determined for Luxury Cars and Fuel Efficient Luxury Cars

Luxury Cars

The LCT threshold is reviewed each year. For the 2009/10 financial year, the threshold is \$57,180. The LCT rate is 33 per cent for cars with a Luxury Car value over the LCT threshold.

LCT is paid on the GST exclusive amount that exceeds \$57,180. (See formula below)

$LCT = (Luxury\ Car\ value - LCT\ threshold) \times 10/11 \times LCT\ rate$

Illustration based on Example 1:

$LCT = (\$65,450 - \$57,180) \times 10/11 \times 33\% = \$2,481$

Fuel Efficient Luxury Cars

LCT does not apply to fuel efficient cars below the fuel efficient luxury car threshold of \$75,000 for the 2008-09 financial year. The LCT rate of 33% however remains applicable where a fuel efficient luxury car exceeds the fuel efficient luxury car threshold. LCT payable for fuel efficient luxury cars is calculated in accordance with the formula below:

$LCT = (Luxury\ Car\ value - fuel\ efficient\ luxury\ threshold) \times 10/11 \times LCT\ rate$

Example 2 – Importation of a fuel efficient luxury car with a Luxury Car value of \$94,000

$LCT = (\$94,000 - \$75,000) \times 10/11 \times 33\% = \$5,700$

ICS Requirements for Payment of or Exemptions from LCT

For Fuel Efficient Luxury Cars

If LCT is to be paid in the ICS for a fuel efficient luxury car, the following applies:

- the LCT value on the import declaration line must be greater than \$75,000 (the LCT value is equal to the VoTI + GST payable);
- a new code 'FEV' must be input in the LCT exemption code field (this will ensure the fuel efficient luxury car threshold of \$75,000 is used to calculate LCT);
- the LCT payment indicator must be set to 'Yes'; and
- the unit of quantity nominated on the line must be 1.

If a fuel efficient vehicle (with a Luxury Car value that exceeds the fuel efficient luxury car threshold) is to be exempted from LCT, then the following applies:

- a legitimate LCT exemption code must be applied (not the 'FEV' code); and
- the LCT payment indicator must be set to 'No'.

Note: *If an imported fuel efficient luxury car has a Luxury Car value between \$57,180 and \$75,000, only then can an importer to use 'FEV' code as a legitimate LCT exemption code and no LCT will be payable.*

Quoting for LCT

The information required for quoting for LCT has not changed. To quote for LCT for a fuel efficient luxury car, the LCT quote indicator for the import declaration line must be set to 'Yes'.

Refunds

If you imported a fuel efficient vehicle with a *Luxury Car value* exceeding the fuel efficient luxury car threshold of \$75,000 during the period between 3 October 2008 and the date of this ACN you may have paid an incorrect amount of LCT to the Australian Customs and Border Protection Service (Customs and Border Protection). A very small number of importations are affected and you may be entitled to a refund.

To obtain a refund, please amend (or have your broker amend) any affected import declaration (create a new version, using the parameters described above for fuel efficient luxury cars) and a refund will automatically be calculated and paid from the ICS as for other refunds. To be eligible for a refund the Luxury Car value must have exceeded \$75,000 and you must have paid LCT to Customs and Border Protection when the original declaration was finalised in the abovementioned period.

Further information on

- fuel efficient luxury cars is available from: www.infrastructure.gov.au
- quoting for LCT is available from: www.ato.gov.au
- exemptions from LCT from www.customs.gov.au

For queries concerning this ACN, please contact the Customs Information and Support Centre on 1300 363 263.

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September 2009