MTAA 2025–26 Pre-Budget Submission

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MOTOR TRADES ASSOCIATION OF AUSTRALIA

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19. **Introduce accelerated depreciation on zero and low-emission vehicles** for both individual and fleet purchasers.
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END OF LIFE VEHICLES

21. **Implement an effective end of life vehicle product stewardship** scheme for Australia by replicating the approach of leading global jurisdictions such as Germany, Korea and the UK.
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Introduction

The Motor Trades Association of Australia (MTAA) appreciates the opportunity to submit its pre-budget priorities for the Australian automotive retail industry. This submission outlines a number of recommendations across critical areas such as tax reform, energy and environment, industry support, and skills and training.

Our proposals focus on strategic reforms that will enhance industry efficiency and lead to improved economic and environmental outcomes for businesses, government, and consumers.

A central aspect of our submission is ensuring that our industry is well-prepared for the transition to electric vehicles (EVs). We are proud to be at the forefront of this shift and are committed to addressing both the opportunities and challenges posed by this new technology.

In this regard, MTAA acknowledges the Australian Government's ongoing efforts to promote EV uptake and support automotive businesses through initiatives, such as the $60 million EV charging infrastructure fund for automotive retail businesses, FBT exemptions, and financial assistance for apprentices working on EVs. These programs are essential to ensuring the sector is ready to meet the growing demand for EVs.

As the transition to EVs accelerates, the automotive retail sector—comprising dealers and independent repairers—plays a vital role in selling, servicing, and maintaining these vehicles. It is crucial that the Government provides the necessary resources and support to these businesses, ensuring they are equipped to navigate the shift to low-emission vehicles.

MTAA looks forward to working with the Australian Government to ensure a smooth and successful transition to EVs that benefits Australian consumers, the automotive industry, and the environment, while also maintaining fair and balanced business conditions for the predominately small enterprises within the automotive retail sector.

About the MTAA

As the national automotive industry body, MTAA represents the unified voice of Australia's automotive industry, identifying and monitoring issues across all sectors, advising governments on industry impacts and trends, and actively participating in the development of sound public policy. Our focus encompasses the retail motor trades and the Australian vehicle fleet.

We represent over 15,000 businesses ranging from dealers to repairers, tow truck operators to service station businesses and every automotive retail business in between. These organisations make up a critical backbone of the Australian economy, selling, servicing, repairing, refuelling and maintaining Australia's 21.2 million strong motor vehicle fleet. Together, the sector contributes approximately $39.35 billion to Australia's GDP annually[1].

Our requests

1. EXPAND AUTOMOTIVE SKILLS & TRAINING SUPPORT

The Australian automotive sales, service and repair industry is dominated by skilled tradespeople who typically complete a four-year apprenticeship to equip themselves with the skills and knowledge to be successful in the industry.

This deep skills base makes many positive contributions to the Australian economy, both in the automotive industry and in other occupations that require high level technical skills. The training of apprentices and the promotion of the apprenticeship system remains a foundation for skills training in the industry and remains a major attraction for young people looking to begin a technical career.

However, the automotive industry faces growing skills shortages that are threatening the ability of the sector to support Australian drivers, particularly as they transition to driving zero and low emission vehicles (ZLEVs). In 2022-23 there was an estimated skilled labour deficit of 38,700 positions across the automotive sector which is forecast to rise even higher in 2024-25.

MTAA welcomed the recent move to expand automotive apprentice and employer support through the New Energy Apprenticeships Scheme, but further support is needed to develop a much-needed skilled worker pipeline with a particular focus on EVs.

Encourage more young people to enter the automotive sector

Encouraging young people into automotive careers is critically important to address ongoing skills shortages in the long term. A proven program is delivered by School Pathways Coordinators who work with public and private secondary schools to promote opportunities in the automotive industry and ensure automotive trades are attractive to school leavers.

Current programs are successfully being run in Queensland, South Australia and Victoria, but additional government support is required to create a national program to enable greater reach into more schools (particularly in rural and regional areas) and provide additional learning resources.

