



AUSTRALIAN  
AUTOMOTIVE  
DEALER  
ASSOCIATION

2026-2027

PRE-BUDGET SUBMISSION

JANUARY 2026



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# FOREWORD

The Australian Automotive Dealer Association (AADA) welcomes the opportunity to make a submission for consideration by the Government in the preparation of its 2026-27 Budget.

Our submission details a number of recommended measures aimed at encouraging the uptake of low and zero emission vehicles, modernising Australia's automotive taxation regime and supporting businesses. There are over 3,200 new car dealers in Australia which range from family-owned small businesses to larger and publicly owned businesses operating in regional Australia and capital cities across the country. Franchised new car dealers employ more than 56,000 people directly with a total economic contribution of around \$18 billion.

Each year, franchised new car dealers sell more than 1.6 million new and used vehicles, complete over 44 million individual service, repair and maintenance jobs and facilitate 464,905 finance contracts. In 2025, dealers employed around 5,850 apprentices and the commitment to training investment was \$33 million. Dealers make a tax and duty contribution of \$6.7 billion annually and often make significant contributions to their local economies through sponsorships, advertising and indirect contributions.

Franchised new car dealers play a critical role in delivering the Government's economic, emissions and consumer protection objectives. Dealers are the primary point of consumer engagement, vehicle delivery, compliance with consumer law, and increasingly, the front line of Australia's transition to low and zero emissions vehicles.

The global automotive industry is undergoing a period of unprecedented structural change. Accelerated efforts to decarbonise transport, rapid technological transformation, and the rise of new global manufacturing competitors and emerging brands, particularly from China are reshaping vehicle markets rapidly.

In Australia, these global forces are converging with significant domestic reforms, most notably the introduction of the New Vehicle Efficiency Standard (NVES), but also the entry of new brands, and shifting consumer expectations as take up of new technology accelerates. These forces will fundamentally change the operating environment for franchised new car dealers marking a critical point in ensuring longevity in Australia's retail vehicle sales.

Against this backdrop, the 2026-27 Budget represents a pivotal opportunity to ensure that policy ambition is matched by practical implementation. Without targeted reforms, existing tax and regulatory settings risk slowing electric vehicle (EV) uptake, increasing compliance costs, and placing dealers at risk for matters outside their control.

To this end, the AADA has presented a series of sensible, low cost and high impact reforms to ensure a smooth transition to a decarbonised vehicle fleet.

The AADA's pre-Budget priorities focus on:

- accelerating EV uptake at the point of sale,
- removing distortive and outdated tax settings,

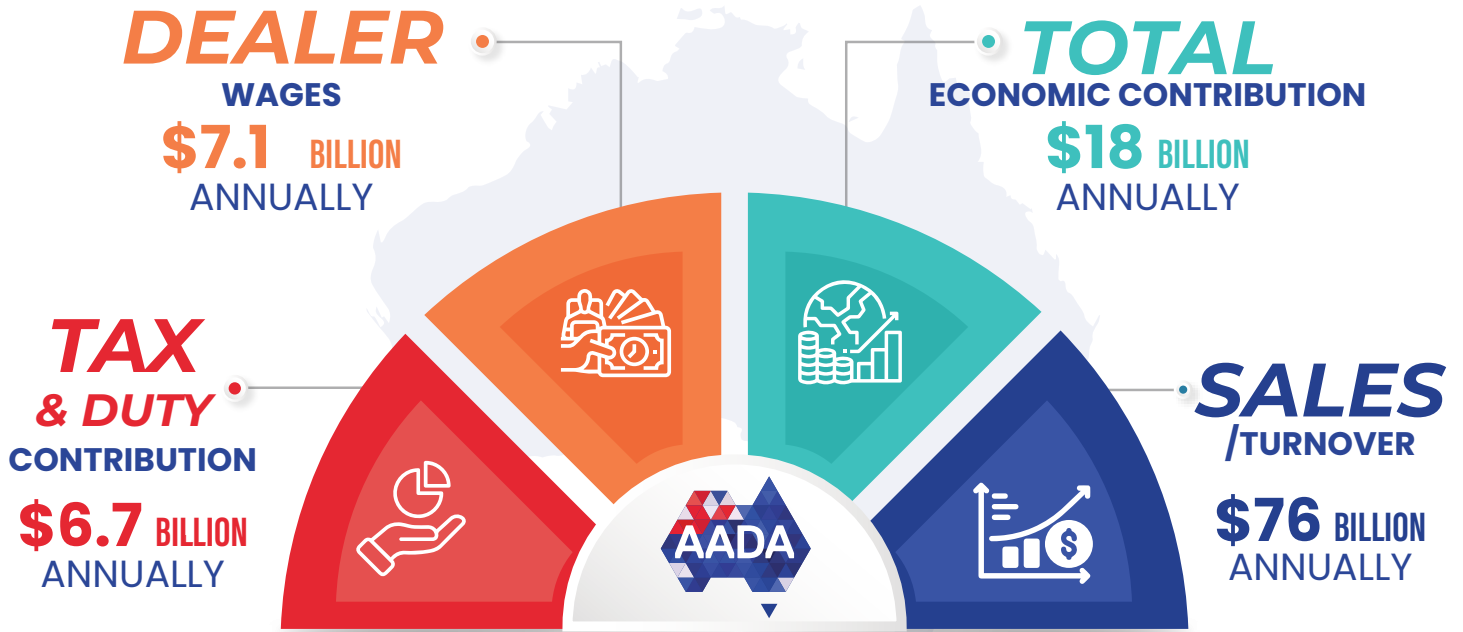
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- safeguarding dealers from unintended consequences of the NVES, and
- investing in workforce capability to support the transition.

