Victorian budget 2019/20 - motor dealer alert

By Fordham
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Recently, the Victorian Government has handed down its 2019-20 State Budget and there are a number of changes to the Motor Vehicle Duty treatment which will have an impact on car dealers.

The two most notable changes are:

- An exemption from motor vehicle duty for ‘service demonstrator vehicles’; and
- An increased rate of duty applicable to passenger vehicles valued above $100,000 – although concessions will exist for ‘green’ vehicles and ‘primary producer’ vehicles.

Service Demonstrator Exemption

This has been a significant area of controversy and concern for dealers in Victoria for a number of years. The good news is that, for vehicles classified as ‘Service Demonstrators’ (also known as ‘service loan cars’), dealers will, from 1 July 2019, be able to claim the motor vehicle duty exemption that currently applies to demonstrator vehicles.

In effect, a motor vehicle used solely or primarily as a service demonstrator vehicle will be exempt from motor vehicle duty. ‘Service Demonstrator Vehicles’ are defined to be vehicles used for the purposes of sale of another vehicle of the same class, and made available without charge by the licensed motor car trader to its service customers while the customer’s vehicle is being serviced.

This is a great result for dealers, as it will effectively end the requirement to report a change of use on such vehicles, and removes the effective “double duty” that applied to service demonstrators up to this point.

We understand this measure is yet to be approved by the Victorian Parliament, but it is slated to take effect from 1 July 2019.

This area has been a subject of increased compliance activity by the Victorian State Revenue Office over the past year, notably with the voluntary disclosure and amnesty program that was undertaken up to the end of the 2018 calendar year. It remains to be seen whether the SRO will continue their compliance activities of prior years in light of this change.

Motor Vehicle Duty Increase for high value vehicles

In a disappointing result for many dealers, the Victorian Government also announced that, effective from 1 July 2019, there would be changes to the motor vehicle duty rate applicable to sales of passenger vehicles valued above $100,000.

Under the Amendment Bill, the rate of motor vehicle duty for luxury passenger cars (both new and used) valued above $100,000 is proposed to increase to:

- $14.00 per $200, or part thereof, for passenger cars with a dutiable value greater than $100,000 but less than $150,000; and
- $18.00 per $200, or part thereof, for passenger cars with a dutiable value greater than $150,000.

The rate of motor vehicle duty imposed on a change of use is also being changed to bring rates in line with the above new motor vehicle duty rates to be introduced.

Currently the motor vehicle duty rate for passenger vehicles in this value range is $10.40 per $200, or part thereof, of the dutiable value. This change will be a significant addition to the cost to consumers of motor vehicles in this range, and already industry and dealer representative bodies are in the media opposing the changes.

A concessional rate of duty is proposed to be introduced for:

- 'green cars' (which includes pure electric vehicles for motor vehicle duty purposes); and
- 'primary producer passenger vehicles' (motor vehicles registered or to be registered in the name of a person who is a primary producer and used or to be used primarily in the business of the person as a primary producer).

A green car is defined as a vehicle which produces less than 120g/km of carbon emissions.

The applicable rate of duty for both 'green cars' and 'primary producer passenger vehicles' (both new and used), is $8.40 per $200, or part thereof, of dutiable value.

Should you have any queries in relation to how these duty changes will affect your dealership, please contact your Fordham Motor Dealer Services partner.

Talk to us today

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