hottopic

fordham motor dealer services

2011 Federal Budget – Impact on the automotive industry

May 2011

As with most recent Federal Budgets, the 2011–12 Budget has significant implications for the retail automotive industry. The two matters of greatest significance are detailed below.

Small Business Motor Vehicle Tax Write-Off

The Government will provide small business with an instant write-off of the first $5,000 of any motor vehicle purchased from 2012–13. The remainder of the purchase value will be depreciated (written off) over the useful life of the vehicle (in accordance with existing guidelines). The Treasurer provided an example of a tradesman on a 30% marginal tax rate who bought a new $33,960 utility, receiving an extra tax benefit of $1,275 in the year the vehicle was purchased.

The obvious concern with this announcement is small business owners choosing to defer their vehicle acquisition until 1 July 2012. This has the potential to abnormally impact on sales volumes leading up to this time (especially for commercial vehicles such as utilities and vans). It also has the potential to present sale “cut off” challenges, as small business owners may seek to defer their delivery date to post 30 June, 2012.

FBT and vehicles

The Government announced that the present scaled statutory rates method used for valuing car fringe benefits is to be replaced with a single statutory rate of 20% – irrespective of the number of kilometres travelled. This change will apply to vehicles purchased after 10 May, 2011 and will be phased in over four years as follows:

Statutory rate method	Statutory rate (multiplied by the cost of the car to determine a person’s car fringe benefit)				
Distance travelled during FBT year (1 April–31 March)	Existing contracts (%)	New contracts from 10 May 2011 (%)	New contracts from 1 April 2012 (%)	New contracts from 1 April 2013 (%)	New contracts from 1 April 2014 (%)
0–15,000km	26	20	20	20	20
15,000–24,999km	20	20	20	20	20
25,000km–40,000km	11	14	17	20	20
More than 40,000km	7	10	13	17	20

In terms of impact, the amendments will not have any effect on vehicle pooling benefits provided by motor dealers, as pooling adopts a 20% benefit rate across the board. With regard to employee salary packaging, whilst the “high kilometre” driver will pay more for their employer provided motor vehicle, the reverse applies to “low kilometre” drivers. Therefore, it may be advantageous for the “low kilometre” driver employees to salary package a motor vehicle post 10 May, 2011.

Should you wish to discuss this matter further, please contact one of our Fordham Motor Dealer Services team:

David Buckley dbuckley@fordhamgroup.com.au T. +61 3 9611 6601
Frank Genobile fgenobile@fordhamgroup.com.au T. +61 3 9611 6601
Aileen Fulton afulton@fordhamgroup.com.au T. +61 3 9611 6628

Fordham Business Advisors Pty Ltd ABN 77 140 981 853 Liability limited by a scheme approved under Professional Standards Legislation
Level 35, Rialto South Tower, 525 Collins Street, Melbourne Victoria 3000 +61 3 9611 6611 fordhamgroup.com.au

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