**James Voortman**  
Chief Executive Officer





**DEALER EMPLOYEES**

**56,719**



**APPRENTICES**

**5,850**



**TRAINING INVESTMENT**  
**\$33 MILLION** ANNUALLY



**WORKSHOP JOBS COMPLETED**  
**OVER 44 MILLION** ANNUALLY



**CUSTOMER FINANCE CONTRACTS FACILITATED**  
**464,905** ANNUALLY



**NUMBER OF DEALERSHIPS**  
**3,248** TOTAL

## AADA RECOMMENDATIONS



### Support More Effective Franchising Relationships

- › Address the structural power imbalance between franchised dealers and multinational vehicle manufacturers.
- › Legislate unfair trading practices protections for all franchisees.
- › Extend unfair contract terms protections to all franchisees, regardless of size or turnover.
- › Improve the operation of the Australian Consumer Law to better support both consumers and dealers, including clearer indemnification and remedy processes.



### Safeguard dealers from unintended impacts of the NVES

- › Move NVES compliance obligations to the point of sale, ensuring responsibility aligns with the regulated entity.



### Revisit business incentives such as the instant asset write off

- › Allocate \$20 million from the DRIVEN program to support dealer-led EV transition initiatives in regional and remote areas.
- › Expand eligibility criteria under existing budgetary commitments to better reflect franchised dealership operating models through direct grants to incentivise investment.
- › Invest in consumer education, workforce training, charging infrastructure and safety equipment at the dealership level.
- › Expand investment incentives to support dealer investment in the transition to lower-emissions vehicles.

## AAADA RECOMMENDATIONS



### Reform and modernise automotive taxation

- Measured implementation of Luxury Car Tax reform.
- Remove the application of Luxury Car Tax to dealer-installed accessories, aftermarket fittings and modifications.
- Ensure any Commonwealth LCT exemptions flow through to state and territory tax and duty regimes.
- Introduce a defined exemption for dealership demonstrator vehicles under any future road user charging scheme.
- Review and simplify Fringe Benefits Tax rules applying to dealership demonstrator vehicles and car parking.



### Streamlining the removal of finance company based or inappropriate registration of Personal Property and Securities Register encumbrances and reviewing the fees for repeat searches

# SUPPORT MORE EFFECTIVE FRANCHISING RELATIONSHIPS

The Australian automotive new car retailing industry can be broadly defined into two categories. Vehicle manufacturers or OEMs, which are largely multinational businesses which supply vehicles into the Australian market. Car dealers, which are generally Australian privately owned or family businesses who enter franchise agreements to purchase vehicles from these manufacturers to retail to Australian consumers.

The relationship between Australia's almost 4000 franchised new car and truck dealers and vehicle manufacturers is characterised by a well-recognised structural power imbalance. This imbalance has been documented repeatedly through government reviews, court proceedings and regulatory inquiries, yet continues to expose dealers to unfair conduct, particularly during periods of market and regulatory change.