We request the Australian Government commit to funding national industry school pathway programs led by automotive industry groups to encourage young people to undertake a career in automotive.

Provide assistance to retain automotive apprentices

The issue of retaining automotive apprentices after completion remains a challenge for the industry. Added to this, retaining apprentices from year one to the completion of their apprenticeship is also difficult with the sector investing heavily to address this issue. Data from the National Centre for Vocational Education

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[1] MTAA. (2021). *Directions in Australia's Automotive Industry – An industry report 2021*. Available at: https://vacc.com.au/Portals/0/Publications/Industry%20Report%202021/2021%20Directions%20in%20Australias%20Automotive%20Industry_pp.pdf?ver=2021-05-20-14 (Accessed: 14 October 2024).

Research shows that across all trades, for every two apprentices who start their trade, only one will complete and attain their trade qualifications. Providing a federally supported, industry-led mentorship scheme is considered imperative to improve apprenticeship completion rates, and ensure they are suitable to engage fully in the workforce on completion of their training. To be successful it needs to be based in industry, with a direct connection to employers and apprentices.

Increase the employer-apprentice hiring incentive

The Priority Hiring Incentive has decreased from up to $15,000 to a maximum of $5,000. Given employers are creating jobs and opportunities for apprentices, we believe that the hiring incentive of $15,000 should be reinstated and linked to retention to encourage apprentices to complete their training.

Reduce the training levy for automotive employers

MTAA supports the recommendation in the Joint Standing Committee on Migration Interim Report on Australia's Skilled Migration Program, that those employers who demonstrate evidence of a strong investment in training and/or sponsoring skilled migrants should have their training levy reduced by half. We contend that such a move would assist the industry to invest in training and in skilled migration.

Increase support for mature aged apprentices

Additional support should be provided to employers engaging mature aged apprentices. Regional employers often take on mature age apprentices due to a lack of other options, but the reality is the wage difference once apprentices turn 21 can be cost prohibitive for employers. Tax incentives or direct subsidies to alleviate the financial burden of engaging a mature aged apprentice should be considered, particularly given that most of these apprentices are employed by small businesses.

Provide additional support for existing and emerging automotive workers

Funding is required to improve the Recognition of Prior Learning (RPL) process for trade-related professions to deliver a more co-ordinated skilling pathways for existing and emerging workers.

We also recommend the Government work with industry to streamline the assessment of qualifications of skilled migrants.

Provide co-investment to private EV training initiatives

To ensure Australia remains at the forefront of EV adoption and workforce development, it is essential that capital grants for industry-led training are extended beyond TAFE institutions to include private training organisations, industry-led programs, and EV Centres of Excellence.

Recommendations

- **Commit to funding national industry school pathway programs** to be led by automotive industry employer groups to encourage young people to undertake a career in automotive.
- **Fund an industry-led mentoring program** to increase automotive repair, service and retail apprentice completion rates, which also supports the inclusion of First Nations Peoples, women in non-traditional trades, and culturally and linguistically diverse people.

- **Halve the Skilling Australians Fund Levy** for businesses who demonstrate a strong investment in training by employing apprentices and sponsoring skilled migrants.
- **Increase the Priority Hiring Incentive** to the original amount of up to $15,000 and link it to apprentice retention.
- **Provide additional support for existing and emerging automotive workers** as well as mature aged apprentices.
- **Provide co-investment to industry-led EV training initiatives** such as EV Centres of Excellence.

2. MOTOR VEHICLE INSURANCE & REPAIR INDUSTRY CODE OF CONDUCT

There are approximately 4,500 automotive body repairers in Australia, most of whose work is funded, in whole or in part, by insurance companies. These repairers frequently face contentious, unrealistic, and sometimes prohibited requests from insurers. This power imbalance must be addressed through a mandatory national body repair code of conduct.

The Motor Vehicle Insurance and Repair Industry (MVIRI) Code of Conduct was developed by the industry to improve transparency and cooperation between crash repairers and the insurance sector. It is currently managed by a Code Administration Committee (CAC), which includes representatives from both the insurance industry and MTAA repairers.

