



Here's what attracts the ATO's attention about luxury car tax

The ATO has announced that it has identified some common errors regarding luxury car tax (LCT) claims, but also says there are issues it has identified with LCT that are more associated with actively trying to pay less tax than required.

Common errors

Some common errors the ATO has identified when taxpayers report or claim LCT include:

- using an incorrect formula or the wrong LCT threshold
- dealers/resellers who deferred LCT, not reporting and paying LCT on their BAS immediately after they sell the car or were starting to use it for a non-quotable purpose
- primary producers or tourism operators claiming a refund via the BAS and not via the appropriate form
- claiming a GST credit for the GST and LCT, when the taxpayer cannot claim back the full GST or the LCT.

A taxpayer needs to report LCT on their BAS, using the same tax period as they do for GST reporting.

What attracts ATO attention

With taxpayers complying with what is expected for LCT obligations, the ATO says it has observed some small amounts of non-compliance, but it is keen to not see this develop into the realm of outright tax avoidance schemes or sham arrangements directed at avoiding LCT.

Its focus, rather than inadvertent errors, is therefore the issues and behaviours of those who actively try to avoid their LCT obligations. Some of the behaviours it is most concerned about include:

- resellers who undercut legitimate dealers on price by evading LCT and GST on luxury car sales – the ATO says these reseller entities manipulate buyers and sellers for their own financial gain to the detriment of the broader community
- individuals who attempt to pass off private luxury car purchases as a trading enterprise to fraudulently access LCT and GST benefits
- dealers or resellers falsely asserting that luxury cars are being held solely as trading stock when the cars are being used frequently for “extended” test drives, personal use or informally leased or sold
- organised criminal networks infiltrating the luxury car industry to launder money, hide assets and commit tax fraud, including LCT fraud – the ATO says these networks contribute to the black economy and deprive legitimate business from competing fairly in the market. ■