

Stamp duty...last chance for voluntary disclosure

April 2010

A reminder that the State Revenue Office (SRO) in January issued a bulletin offering Licensed Motor Traders a reduced penalty tax rate (5%), if voluntary disclosure is made by 30 April 2010 (previously 15 March 2010), in respect of vehicles for which an exemption has been incorrectly claimed.

The SRO continues to focus heavily on the governance of stamp duty in relation to the motor industry. We outline below details of the SRO ruling in respect to vehicle stamp duty exemptions.

Trading stock

A retail motor dealer is exempt from paying Duty on the registration or transfer of a motor vehicle, if the motor vehicle is used solely or primarily as trading stock. The SRO considers that a motor vehicle is used solely and primarily as trading stock if:

- The motor vehicle is present and available for sale during normal trading hours at business premises;
- The vehicle is incidentally in a pool of vehicles used by staff after hours and as a result the vehicle is shown in the entity's Fringe Benefits Tax (FBT) Return;
- The vehicle is used for the purpose of charging its battery, transport to and from a workshop of some other use incidental to its presentation for sale.

Demonstrator vehicles

An exemption is provided to a retail motor dealer where a vehicle is used solely or primarily as a demonstrator vehicle. A "demonstrator vehicle" is defined as a motor vehicle used exclusively for the purpose of sale of another vehicle of the same class. The SRO considers that a motor vehicle is not used solely or primarily as a demonstrator vehicle where:

- The motor vehicle has travelled a distance of more than 7,500km since its acquisition and initial registration in name of the LMCT; or
- The motor vehicle has been held for longer than 12 months after it has been initially registered in the name of the LMCT as a demonstrator vehicle.

What is *not* considered a demonstrator vehicle?

- Courtesy vehicle
- Parts delivery vehicle
- Promotional vehicle
- Loan vehicle
- Private use vehicle (for example, spouse vehicles, for both owners and senior employees)
- Other business use vehicle

Note The onus of proof lies with dealers to demonstrate to the SRO if they believe the motor vehicle is not liable for duty.

We have strongly recommended in the past that dealers manage their stamp duty obligations in line with the above guidelines as the SRO does not hesitate to amend assessments and impose harsh financial penalties.

The amnesty offered in the SRO Duties Act Bulletin (Jan 10/DI/10) should be considered in light of your dealership's Stamp Duty compliance record. Based on our experience, under normal audit procedures, the authority is more likely to investigate those who have not made voluntary disclosure versus those that have. Therefore, it may be prudent to take advantage of this "once off" amnesty concession, which ends Friday, 30 April, 2010.

Should you require any assistance in respect to any stamp duty issues, please do not hesitate to contact one of the Fordham Motor Dealer Services Team:

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