
TREASURY LAWS AMENDMENT (2019 MEASURES NO. #) BILL 2019

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 (2019 Measures No. #) Bill 2019
LCT	luxury car tax
LCT Act	<i>A New Tax System (Luxury Car Tax) Act 1999</i>

Chapter 1

Increasing refunds for luxury car tax for eligible primary producers and tourism operators

Outline of chapter

1.1 Schedule # to this Bill amends the LCT refund arrangements for eligible primary producers and tourism operators to provide a full refund of LCT, up to a cap of \$10,000 for eligible vehicles.

Context of amendments

1.2 Under the LCT Act, LCT is payable where there is a taxable supply or taxable importation of a luxury car. Generally, a luxury car is a car that has an LCT value that exceeds the relevant LCT threshold.

1.3 Under Division 18 of the LCT Act, eligible primary producers and tourism operators can obtain a partial refund of the LCT they have borne on eligible vehicles. The refund applies to GST-registered primary producers and tourism operators who purchase or import a refund-eligible car.

1.4 Currently, a refund of 8/33rds of the LCT borne on the vehicle is available to eligible primary producers and tourism operators who make a valid claim. This refund effectively reduces the LCT rate from 33 per cent to 25 per cent. However, the amount of refund is capped at a maximum of \$3,000.

Summary of new law

1.5 Schedule # to this Bill increases both the proportion and the maximum LCT refund amount that eligible primary producers and tourism operators are eligible to be paid.

1.6 As a result of the amendments, the refund of 8/33rds of LCT with a maximum cap of \$3,000 is increased to a full refund of LCT subject to a new maximum cap of \$10,000 per claim.

Comparison of key features of new law and current law

<i>New law</i>	<i>Current law</i>
Eligible primary producers and tourism operators will be entitled to a full refund of the total LCT borne on eligible vehicles. This refund is capped at \$10,000.	Eligible primary producers and tourism operators are entitled to a partial refund of 8/33rds of the total LCT borne on eligible vehicles. This refund is capped at \$3,000.

Detailed explanation of new law

1.7 This Schedule amends the LCT Act to increase the amount of refund that eligible primary producers and tourism operators can receive when LCT is borne on the supply or import of an eligible vehicle.

1.8 The amount of the refund available to an eligible primary producer or tourism operator who has purchased or imported an eligible vehicle is equal to the lesser of:

- the amount of LCT borne by the primary producer or tourism operator on the supply or importation of the vehicle; and
- \$10,000.

[Schedule #, items 1 and 2, subsections 18-5(3) and 18-10(3) of the LCT Act]

Application and transitional provisions

1.9 The amendments commence on the first day of the first quarter after the day the Bill receives Royal Assent. *[Clause 2 of the Bill]*

1.10 The amendments made by Schedule # apply to cars supplied or imported on or after 1 July 2019. *[Schedule #, item 3]*

1.11 The amendments apply retrospectively. Retrospective application is wholly beneficial to eligible primary producers and tourism operators who are affected by the amendments as they provide affected entities with an entitlement to claim an increased refund where they qualify for a refund of more than \$3,000.

1.12 For supplies and imports made on or after 1 July 2019 and prior to the commencement of the Bill, affected entities may have already validly claimed or been paid a refund for a vehicle to which the amendments apply.

1.13 In these cases, the claim for a refund remains valid. The claim still satisfies the requirement under section 18-15 of the LCT Act to claim a refund. If an affected entity is entitled to a larger refund under the new

amendments, the amount refunded to the claimant after the commencement of the amendments is reduced by any amount already refunded before the commencement of the amendments in relation to the same claim.

1.14 Where this situation occurs, it is expected that any additional entitlement will be provided to affected entities based on their original claim and will not require a further application to be made.