



COMMONWEALTH OF AUSTRALIA

PARLIAMENTARY DEBATES



THE SENATE

**TAX LAWS AMENDMENT
(LUXURY CAR TAX) BILL 2008**

**A NEW TAX SYSTEM (LUXURY
CAR TAX IMPOSITION—
GENERAL) AMENDMENT BILL 2008**

**A NEW TAX SYSTEM (LUXURY
CAR TAX IMPOSITION—
CUSTOMS) AMENDMENT BILL 2008**

**A NEW TAX SYSTEM (LUXURY
CAR TAX IMPOSITION—
EXCISE) AMENDMENT BILL 2008**

Second Reading

SPEECH

Wednesday, 3 September 2008

BY AUTHORITY OF THE SENATE

SPEECH

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Speaker Polley, Sen Helen

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Senator POLLEY (Tasmania) (12.16 pm)—I rise in the Senate on this occasion to comment on the Tax Laws Amendment (Luxury Car Tax) Bill 2008 and related bills that comprise the government's budget measures on the luxury car tax. The increase in the luxury car tax was announced in the 2008-09 budget as part of a package of measures to enhance fairness in the tax system. This measure will create an estimated \$130 million in revenue for the government in this financial year and \$555 million over the forward estimates. It is estimated that around 10 per cent of all new car sales made in Australia in 2007 were subject to the luxury car tax.

The Rudd Labor government believes that Australians who can afford luxury vehicles have the capacity to contribute to the revenue at a higher rate than other car buyers. The Australian people understand that the Rudd Labor government is acting now for Australia's long-term future. We are preparing Australia for a stronger future, in contrast to the Liberal Party. We witness in this chamber regularly how divided they are on so many issues. They simply do not have the long-term leadership that Australia needs. They need a reality check.

The Rudd Labor government is making sure our economy emerges in strong shape from these tough international times so that we can provide quality jobs and security for working families in the future. The Liberal Party neglected the big long-term challenges Australia faces, such as climate change, our hospitals, our schools and our infrastructure. They foolishly ignored 20 Reserve Bank warnings on inflation.

It is pleasing to note that yesterday the Reserve Bank actually cut interest rates. This was a decision that working families deserved. I am sure it was applauded by families who are doing it tough. For the average mortgage, yesterday's cut will put more than \$500 a year back into the family budget—and, for many Australians, much more than that. This is some initial relief from the 10 interest rate rises that occurred under Peter Costello and the Liberal-National coalition which have cost Australian families on an average mortgage \$400 every month. This is the first time families have had a rate cut from the Reserve Bank in seven years.

Senator Boswell—Mr Acting Deputy President, on a point of order: I have a high regard for Senator Polley,

but she has been going for about five minutes now and she has not mentioned the car tax. She is giving us a diatribe on the economy.

The ACTING DEPUTY PRESIDENT (Senator Hutchins)—There is no point of order.

Senator POLLEY—I always know that I am making a good speech when I get interrupted. I have sat through this debate and have been lectured many times in this chamber, and the opposition always seem to be a little bit touchy when it comes to reminding them that Australian families, working families in this country, know what the Liberal-National coalition did to them for 11 long years. That is why we need to protect our \$22 billion budget surplus. To protect our budget surplus those opposite need to be responsible and accept our budget measures.

We are a fiscally conservative government. We are preparing for the future. That is why this budget measure is so important. Ultimately, this is not a tax on ordinary Australians, as Senator Minchin has been suggesting. The tax applies only to vehicles that cost more than \$57,180. There is no evidence that the luxury car tax increase will increase car prices or that it will disadvantage people with disabilities. The tax law already provides exemptions for people with disabilities from luxury car tax. Treasury has also consulted with disabled groups to ensure they are not adversely impacted by this measure. It is just scaremongering to assert that this measure will hurt working families. I might add that it is amazing that for over 11 years the opposition did not know what a working family was and all of a sudden they are trying to imply that they have a heart.

