



State Revenue Office attacking courtesy vehicles and loan cars for double stamp duty

It has come to our attention that the State Revenue Office (SRO) is undertaking significant audit activity in respect to stamp duty implications for company vehicles, courtesy vehicles and service loan cars. **In fact, we are aware of cases where the SRO has levied double stamp duty on these vehicles!!!**

As you would be aware, there is no stamp duty payable on registration of a new vehicle which is converted to demonstrator status. There is a specific allowance under the Stamp Duties Act which outlines that where a vehicle is registered and/or transferred and held "primarily for the purpose of sale of vehicle and/or the use of that vehicle for the purpose of sale of another vehicle", then stamp duty is not applicable.

However, where a vehicle is registered for use as a spare parts ute and/or service department van, then stamp duty would apply on the basis of the "change of use" criteria. Essentially, the vehicle is no longer held primarily for sale and/or demonstrator purposes, and stamp duty applies at the time of change of use.

Alarming, the SRO is adopting the same approach with courtesy vehicles and/or service loan cars. The SRO is arguing that these vehicles are not primarily held for sale and/or demonstration purposes and accordingly, based on the change of use criteria, stamp duty is payable. This issue is of significant concern given the current customer service orientated environment whereby, most service customers expect loan cars to be provided as part of their servicing arrangements. Accordingly, the number of courtesy vehicles and/or service loan cars is arguably increasing throughout the dealer network.

In our experience, the questions posed by the SRO which need to be considered in your dealership include the following:

- Do you charge for service loan cars?
- Are courtesy vehicles and/or service loan cars financed under separate long term arrangements (eg. six month leases)?
- Are the courtesy vehicles and/or service loan cars available for sale (evidenced by high turnover of these vehicles)?
- Are your service loan cars embellished with dealership signage?
- Do you capitalise your loan vehicles as 'plant and equipment'?

The answers to the above questions will dictate whether the SRO would apply the "change of use" criteria and therefore, assess the vehicles for stamp duty at the time of registration. **Bear in mind, the double stamp duty**

liability arises because stamp duty will ultimately be payable once more, upon sale of these vehicles to an external party. Hence, double stamp duty would be levied.

Be aware, if you have a large number of service loan cars and/or courtesy vehicles, with continual turnover of the fleet, the financial exposure in your dealership could be dramatic! Accordingly, immediate attention to this area is vital.

Should you require any further information on this issue or require assistance in this regard, please do not hesitate to contact one of our Motor Dealer Services team:

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