The CAC reviews industry complaints, but the Code lacks regulatory support in all states and territories, with the exception of South Australia, where it is mandatory.

Body repairers are facing several challenges in their dealings with insurers, such as insurers bypassing skilled assessors by outsourcing evaluations overseas. Additionally, the current Code lacks enforcement mechanisms, limiting accountability for insurers.

Given the growing concerns among repairers, MTAA believes that a mandatory Code of Conduct is urgently needed to protect body repairers from inappropriate insurer practices. We request that the Australian Government work with MTAA to mandate the MVIRI Code of Conduct nationwide.

To achieve better industry outcomes, MTAA recommends the Code be administered by the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) office. As many smash repairers are small businesses and insurance companies are large enterprises, this approach would align well with the goals and objectives of the ASBFEO.

Recommendations

- **Introduce a mandatory national body repair code of conduct** with an independent chair to swiftly resolve disputes that addresses body repairer's rights, given the contentious and at times prohibited and unrealistic requests from insurers.
- **The ASBFEO to administer the Motor Vehicle Insurance & Repair Industry Code of Conduct** to achieve better industry outcomes and be provided with initial funding for resourcing this new function.

3. ENSURE FAIR & EFFECTIVE IMPLEMENTATION OF THE NEW VEHICLE EFFICIENCY STANDARD

The passage of the New Vehicle Efficiency Standard (NVES) 2024 Bill in May 2024 signified an important moment for the Australian automotive industry and marked a significant step forward in the sector's collective journey towards decarbonisation.

It is undeniable however, that complying with the NVES will present substantial challenges for some car companies. Our assessment based on publicly available information indicates that of the top 10 brands, 60% will need to make significant changes to their model line-ups to meet their 2025 and/or 2029 emission reduction targets.

Ensure ongoing monitoring and review

Given the rapidly evolving industry environment, it is crucial that the NVES remains current and fit for purpose in driving genuine emissions reduction while continuing to ensure Australians can access the light vehicles they want and need. One way to ensure this is achieved is by continuously monitoring and adjusting in response to the evolving landscapes in the United States and Europe.

The United States, for example, recently relaxed their passenger car, light-duty truck, and medium-duty vehicle targets for model years 2027 through 2032. The Australian scheme must adjust to reflect these changes as they occur.

The Government has opted for a single review of the NVES in 2026. We believe this is insufficient given the rapid rate of industry change and shifting government agendas being seen internationally. We request therefore that the NVES be reviewed every two years.

Deliver an effective and user-friendly administrative system

The 2024-25 Federal Budget allocated $84.5 million to support the implementation of the NVES and improve the functionality of the Road Vehicle Standards Act's online portal, ROVER. ROVER requires significant funding to improve its underlying system with industry increasingly frustrated by the lack of functionality that substantially increases business costs and time.

Despite undergoing various 'upgrades', the system has remained unfit for purpose, necessitating a complete rebuild to meet the needs of industry and the obligations of the Government. MTAA requests therefore the Australian Government address the following five areas as they relate to the ROVER system:

1. Immediately reinstate case managers within the Department of Infrastructure, Transport, Regional Development, Communications and the Arts to verbally liaise with the industry on open applications to help ease the ongoing backlog of applications
2. Allocate adequate funding to rebuild the ROVER system to meet its stated objectives
3. Establish a ministerial-led steering committee of select industry participants to inform and guide the system rebuild
4. Conduct the legislated RVSA Implementation Review, as a matter of priority, by an independent organisation, and not an internal departmental review – anything less than a comprehensive, external review would carry no credibility with industry

5. Establish an independent ombudsman, or other dispute resolution mechanism, to address complaints and outstanding issues related to applications

We call upon the Government to utilise the Federal Budget funding to ensure a more effective and user-friendly ROVER system that will enhance industry's capabilities and streamline compliance processes.