The pace of transition currently underway in the automotive sector, including decarbonisation policies, new distribution models and the entry of new global brands, has heightened the risk that this imbalance will be exploited. The AADA considers that government policies such as those developed to drive and accelerate EV take up will inadvertently increase this power imbalance, where OEMs will seek to shift compliance risk and costs onto dealers. This is significantly increased where Australian dealer businesses have massive sunk investments in dealership facilities, equipment, workforce and stock.

In this context, it's time critical that protections against unfair trading practices and unfair contract terms for all franchisees are strengthened. While recent reforms to unfair contract terms laws are welcome, many franchised dealers remain excluded due to employee or turnover thresholds, despite facing counterparties with vastly superior bargaining power. Similarly, the absence of a general prohibition on unfair trading practices leaves dealers vulnerable to conduct that causes real harm but does not meet the high legal threshold for unconscionable conduct. Extending UTP and UCT protections to all franchisees would provide a more effective and proportionate regulatory response to the realities of automotive franchising in Australia.

The Government has already acknowledged the need for stronger protections in this area through its pre-election commitment to extend UTP and UCT protections to all franchisees. This commitment was further reinforced in the 2025–26 Federal Budget, which included a specific funding allocation to support the extension of these protections to franchised new car and truck dealers. The Budget also provided \$7.1 million over two years to strengthen ACCC enforcement of the Franchising Code of Conduct, underscoring the Government's stated intention to address power imbalances and unfair conduct within franchising arrangements.

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Similarly, improving the operation of the Australian Consumer Law (ACL) in the automotive context is also essential to achieving fair outcomes for both consumers and dealers. Dealers are the primary point of contact for consumers and carry frontline responsibility for consumer remedies, yet often lack control over product design, technical diagnosis and parts supply. Clearer indemnification and remedy processes would reduce disputes, improve consumer outcomes and ensure that liability rests appropriately with the party responsible for the underlying issue.

The AADA recommends:

- Address the structural power imbalance between franchised dealers and multinational vehicle manufacturers.
- Legislate unfair trading practices protections for all franchisees.
- Extend unfair contract terms protections to all franchisees, regardless of size or turnover.
- Improve the operation of the Australian Consumer Law to better support both consumers and dealers, including clearer indemnification and remedy processes.

# SAFEGUARD DEALERS FROM UNINTENDED IMPACTS OF NVES

Since the inception and design of the New Vehicle Efficiency Standard (NVES), the AADA has consistently advocated for moving the point at which compliance with the standard is met to registration or sale. The AADA welcomes the Government's exploration of alternative compliance models and considers this a critical opportunity to improve the effectiveness, fairness and integrity of the NVES.

The automotive franchising sector in Australia is characterised by many examples whereby franchisors exploit the power imbalance which underpins their relationship with franchisees. The imbalance is further exacerbated as dealers are often in a position of little leverage to negotiate better terms with their OEMs, and the ability for OEMs to push some of the costs of meeting the NVES onto dealers will leave them vulnerable to financial and logistical burdens. In Australia, more than 93 per cent of new vehicle sold in 2025 were done so under a franchised model, with just a handful of brands employing other distribution models such as 'agency' or direct to consumer.

Measuring compliance at the point of import creates significant unintended consequences for franchised dealers and can result in a significant distortion of market behaviour. Under the current framework, manufacturers are able to generate NVES credits or incur penalties based on vehicles that may not yet be sold, registered or even physically present in Australia. In some cases, vehicles may be entered onto the Register of Approved Vehicles (RAV) months before shipment, enabling credits to be generated well in advance of any real emissions reduction outcome.

This current import based compliance model creates strong financial incentives for manufacturers to manage NVES outcomes through import timing and stock decisions, rather than through genuine shifts in consumer uptake. As a result, dealers can be left holding excess or slower-moving stock (notably EVs), facing increased floorplan financing costs, and the need for significant discounting to clear inventory. These risks sit entirely downstream, despite dealers having no control over vehicle production, import volumes or compliance strategy, and most importantly, are not the regulated entity under the NVES.

The AADA recommends:

- Moving the NVES compliance obligations to the point of sale, ensuring responsibility aligns with the regulated entity.

