

DRAFT SECOND READING SPEECH

HON. PETER GUTWEIN MP

Duties Amendment (Motor Vehicle Industry Red Tape Reduction) Bill 2016

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Madam Speaker

Under the *Duties Act 2001*, vehicles registered by new motor vehicle dealers used for demonstration purposes are exempt from transfer duty. The basis of the duty exemption is to avoid a double payment of duty that may arise if duty was payable by a motor dealership upon registering a demonstrator car, and then duty was payable again on the purchase of that car by a customer.

As identified in the Government's *Red Tape Reduction Audit Report*, released in December 2015, new motor vehicle dealers are finding compliance with the 'demonstrator' vehicle duty exemption conditions under the *Duties Act* restrictive. Industry has advised that these conditions do not accommodate the current business practices of new motor vehicle dealerships, which require broader uses of demonstrator vehicles than is currently allowed under the *Duties Act*.

Most new motor vehicle dealerships also offer a service centre. In recent years, franchise agreements have required new motor vehicle dealers to offer new model cars to customers who are having their car serviced on site, as a promotional and sales tool. These vehicles are known as courtesy vehicles and duty is currently payable on the registration of courtesy vehicles by new motor vehicle dealers.

Madam Speaker, there is currently no duty exemption available for courtesy vehicles yet these vehicles are used to promote new models of vehicles in a similar way as demonstrator vehicles and these vehicles are often 'turned over' quickly.

As it is, the State Revenue Office collects duty when demonstrator and courtesy vehicles are purchased by a customer from a motor vehicle dealer. In the case of courtesy vehicles, duty has already been paid by the dealer upon initial registration which results in a second amount of transfer duty being collected when sold.

Madam Speaker, this Bill will extend the duty exemption to courtesy vehicles held by new motor vehicle dealers to align the treatment of all new vehicles used to demonstrate the benefits of a particular vehicle model. Provided the exemption conditions are observed, transfer duty will now only be payable on courtesy vehicles when a customer purchases the vehicle, rather than when the motor vehicle dealer registers the vehicle.

Whilst the *Duties Act* currently provides for a 12 month exemption period for demonstrator vehicles, the Bill introduces a further limit covering the broader range of permitted uses. Duty will now become payable on the earlier of an exempt vehicle exceeding 15 000 kilometres or the expiry of 12 months. The revised exemption criteria aligns with the purpose of both demonstrator and courtesy vehicles, and recognises that demonstrator and courtesy vehicles are turned over frequently.

This Bill will also allow advertising related to the motor vehicle dealer business to be displayed on demonstrator and courtesy vehicles, and allow such vehicles to be used for familiarisation purposes by sales staff within and outside of business hours.

This Bill also addresses a number of mechanical difficulties with the operation of Chapter 8 of the Duties Act that will enable the provisions to work as intended.

Whilst a broader duty exemption will result in a small impact on revenue, this is expected to be partially offset by an increase in motor vehicle duty revenue from an increase in the turnover of new motor vehicles.

Madam Speaker, this Bill shows the Government's commitment to red tape reduction in the Tasmanian motor vehicle industry. These changes will reduce the compliance burden for new motor vehicle dealers, will enable new motor vehicle dealers to honour their franchise agreements and to invest and grow their businesses.

I commend this Bill to the House and move that the Bill be read a second time.