Amend the NVES compliance point to point of sale

The current compliance point under the NVES occurs upon the vehicle's importation into Australia and its entry into the Register of Approved Vehicles, not upon its sale to a customer. This arrangement could potentially expose dealers to substantial financial risk. For instance, a car company could push stock onto dealers to meet NVES compliance. Dealers typically purchase the vehicles wholesale upon arrival at the port thereby placing them in a position where they must shoulder financing costs until the vehicles are sold.

Recommendations

> **Increase the review frequency of the NVES** to ensure the scheme reflects the rapid rate of industry change and shifting government agendas being seen internationally.

> **Utilise budget funding to fix ROVER** to deliver a more effective and user-friendly system that will enhance industry's capabilities and streamline compliance processes.

> **Change the NVES compliance point** to when a vehicle is sold to a customer instead of at the point of importation.

4. SUPPORT AUTOMOTIVE BUSINESSES & APPRENTICES TO INVEST IN EV RELATED TOOLING AND EQUIPMENT

Transforming the automotive sector to a low emissions future requires a multi-faceted approach beyond simply increasing the number of ZLEVs imported into Australia. The sector needs a whole-of-industry approach that brings the hundreds of thousands of small to medium sized businesses along the journey by providing the requisite support they need to transition to new technologies.

Incentivising these businesses to invest in their dealerships, workshops and facilities in preparation for the growing number of ZLEVs expected to hit Australian roads will provide avenues for creating jobs, increase infrastructure, and provide consumers with greater knowledge and information on EVs to assist in helping motorists make the best-informed choice.

We request that the Australian Government provide automotive retail businesses with direct subsidies or tax offsets to invest in new tools and safety equipment for EVs, including new hoists and safety equipment for workers.

In addition, we request a $3,000 tool allowance be provided to each eligible automotive technician to support them to assemble the necessary tools needed to service and repair EVs.

Finally, we also request that the instant asset write off for businesses be extended beyond 30 June 2025 and increased to a total of $50,000.

Recommendations

- **Provide automotive retail businesses with direct subsidies or tax offsets for investment in new tools and safety equipment for EVs**, including new hoists and safety equipment for workers.
- **Provide a $3,000 tool allowance to eligible automotive technicians** to support technicians to assemble the necessary tools needed to service and repair EVs.
- **Extend the instant asset write off** and increase it to a total of $50,000 to assist automotive retailers invest in EV related equipment for their businesses.

5. STRENGTHEN THE FRANCHISING CODE OF CONDUCT

The power imbalance between franchisors and franchisees is substantial and growing and is not being adequately addressed by the Franchising Code of Conduct (the Code).

Most automotive companies distributing vehicles in Australia are controlled by overseas parents with sophisticated business models and typically impose substantial capital investment requirements, stringent tooling standards, and other expectations on their dealers. Automotive franchise dealers continually invest in their facilities, staff, and equipment, contributing to goodwill and creating employment opportunities for many Australians. It is crucial to shield them from misconduct and opportunistic actions.

The Code should prioritise the protection of these franchisees, who are mostly small to medium-sized enterprises.

While the new Code will take effect from April 2025, there is further work required to ensure the Code is fit for purpose in a rapidly changing automotive retail environment. With Australia's shift to EVs, evolving vehicle sales channels and new business models, and the implementation of fuel efficiency standards, dealers are being adversely impacted with the power imbalance widening between them and their franchisor.

A strengthened Code is therefore a necessary step to drive greater competitiveness, sustainability, and productivity in the sector as it undergoes the biggest transformation in its history.

Impact of the NVES on franchisees

Blue Flag Automotive Intelligence has forecasted the impact of the NVES emissions targets on car brands for 2025 and 2029, highlighting the challenges many major brands will experience meeting their corporate targets (refer Figure 1). MTAA would be happy to provide this data upon request.

The data also reveals significant market shifts as new entrants, particularly Chinese brands, gain market share at the expense of some of the more established players. The relative rating of each brand is a direct result of the brands global competitiveness and future product trajectory and is no way a commentary on the current Australian operations or products. Fundamentally decisions on Australian operations, the products and strategy are made in headquarters, and Australia is a fraction of volume and profitability for these multinational companies and therefore prioritised less than other markets.

