

CUSTOMS AND BORDER PROTECTION NOTICE No. 2010/40

**Luxury Car Tax Threshold and Fuel Efficient Vehicle Limit - Changes**

This notice is to advise of the recent increase in the luxury car tax (LCT) threshold and an increase in the fuel efficient vehicle limit for the 2010-11 financial year. It also clarifies how the Integrated Cargo System (ICS) calculates LCT payable on fuel efficient luxury cars with a value exceeding the fuel efficient luxury car threshold.

The Australia Taxation Office has determined that from 1 July 2010 the following are effective:

* LCT Threshold $57,466
* Fuel efficient vehicle limit $75,375

The increased LCT threshold and fuel efficient vehicle limit advised in this notice supersede those in ACN 2009/41.

# 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;

*Luxury car value* = Value of the Taxable Importation (VoTI) + Goods and Services Tax (GST)

**=** VoTI x 11/10

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 2010-11 financial year, the threshold is $57,466. 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 $57,466. (See formula below) LCT = (*luxury car value* – LCT threshold) x 10/11 x LCT rate

*Illustration based on Example 1:*

LCT = ($65,450 – $57,466) x 10/11 x 33% = $2,395

Fuel Efficient Luxury Cars

LCT does not apply to fuel efficient cars below the fuel efficient luxury threshold of $75,375 for the 2010-11 financial year. However, the LCT rate of 33% remains applicable where a fuel efficient luxury car exceeds the fuel efficient luxury threshold. LCT payable for fuel efficient luxury cars is calculated in accordance with the formula below:

LCT = (*luxury car value* – fuel efficient luxury threshold) x 10/11 x LCT rate

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

LCT = ($94,000 – $75,375) x 10/11 x 33% = $5,587

# 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 $75,375 (the LCT value is equal to the VoTI + GST payable);
* the code ‘FEV’ must be input in the LCT exemption code field (this will ensure the fuel efficient luxury threshold of $75,375 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 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 $57,466 and $75,375, 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 luxury car during the period between 1 July 2010 and the date of this notice, you may have paid an incorrect amount of LCT to the Australian Customs and Border Protection Service. A very small number of importations may be 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) and a refund will automatically be calculated and paid from the ICS as for other refunds.

Further information on

* fuel efficient cars is available from: [www.infrastructure.gov.au](http://www.infrastructure.gov.au/)
* quoting for LCT is available from: [www.ato.gov.au](http://www.ato.gov.au/)
* exemptions from LCT from [www.customs.gov.au](http://www.customs.gov.au/)

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

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Trade Policy and Regulation CANBERRA ACT

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errata: 22 October 2010 – line 4 – luxury car replaced customs