

CHANGES TO THE LUXURY CAR TAX FUEL EFFICIENT VEHICLE THRESHOLD

14 December 2023

To: AADA MEMBERS

Yesterday in releasing the 2023-24 mid-year economic and fiscal outlook (MYEFO) the government announced changes to the Luxury Car Tax fuel-efficient vehicle threshold.

From 1 July 2025, the Government will tighten the definition of a fuel-efficient vehicle for the LCT by reducing the maximum fuel consumption from 7 litres per 100km to 3.5 litres per 100 km.

The Government will also be updating the indexation rate for the LCT value threshold for all other luxury vehicles, changing it from headline CPI to the motor vehicle purchase sub-group CPI. This change will apply from 1 July 2025.

These changes will see the Government increase revenue from the LCT by \$155 million over the five years from 2022-23.

The AADA is disappointed to see this change to the fuel efficiency threshold which will increase the tax paid on a range of vehicles which are generally considered more fuel-efficient than average. The AADA considers this to be counterproductive to the Government's own climate goals and will dissuade consumers from buying vehicles with the best safety and fuel-efficient technology.

The AADA has consistently opposed the LCT, stating that it is an outdated tax meant for a time when Australia still manufactured cars and should be abolished. The AADA will continue to advocate for its removal and will be making a strong case for its removal in our Pre-Budget Submission.

The AADA released a media statement on these changes which can be [viewed here](#).

If you have any questions or need further information, please contact:

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