As competition intensifies, traditional brands will face pressure to adapt, with implications for sales, profitability, and dealership sustainability.

One notable example is Nissan, which, in 2024, sold an average of 242 vehicles per dealership based on its current dealership footprint. This figure is expected to decline further as market competition increases, leading to even greater challenges for Nissan's dealer network. As more brands enter the Australian market, the fight for consumer attention will only accelerate fragmentation within the dealership landscape unless the overseas headquarters can deliver competitive product at a competitive price for the Australian market – time will tell.

Additionally, fines associated with NVES compliance are projected to be significant, with total penalties reaching $2.7 billion by 2029 and will vary substantially across manufacturers based on their model line-up.

How manufacturers will manage these additional costs remains uncertain. However, given the highly competitive nature of the market, passing the full cost onto consumers may not be a viable option for all manufacturers. Instead, strategies may include absorbing costs, trading credits with EV only brands, adjusting product lineups, or re-evaluating dealership structures to maintain profitability.

Regardless of how these fines are managed, reduced profit margins for manufacturers will inevitably trickle down to dealerships, making an already challenging business environment even more difficult. Dealerships, which operate on tight margins and depend on strong sales volumes, may face increased financial strain, potential consolidation, or even closures if profit pressures continue to rise. Given this increasingly challenging environment, dealers need greater protections than ever before.

Figure 1: Top ten brand performance against emission targets

Most of the leading brands are unlikely to meet their NVES targets in 2029 – Passenger & Commercial

	2025		2029	
	Passenger Target	Commercial Target	Passenger Target	Commercial Target
Unlikely to meet target based on current forecast		GWM, NISSAN	Ford, HYUNDAI, GWM, KIA, NISSAN, mazda, MITSUBISHI	Ford, GWM, ISUZU, mazda, MITSUBISHI, NISSAN, TOYOTA
Possible to meet target with reasonable changes	HYUNDAI, KIA, mazda, MITSUBISHI	TOYOTA	TOYOTA, MG	KIA
Highly likely will meet target	Ford, GWM, NISSAN, TOYOTA, MG	Ford, HYUNDAI, KIA, ISUZU, mazda, MITSUBISHI		HYUNDAI

Proposed changes to the Code

MTAA was pleased with the Government's decision to expand the scope of the Code, to more broadly afford similar rights to those previously only available to dealers with new vehicle dealership agreements. However, we reiterate our position that all rights afforded in respect of new vehicle dealership agreements should be extended to cover motorcycle, truck, farm, and industrial machinery dealers, as well as franchised repair businesses.

In addition, MTAA welcomed the Government's clarification that service and repair work performed by motor vehicle dealerships will be more broadly covered by the Code in some circumstances. These important enhancements have been championed by MTAA over multiple years on behalf of state MTA network members, including dealers and repair businesses.

However, while MTAA acknowledges the progress made, further work is needed to ensure the Code remains fit for purpose in today's rapidly evolving automotive retail environment. We urge the Government to ensure the Code remains adaptable and robust, providing ongoing protection for automotive dealers and ensuring a fair and competitive environment in this period of significant industry change.

The power imbalance between automotive franchisors and franchisees was recently highlighted by Honda Australia's transition to an 'agency' model. This led to the termination of a large portion of its dealer network midway through their agreements. One dealer who pursued legal action incurred approximately $1.8 million in legal costs and two years of proceedings. Although the dealer received substantial compensation, the high costs and lengthy process discouraged other dealers from taking similar action.

Dealers should not be expected to shoulder the burden of prosecuting claims against distributors and OEMs for changes to arrangements they did not agree to. The Code must offer protection against such behaviour.

MTAA has long called on the Government to address franchisor opportunism in the automotive retail sector, and we are pleased to see some of the changes in the new Code. However, a key concern is that the shift to new business models will likely accelerate as the automotive sector undergoes rapid transformation.