# SUPPORT THE TRANSITION TO ELECTRIC VEHICLES AT THE POINT OF SALE

The adoption of EVs will bring a range of economic, environmental, and social benefits to Australia. As zero and low emissions vehicles become more prevalent, new car dealers will play an important role in supplying those vehicles to the market, as they sell the overwhelming majority of new cars in Australia. While national policy settings, emissions standards and incentives shape market conditions, it is franchised new car dealers who engage directly with consumers, explain new technologies, facilitate test drives, and invest in the infrastructure and skills required to safely sell and service EVs.

To that end, the franchised new car dealer industry is supportive of a just transition which allows consumers to access state of the art fuel-efficient vehicles, but which does not drastically reduce vehicle affordability or choice. Our submission highlights the franchised new car dealer industry's support for an ambitious but equitable transition to lower and zero emission vehicles and details a number of recommended measures aimed at encouraging their uptake.

# TARGETED USE OF DRIVEN FUNDING

The AADA supports the Government's commitment to electrification through the Dealership and Repairer Initiative for Vehicle Electrification Nationally (DRIVEN) program. However, to maximise its impact, funding must be more directly aligned with the realities of franchised dealership operations.

The AADA calls for the allocation of \$20 million from the DRIVEN program to support a range of measures aimed at empowering dealerships to effectively demonstrate the advantages of EVs to customers, particularly in regional and remote Australia.

The funding could be used to support:

- research initiatives which examine current consumer appetite for transition to a lower or zero emission vehicle and current barriers to adoption, with findings used to develop targeted dealer training and education programs that directly address those barriers at the point of sale;
- electrical upgrades and on site charging infrastructure, including switchboard upgrades, increased grid capacity, installation of EV chargers, and associated safety and compliance works; and
- consumer education initiatives tailored to local conditions, including dealer-hosted information sessions and partnerships with energy and grid providers to help consumers understand home charging options, grid capacity, and installation requirements.

The AADA also considers that this must be undertaken through a coordinated national approach to help ensure DRIVEN funding is used effectively and reaches dealerships where support is most needed.

# EXPAND INVESTMENT INCENTIVES

Australia's automotive retail sector is highly capital intensive, with dealers required to make ongoing investments in property, equipment, training and inventory. These pressures are only intensifying as the industry transitions to electric and low-emissions vehicles with the need to upgrade tools and equipment, facilities etc. At a time of significant regulatory change and broader economic uncertainty, expanded investment incentives can play an important role in supporting business confidence, accelerating productivity, and helping dealers meet new compliance and consumer expectations.

Measures such as the instant asset write-off have previously proven effective in encouraging timely investment across small and medium enterprises, including automotive dealerships, and as these settings have been wound back many businesses are reassessing or deferring investment decisions, particularly in relation to EV-related infrastructure and equipment. The AADA therefore supports the reintroduction or expansion of the instant asset write-off, consideration of a broader investment allowance for productivity-enhancing expenditure such as EV servicing equipment, charging infrastructure and digital systems, and the design of incentives that are simple, nationally consistent and aligned with emissions and industry-transition objectives, without distorting competition.

The AADA recommends:

- Allocate \$20 million from the DRIVEN program to support dealer-led EV transition initiatives in regional and remote areas.

- Expand eligibility criteria under existing budgetary commitments to better reflect franchised dealership operating models through direct grants to incentivise investment.
- Invest in consumer education, workforce training, charging infrastructure and safety equipment at the dealership level.
- Expand investment incentives to support dealer investment in the transition to lower-emissions vehicles.

# REFORM AND MODERNISE AUTOMOTIVE TAXATION

Franchised new car dealers across Australia administer and contribute almost \$24 billion annually in automotive taxes, in the form of the Luxury Car Tax, Passenger Vehicle Tariff, state based motor vehicle stamp duty, registration fees, income tax and GST. More broadly, Australian consumers pay tens of billions of automotive related taxes annually, with the Bureau of Infrastructure and Transport Research Economics reporting that in the 2023-24 financial year, more than \$44 billion in road-related taxes and charges were paid.

These automotive related taxes, applied at different levels of government, are often inefficient and outdated, raising questions around fair competition in the automotive industry and remain as a relic of an era when Australia manufactured vehicles. The lack of harmonisation across Australia's states and territories in the application of motor vehicle stamp duties and registration fees also increases complexity and continues to be a dampener on productivity.

Dealers operating across multiple jurisdictions must navigate a patchwork of inconsistent rules, rates, and administrative processes, which increases compliance costs and slows down transactions. These inefficiencies not only add to operational requirements for dealers but also contribute to delays in vehicle sales and delivery. The AADA considers that reducing tax-related administrative burdens would enable franchised dealerships to redirect resources away from compliance tasks and towards core operational priorities. This is particularly important at a time when the automotive sector is undergoing significant change, as a result of major policy reforms such as the introduction of the NVES.

