

# Australian Customs Notice 2001 58

## Luxury Car Tax

This notice is designed to clarify the treatment of luxury car tax (LCT) on entries for home consumption. It supplements the information that was included on pages 11 and 12 of the COMPILE Manual Supplement issued in May 2000.

### Liability for LCT

The *A New Tax System (Luxury Car Tax) Act 1999* (LCT Act) imposes LCT on the importation of luxury cars. A luxury car is defined as a car whose LCT value exceeds the LCT threshold. The threshold for the 2001-2002 financial year is \$55,134 (unchanged from 2000-2001).

For importations, the LCT value is the sum of:

- the customs value of the car; and
- the amount paid or payable for the international transport of the car to its place of consignment in Australia and to insure the car for that transport; and
- any customs duty payable on the car; and
- the GST payable on the car.

LCT is payable on importations of luxury cars unless the importer quotes their ABN or the importation is otherwise exempted from LCT under subsection 7-10(3) or section 25-1 of the LCT Act. LCT is not payable on temporary importations of cars if the requirements of s162 or s162A of the *Customs Act 1901* and Subdivision 13-B of the LCT Act are complied with.

Note that a car whose importation LCT value is less than the LCT threshold is not a luxury car at the time of entry for home consumption, even if it is expected that its LCT value at a subsequent retail sale will exceed the LCT threshold.

### COMPILE processing

In cases where the LCT value exceeds the LCT threshold:

- each entry line must have one car only; and
- each entry line must be dealt with in one of the following ways:
  - validly quoting the importer's ABN, or
  - using a valid exemption code, or
  - paying the LCT.

Where LCT is not applicable, importers must not quote their ABN or claim an exemption. In these circumstances, importers may include several cars on a single entry line.

Note, an importer's quoting of their ABN for LCT deferral purposes is separate from the requirement for all importers who have an ABN to include it in their entries. The process to be used by importers when quoting for LCT deferral is described in the following section.

### Quoting for LCT

Generally, an importer is entitled to quote their ABN if they have the intention of using the car for one of the following purposes, and for no other purpose:

- holding the car as trading stock (other than for hire or lease), or

- carrying out research and development for the car manufacturer, or
- exporting the car where the export is GST-free.

The quotation system is designed to prevent LCT becoming payable before the car is sold at the retail level or imported by the end user. The circumstances in which an entity can quote their ABN for an importation of a luxury car and not pay the LCT at the time of importation are set out in Division 9 of the LCT Act.

Importers registered for GST and wishing to quote their ABN for LCT must do so for every affected entry line by entering LCTQ=Y in the Additional Information field.

### **LCT Exemption**

Some cars whose LCT value exceeds the LCT threshold are LCT exempt. Exemptions are available for certain items in the 4<sup>th</sup> Schedule to the Customs Tariff Act, pursuant to section 7-10 of the LCT Act.

Customs' COMPILE system also requires an exemption code where cars are excluded from the definition of *\*luxury car* (LCT Act section 25-1). This definition excludes certain vehicles, including prescribed emergency vehicles, motor homes, campervans, commercial vehicles and, providing they are not GST-free, vehicles that are specially fitted out for transporting disabled people seated in wheelchairs.

Cars imported by diplomats, consular officers and the like may also be exempt under the relevant Privileges and Immunities Act.

In order to claim an exemption, Customs' COMPILE system requires the user to enter an exemption code [LCTE=(code)] in the Additional Information field. A list of LCT exemption codes is available on the Customs web site, [www.customs.gov.au](http://www.customs.gov.au).

Paragraph 5-10(2)(b) of the LCT Act provides that LCT is not payable on a taxable supply of a luxury car if the car is more than two years old. However, there is no equivalent provision for a taxable importation of a luxury car that is more than two years old. Such cars are subject to LCT.

### **Calculation of LCT**

The amount of LCT is

$$25\% \times \frac{10}{11} \times [\text{LCT value} - \text{LCT threshold}]$$

LCT is not calculated by COMPILE; it must be self-assessed by the importer or their broker. The importer is required to calculate the amount payable and input this amount [LCT=(amount)] in the Additional Information field on the appropriate entry line. The quantity for that entry line must be "1"; ie only one luxury car per entry line.

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