MTAA urges the Government to consider these challenges and develop solutions that protect automotive dealers from the risks and costs of the changing automotive environment to ensure a fair and competitive landscape.

Recommendations

> **Strengthen the new Franchising Code of Conduct** to address the unique challenges and significant power imbalance facing automotive sector franchisees.

6. UNDERTAKE AUTOMOTIVE TAX REFORM

We believe it is important that Australia's taxation arrangements do not impose an unnecessary and unfair compliance burden on small businesses in general; or, more specifically on retail motor traders. Equally important is that taxation arrangements operate effectively and efficiently, not advantaging or disadvantaging one sector of the economy or business over another.

In a changing automotive environment, it is critical that legacy taxes are modernised to reflect an evolving vehicle mix while ensuring the tax system remains fair in the face of new technologies entering the market. Given this, MTAA recommends that a review of all federal automotive taxes takes place to ensure the system remains fit for purpose.

The areas we recommend the Australian Government focus on as part of this review are outlined below.

Extend the FBT concession for plug-in hybrids

From 1 April 2025, plug-in hybrid electric vehicles (PHEVs) will not be considered a ZLEV under FBT law and will no longer be exempt from FBT. This technology will continue to have a critical role to play in reducing transport CO_2 emissions for at least the next decade and we therefore encourage the Government to extend the exemption beyond its current end date.

Abolish or otherwise amend the Luxury Car Tax

The LCT was introduced in 2000 as a replacement for the 45% wholesale sales tax, with the intention of supporting the Australian manufacturing industry and ensuring luxury vehicles contributed to government revenue. Initially set at 25%, the LCT was later increased to 33% under the Rudd government to provide further support to the automotive manufacturing sector.

While the tax may have been justified at the time, the automotive market has since undergone significant changes, rendering the LCT outdated and inconsistent with modern tax principles.

The Henry Tax Review, published in 2010, raised critical arguments against the LCT, recommending its abolition. The review noted that the LCT is poorly aligned with modern tax principles and is Australia's only luxury tax, disproportionately targeting motor vehicles while leaving other high-value items such as jewellery, yachts, and artwork untaxed. This narrow focus makes the tax discriminatory, as it singles out the automotive industry while exempting other luxury goods from a similar tax burden.

The review also emphasised that the LCT is not tied to the income of the purchaser, resulting in inequities. For example, tradespeople purchasing expensive utes as essential work tools or families in outer suburbs buying specialised vehicles for practical reasons are subjected to the tax, despite these vehicles not being luxury items in their context.

Ken Henry also criticised the LCT for being inefficient and poor tax policy. The review highlighted that taxing goods based solely on their price is an ineffective method of redistributing economic resources. It noted that the LCT often fails to reflect the financial realities of the purchaser, as individuals with moderate incomes can face significant tax burdens when purchasing vehicles over the threshold. This is particularly evident in the case of utes and specialised vehicles that exceed the LCT threshold but are purchased out of necessity rather than luxury.

Since the publication of the Henry Tax Review, there have been consistent calls for the abolition of the LCT, not only from the motoring industry but also from respected economists and policymakers. The closure of Australia's passenger vehicle manufacturing sector, the growing preference for imported vehicles, and the rising popularity of SUVs have drastically changed the automotive landscape, making the LCT increasingly irrelevant.

The LCT is no longer fit for purpose and represents an outdated approach to taxation. Abolishing the tax would not only address these issues but also provide an opportunity to modernise Australia's tax system to align with contemporary economic realities and principles of fairness.

Beyond the reasons above, MTAA continues to advocate for the cessation of the LCT due to the following reasons:

> Hinders ZLEV uptake – The LCT is an additional cost borne by consumers who wish to change the vehicle they are driving, including those who would like to make the shift to a zero and low emission vehicle (ZLEV).