## Luxury Car Tax Reform

The AADA has long supported the abolition of the Luxury Car Tax (LCT) which we consider to be an outdated and redundant tax, that no longer reflects the actual vehicle market in Australia. The tax increases costs for consumers, complicates compliance for dealers, and disproportionately affects vehicles incorporating newer safety and emissions technologies.

However, the manner in which any reform or removal of the LCT is implemented is critically important. In particular, speculation around potential LCT changes, including through trade negotiations such as a future Australia European Union Free Trade Agreement, carries a real risk of unintended market disruption if not managed carefully. Poorly communicated reform risks triggering a buyer strike, with consumers delaying purchases in anticipation of tax changes, as well as causing excessive depreciation of existing inventory and recently purchased vehicles, affecting both consumers and dealers. These risks are particularly acute for franchised dealers, who hold significant capital in vehicle stock and operate in a highly competitive, margin-constrained environment.

While the AADA has consistently supported reform of the LCT, our view is that any change must be implemented in a way that provides certainty to consumers and industry and avoids sudden price shocks or market disruptions.

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### **Luxury Car Tax Application On Accessories**

More than \$1.17 billion was collected through the Luxury Car Tax in 2024–25, even though the tax increasingly applies to vehicles that are not genuinely luxury but are often the most practical or safest option for consumers, including popular regional models such as the Toyota Land Cruiser. The LCT can also discourage buyers from adding safety or emissions-reducing features because these additions may push a vehicle over the threshold, which works against the Government’s broader road safety and environmental objectives.

The AADA considers that the LCT should ultimately be abolished now that its original purpose of supporting Australian manufacturing is no longer relevant, but in the meantime, sensible and common sense adjustments would ease the burden on consumers and improve safety and environmental outcomes.

The inclusion of ‘accessories’ in the calculation of a dealer’s LCT liability (where the inclusion of accessories is above / triggers LCT thresholds) unfairly penalises dealers and consumers. As an example, a dealership fitting a bull bar to a vehicle attracting LCT must include the cost of that bull bar in the calculation of their LCT liability (i.e. a \$2,000 bull bar then attracts 33% LCT, an increase to its cost of \$660. If the consumer so chooses, they can take delivery of their vehicle and on the same day visit a non-genuine accessory fitter to have a bull bar installed. Doing so would not attract LCT. This arguably detracts from the safety of the vehicle (non-OEM parts) and unfairly penalises the dealer and consumer from being able to have a comparable accessory installed on the same terms.

The AADA strongly considers that accessories should not be included in the calculation of LCT, to provide consumers with competitive and safe accessory options and to provide a level playing ground for all accessory providers (dealer and aftermarket).

### **Nationally Consistent Tax Outcomes**

Where changes are made to the application of the Luxury Car Tax, it is important that the policy intent is not undermined by inconsistent treatment at the state and territory level. Many state and territory stamp duty and vehicle-related taxes rely on Commonwealth tax concepts or vehicle values that can include amounts subject to LCT. Any Commonwealth exemption should therefore be designed to flow through to state and territory tax and duty regimes, ensuring nationally consistent outcomes, reduced administrative complexity, and that consumers and dealers receive the full benefit of the reform.

### **Future Road User Charging Scheme**

Australian car dealers should not be disadvantaged in retailing new or used zero and low emission vehicles (ZLEVs) by being required to absorb road user charges on trading stock and demonstrator vehicles held for sale.

As described above, new car dealers are the most logical and direct pathway to introducing Australian consumers to the benefits and performance of ZLEVs. Test drives, including overnight or weekend use of dealer demonstrator vehicles, play an important role in building consumer confidence and supporting purchase decisions.

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This is particularly so for new or unique vehicle types such as EVs, where consumers may have no experience in that type of vehicle.

To encourage franchised dealers to maintain a readily available fleet of zero- and low-emission vehicle demonstrators, and to support sustainable sales volumes and the development of the second-hand ZLEV market, the Australian Government should remove any potential financial disincentives associated with the use of demonstrator vehicles under a road user charging system.