Mr Brendan Nelson and his colleagues on the other side of the chamber had been spruiking that these measures will hamper families in buying people-moving vehicles such as the Toyota Tarago. In fact, they have even gone so far as to call this measure the Tarago tax. The fact of the matter is only one of the five models of the Toyota Tarago will incur a luxury car tax. Of the 20 top-selling cars in Australia, less than four per cent of those sold are subject to luxury car tax. We do not think it is unreasonable that people who have done well in recent years, particularly from government decisions in terms of tax cuts, pay a little

more for a luxury car. As Senator Carr stated in Senate question time on Wednesday, 24 August:

The luxury car tax on the Ford Territory Ghia will increase by some \$500 while the tax on the Porsche 911, currently retailing at over \$300,000, will increase by around \$14,600. None of this stands in the way of motorists looking for a good alternative.

In the *Financial Review* of Friday, 28 August, an article detailed how 14 Rolls Royces have been handed over to Australian millionaires so far this year—that is, double the number delivered last year. Sales of luxury cars continue to improve despite the luxury car tax increase. The article features the quote, ‘People we sell these cars to are very entrepreneurial people that are making the economy work in many ways.’ While customers may complain of the tax, they are still coming through the doors and buying the cars. Maybe, just maybe, the Liberals have got it wrong. It would not be the first time. The opposition keeps telling the chamber that the introduction of a luxury car tax will raise the price of all cars. That is completely wrong. Competition itself will keep down the prices of non-luxury cars. This measure is part of a responsible, integrated budget strategy that delivers a \$22 billion surplus. That surplus is essential to our efforts to tackle the high-inflation legacy of the Howard-Costello government.

The simple proposition that is before the chamber at the moment is that the opposition are seeking to destroy the government’s surplus. They are seeking to score cheap political points. They are seeking to undermine the government’s efforts to tackle the high inflationary legacy to this country of the Howard-Costello government. Yet this is not the only budgetary bill those opposite are planning to block. The raising of the Medicare threshold, and the alcopops tax are also measures that those opposite are threatening to oppose. Mr Brendan Nelson told Fairfax Radio on 16 May 2008 that the Liberals were not going to block the budget. His exact words were:

It would be completely irresponsible to do so.

Yet here we are just a few months down the track and a whole range of budget measures are being blocked. We should not be so shocked. As the Australian people very well remember, the Liberals have a history of core and non-core promises. The Rudd Labor government delivered an economically responsible budget that struck the right balance, given the difficult global and domestic conditions that we now face. We built a strong surplus to fight inflation and to buffer our economy against global turmoil. As Treasurer Wayne Swan said in his budget night speech:

Inflation is a drag on growth. It saps confidence, and hurts families and businesses throughout Australia. We are working to put downward pressure on inflation so that we can

ease the cost of living and interest rate pressures on working families.

This surplus also acts as the foundation for responsible investment in nation-building infrastructure. The Rudd government are committed to ensuring Australia’s future long-term economic prosperity. We set up the Building Australia Fund to finance critical investment in infrastructure that will lay the foundation for future economic growth and productivity—something that was neglected over the 11 long years of the Howard-Costello government, I might add. The irresponsible opposition wants to blow a \$6.7 billion hole in the surplus, a surplus that will help secure Australia’s future.

While we are working hard to protect the interests of working families, the opposition—as usual—are fighting for the rich, the wealthy. This tax is an important measure to ensure that we deliver the surplus the Australian economy needs in these challenging times. Those opposite are only interested in short-term political tactics. That is the real reason why the opposition are threatening to block this measure. This reminds us of the depth to which their economic credibility has sunk. Rather than protect the surplus in order to fight inflation and secure future investment, they propose to vandalise the surplus. The Rudd Labor government recognises that, if everyone pays their fair share of tax and we plug the gaps in the system, we can reduce the overall burden imposed on all working families. That is our objective. The Rudd Labor government are providing a \$55 billion Working Families Support Package, meeting our commitments in education, health, infrastructure, defence and climate change and investing in the future with three new nation-building funds.

Our budget was designed to meet the challenges of the future, and those on the other side of the chamber know we need a strong surplus to anchor a strong economy. We need a strong budget surplus to build a buffer against international turbulence. We need a strong budget surplus so we can fund ongoing, long-term investment in our ports, roads, railways, hospitals, universities and vocational education, which we need to deliver growth with low inflation into the future. I commend this tax bill to the Senate, and I find it most disappointing that those on the other side of the chamber are not willing to support this measure and, as usual, are looking to score quick political points.