- Market distortion – The LCT acts as a price control mechanism that reduces consumer demand for automotive products and services, ultimately impeding industry growth.
- Inequitable burden – The tax disproportionately impacts retail motor traders and consumers, particularly those seeking safer and more fuel-efficient vehicles.
- Redundant tax structure – The LCT is no longer relevant given the cessation of domestic automotive manufacturing.
- Adverse impact on innovation – The tax discourages the adoption of advanced automotive technologies, including safety systems and fuel-efficient drivetrains.

MTAA is mindful however that there is little Government support for the removal of the LCT which is estimated to generate revenue of $840 million in 2024-25. Given this, MTAA advocates that Treasury closely consider the following amendments:

- Increase the LCT threshold – Raise the LCT threshold to at least $100,000 to better reflect the cost of true luxury vehicles. In many instances vehicles exceeding the current limit of $80,567 (2024-25) are not necessarily luxury vehicles – some utilities for example are over $80,000 such as some grades of the Ford Ranger that are work vehicles.

  This creates a dislocation as the LCT limits the availability of trades or work vehicles for trades persons. Additionally, if a vehicle that is priced at just under the $80,567 threshold – for example a Toyota HiLux GR Sport at $75,000 – has additional equipment added (roll bars, towing equipment etc.) this can push the price tag over the threshold and incur LCT.
- Exclude accessories from valuation – The LCT calculation should only consider the base vehicle price, excluding accessories that may push the vehicle's price above the threshold.
- Reduce the LCT rate – Lower the current LCT rate from 33% to 25% to alleviate the financial burden on consumers.
- Create a BEV/PHEV category – Establish a distinct category for plug-in hybrid electric vehicles (PHEVs) and battery electric vehicles (BEVs) with its own LCT rate and threshold. This differentiation would allow for a more targeted approach to stimulating the uptake of the technology over time.

Pause any amendments to the LCT Fuel efficient vehicle definition

MTAA recognises the significant role the LCT has played in encouraging the uptake of ZLEVs within the Australian market. However, we believe the proposal to halve the maximum fuel consumption threshold for fuel-efficient vehicles to 3.5 litres per 100km will only slow ZLEV uptake, contradicting the intent of the Government's Electric Vehicle Strategy. We believe therefore that the move is premature and should be delayed.

Currently, the Australian new car sector is navigating a complex landscape influenced by several factors:

- Introduction of the NVES bringing with it uncertainty regarding its implications for pricing, vehicle availability, and overall market dynamics
- Growth in hybrid sales indicates a preference for vehicles that offer a blend of fuel efficiency and practicality, highlighting the need for continued supportive measures that recognise this shift

- Cost differential between battery electric vehicles (BEVs) and hybrids/internal combustion engines (this price gap continues to present a barrier to a full market transition)
- Australia's EV charging network is struggling to keep up with the rising demand for EVs.

Given these factors, we believe Treasury should hold on amending the fuel-efficient vehicle definition. An assessment period is needed to allow evaluation of market conditions, engage with industry stakeholders about potential unintended consequences, and ensure that any alterations to the LCT are executed in a way that effectively encourages the uptake of fuel-efficient vehicles without disrupting the market further.

Introduce accelerated depreciation on zero and low-emission vehicle purchases

There are many social, environmental and financial benefits in operating ZLEVs compared to conventional internal combustion engine (ICE) vehicles. However, ZLEVs are generally more expensive than equivalent sized petrol and diesel vehicles, which is slowing and impeding their acquisition.

To offset the higher upfront purchase cost of ZLEVs, MTAA recommends accelerated depreciation be available to purchasers, in conjunction with the standard depreciation business guidelines.

An accelerated depreciation rate of 50% would not only substantially improve the acquisition rate of ZLEVs for business use, it could also improve the rollout of ancillary services required to support a significant fleet of ZLEVs in the general market and ultimately provide more affordable ZLEV vehicles into the second-hand vehicle market.

Implement a nationally consistent road-user charging regime

As the number of ZLEVs expands within the Australian vehicle fleet, revenues from fuel excise will decline considerably thus affecting the capacity of the Australian Government to maintain adequate levels of investment in road infrastructure. To date, there remains a lack of clarity as to the Australian Government's plan in regard to road-user charging (RUC).