The AADA considers that an exemption should apply for new and used car retailers from any RUC methodologies on all ZLEVs of 7,500 kilometres, or 12 months of its initial registration (whichever comes first) to be applied to ZLEV trading stock, demonstrator vehicles or service demonstrator vehicles held by a licensed motor vehicle dealer in Australia. Those ZLEVs should have the exemptions applied in a similar way to that granted at the state level under the various state Motor Vehicle Duties Acts.

The exemption should be based on the following criterion:

- The exemption is applicable until the trading stock, demonstrator vehicle or service demonstrator ZLEV has had a change in its predominant use.
- That the ZLEV is trading stock and available and used for demonstration to prospective purchasers for sale of vehicles of the same class.
- A demonstrator vehicle is defined as a motor vehicle that is used exclusively for the purpose of sale or upsell of another vehicle of the same class or greater class.

### **FBT - Demonstrator Vehicles**

The provision of demonstrator and used vehicles to dealership employees triggers complex FBT calculations, requiring detailed substantiation and record-keeping. There is ambiguity as to 'private use' and with the proliferation of LCV's (e.g. dual cab utility vehicles), confusing as to what is exempt for FBT and what is not. The AADA recommends a review of the application of vehicle fringe benefits and simplification of the rules surrounding private use and LCT exemptions.

### **FBT – Car Parking**

Car parking fringe benefits arise where a dealer provides a vehicle for use of an employee, who then parks this car at the dealership which happens to be within 1km of the entrance to a 'commercial parking station' that charges an all-day parking fee greater than \$11.03 (for the 2026 FBT year). Should the car be parked for more than four hours (between 7am and 7pm) that day, and the employee drives the car between home and work, a fringe benefit applies. This imposes an unreasonable burden on dealers who commonly provide vehicles to employees as part of their salary package. Its application to dealers is arguably unintended, given the commonality of providing vehicles. Further, it unfairly burdens dealers that have a paid parking facility within 1km versus those that do not.

Dealerships, by nature of the longstanding structure of their remuneration packages to employees, should be exempt from car parking fringe benefits to employees. Alternatively, the rules governing the application of car parking fringe benefits should be relaxed.

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The AADA recommends:

- Measured implementation of Luxury Car Tax reform.
- Remove the application of Luxury Car Tax to dealer-installed accessories, aftermarket fittings and modifications.
- Ensure any Commonwealth LCT exemptions flow through to state and territory tax and duty regimes.
- Introduce a defined exemption for dealership demonstrator vehicles under any future road user charging scheme.
- Review and simplify Fringe Benefits Tax rules applying to dealership demonstrator vehicles and car parking.

# ACCESS TO THE PERSONAL PROPERTIES SECURITY

The Franchised new car dealers rely heavily on the Personal Property Securities Register (PPSR) to access vital information related to vehicle transactions. There is a legal requirement under the state-based licensing regimes to ensure buyers receive a clear title on a vehicle purchased from a motor dealer under the Australian Consumer Law and state-based motor dealer legislation.

However, dealers face ongoing challenges related to the cost and efficiency of accessing the PPSR. Dealers often need to perform multiple PPSR searches for the same vehicle, incurring repeated fees due to persistent delays from banks and finance companies in removing encumbrances once loans are finalised. While the Personal Property Securities Act 2009 (Cth) requires that security interests be removed from the PPSR within 5 business days, this timeframe is often not adhered to. And even when it is, the 5 day period is unnecessarily long and creates avoidable delays and administrative burden for dealers. Until the title is officially cleared, dealers must continue accessing the PPSR, sometimes over days or weeks, to ensure the encumbrance is cleared before proceeding with the sale.

This inefficiency creates unnecessary administrative burden and added cost, and for large volume dealers, this compounds quickly. Improving PPSR processes would represent a straightforward, low-cost win for industry productivity.

Streamlining the removal of finance company based or inappropriate registration of PPSR encumbrances and reviewing the fees for repeat searches would deliver immediate benefits to dealers, reduce sale delays in the used vehicle market, and ultimately improve outcomes for consumers, who often need timely access to vehicles via a franchised dealer.

The AADA recommends:

- Streamlining the removal of finance company based or inappropriate registration of Personal Property and Securities Register encumbrances and reviewing the fees for repeat searches.

## CONCLUSION

The AADA would be happy to meet with you to discuss our submission and participate in any further consultation. If you require further information or clarification in respect of any matters raised, please do not hesitate to contact me.

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