MTAA strongly advocates for the implementation of a nationally consistent road-user charging regime to avoid a patchwork of policies employed by individual states and territories. The RUC scheme should be linked to a vehicle's registration, using a technologically enabled, auditable revenue collection process. Funds collected via the RUC should be allocated in a similar manner to the existing fuel excise, which includes upgrading and maintaining Australian roads.

Funds should also be allocated toward meeting the infrastructure needs required to support greater uptake of ZLEVs. MTAA further recommends that any national road user scheme should include a 7,500 km exemption for licensed motor car traders for ZLEV vehicles used for demonstration purposes.

Recommendations

- **Extend the FBT concession** for plug-in hybrids beyond April 2025.
- **Abolish the LCT** to stimulate sales of ZLEVs and improve reductions in vehicle emissions or if the LCT is not abolished, at a minimum, extend the eligibility of hybrid vehicles for the LCT concession beyond the current cessation date of 30 June 2025.

- **Pause any changes to the LCT fuel efficient vehicle definition** given the current automotive market uncertainty.
- **Introduce accelerated depreciation on zero and low-emission vehicles** for both individual and fleet purchasers.
- **Lead a nationally consistent and coherent approach to road-user charging**, and road related investment, that includes a 7,500 kilometre exemption for Licensed Motor Car Traders who use ZLEV trading stock for demonstration purposes.

7. ESTABLISH AN END-OF-LIFE VEHICLE PROGRAM

Australia currently does not have an end-of-life vehicle (ELV) product stewardship program for light vehicles. This is despite 4.6% of all road vehicles reaching their end of-life each year (~850,000 vehicles) amounting to ~1,360,000 tonnes of waste annually.

There is no single legislative instrument that exists to capture the end-to-end vehicle lifecycle in Australia, let alone a single instrument that prescribes the management of ELVs. This has resulted in a nationally inconsistent approach to ELV management.

Approximately 1,465 vehicle dismantling and used parts wholesaling businesses operate in Australia with the majority being small operators. Once an ELV reaches one of these dismantlers they undertake a process of depollution to remove hazardous components and dismantling to harvest parts and/or individual materials for resale. The vehicle is then crushed or baled and typically transported to a metal processor for shredding. This process allows for the recycling of the remaining ferrous and non-ferrous metals, with the remaining material sent to landfill as automotive shredder residue (ASR).

In Australia, this process typically achieves a resource recovery rate of ~70% of the average weight of an ELV, however the electrification of vehicles will influence the material composition over time.

The Australian Government expects almost 20 million vehicles to come off Australian roads and be replaced by ZLEVs. Given the lack of an ELV program, this represents a looming environmental catastrophe that will negate any emission reduction benefits achieved via the NVES. To this end, MTAA implores the Government to urgently develop and implement a co-regulated end of life vehicle scheme for Australia that could be underwritten utilising the legislative reform measures of the Product Stewardship Act 2011.

A tangible first step on the journey for ensuring effective vehicle product stewardship is for the Government to develop and implement a mandatory scheme for tyre recycling to ensure that all tyre manufacturers, importers, distributors, retailers, collectors, recyclers, and associated businesses are held to the same standard.

Recommendations

- **Implement an effective end of life vehicle product stewardship** scheme for Australia by replicating the approach of leading global jurisdictions such as Germany, Korea and the UK.
- Work with industry to **implement an effective mandated tyre stewardship scheme.**

Thank you for the opportunity to share our recommendations as part of the 2025-25 Budget process. MTAA would be pleased to expand on this submission. Please contact MTAA Chief Executive, Matt Hobbs on 0419 608 845 or matt.hobbs@mtaa.com.au to discuss further.

Contact

Matt Hobbs, CEO
M 0419 608 845 **E** matt.hobbs@mtaa.com.au

mtaa.com.au

MOTOR TRADES ASSOCIATION OF AUSTRALIA