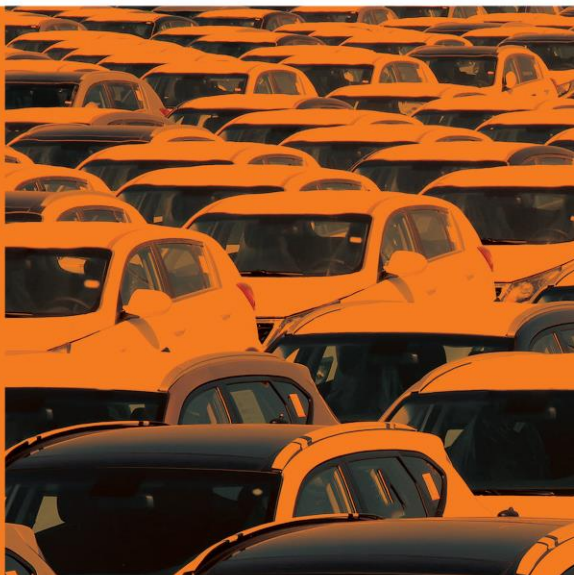


VACC Submission:

The case for exemptions from threshold and staff criteria in the Victorian Government COVID-19 relief packages for automotive dealer franchises and LMCTS.

April 2020



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Contents

Executive Summary	4
Background	5
What a new car dealer, with an aggregated turnover of more than \$50 million, does not qualify for	5
New car dealers pre COVID-19	6
Super Luxury Duty and Luxury Car Tax	7
The current market	7
The fiscal impact of COVID-19 on all dealerships	8
The issue with aggregated turnover rules	8
Example of how the impact of 'entity' is discriminating against dealers	8
The myth of new car dealer profitability	9
VADA members average margin per sale by model	11
Unemployment and the thresholds	12
Appendix A Duty and taxes imposed on sale of motor vehicle in Victoria	14
Appendix B Example of Percentage of average retail margin on new cars by manufacturer and model	15

Executive Summary

The Victorian Automobile Chamber of Commerce (VACC) provide the following evidence-based report for the Victorian Government's consideration. The report demonstrates the importance of exemptions for automotive dealer franchisees (dealers) from the turnover thresholds that currently apply to many of the government COVID-19 relief and stimulus packages recently announced by the Victorian Government.

VACC acknowledge that the Victorian Government has reacted swiftly in launching COVID-19 relief packages for community and small businesses and should be congratulated for their response. The Victorian Government's \$1.7 billion Economic Survival Package does compliment the work of the Federal Government and provide support for businesses and workers through the devastating impacts of the COVID-19 pandemic. The tough decisions continue to be made for the health and wellbeing of the community with the intention of saving lives, particularly for the most vulnerable. But there is still more to do.

VACC previously advised the Victorian Government of the tough trading conditions that dealers were exposed to and that dealers in are the midst of 25 months of consecutive negative vehicle sales before the COVID-19 pandemic struck.

The Government has subsequently announced a range of government assistance packages for all industry. However, it is estimated that approximately 70 per cent of Victorian dealers will not qualify for Payroll and Land Tax refunds and deferrals, Small Business Grants and other protections mandated under the National Cabinet Mandatory Code of Conduct for SME Commercial Leasing Principles during COVID 19 as a result of their aggregated turnover or high staff levels.

This paper contends that turnover does not equal profit. The very nature and price of the products retailed by dealers will result in many dealers not qualifying for the COVID -19 relief measures due to the \$50 million turnover threshold. The issue is aggravated further for entities that are multi franchised as the annual turnovers of those franchises is combined and consequently exacerbated.

VACC request that an exemption be provided for automotive dealers from turnover and employment level thresholds. This will allow for dealers to access the governments relief packages they and be able to continue to trade, collect taxes, employ Victorians and contribute to their local communities.

Recommendations

1. That the Victorian Government exempt automotive franchise dealers and all Licensed Motor Car Traders (LMCT) from the \$3 million annual wage threshold to enable those businesses to have their payroll tax for the 2019-2020 financial year waived, be eligible for future payroll tax deferrals and refund of payroll tax already remitted.
2. That the Victorian Government exempt all automotive dealers and LMCTS from the less than \$650 thousand payroll criteria applied to the Victorian Governments Business Support Fund.
3. That the Victorian Government exempts all automotive dealers and LMCTs from the turnover threshold criteria associated with the Victorian Government Rent Assistance SME Commercial Leasing Principles during COVID-19.
4. That the Victorian Government extend the Land Tax deferral and 25 pee cent Land Tax Refund for all automotive dealers and LMCTs
5. That the Victorian Government assist LMCTs in the sale of vehicle by introducing legislation that will allow for LMCTS to consign a vehicle from the member of the public.
6. That the Victorian Government assist LMCTS and fleet owners (e.g. car rental) by allowing for a voluntary suspension of vehicle registration for a 3-month period for the period April- August 2020
7. Abolish Super Luxury Vehicle Duty

¹VACC – carsales.com.au joint research April 2020

²FCAI <https://www.fcai.com.au/about> 68 brand 380 models

³Deloitte advise that dealerships avg less than 1% return on investment

Background

This paper has drawn upon data and interviews with members of VACC's Victorian Automobile Dealer Association (VADA) 640 dealership businesses. It aims to highlight the deficiencies and unintended negative outcomes that are impacting dealers as a result of the Victorian Government threshold criteria applied to relief and stimulus packages connected with the COVID-19 crisis.

The paper focuses on new car dealers; however, many of the issues associated may also affect commercial vehicle, used car, motorcycle and farm machinery dealers. VACC research has indicated that approximately 70 percent of VADA dealership groups do not qualify for any of the Victorian Government relief packages. Those dealership groups include long established family run businesses all the way to listed car dealer enterprises. All are substantial employers and contributors to their respective communities, and all are part of an industry that was in distress prior to the COVID-19 crisis.

This paper deep dives into the suitability and availability of stimulus and relief packages offered by the Victorian Government to VADA members. It also provides a broad overview of the state of the industry prior to the COVID-19 crisis, the impact of low profitability on a high turnover business and how COVID-19 has aggravated ongoing issues that so critically affect the new vehicle market.

Insights drawn from a survey of 70 VADA members provides context around the impact of COVID-19 on the key operational elements within each dealership, including the absence of protections for many dealers as a tenant or landlord, in any rental assistance measures.

It is VACC's view that the intricacies of the threshold criteria, such as applying an aggregated turnover of an entity as opposed to the turnover of an individual dealership, when applied to the relief packages is not reasonable nor appropriate when applied to dealerships.

VACC would respectfully request that an industry specific exemption be granted to the automotive dealer sector.

What a new car dealer, with an aggregated turnover of more than \$50 million, does not qualify for.

70 per cent of VADA dealers who do not qualify for any of the following relief or stimulus measures:

Australian Government assistance packages

- Australian Government Boosting Cash Flow for Employers
- Australian Government Supporting Apprentices and Trainee Package Apprentice subsidy (more than 20 employees)
- Australian Government Rent Assistance SME Commercial Leasing Principles during COVID-19

Victorian State assistance packages

- Victorian Government Payroll Tax relief/exemption/deferment (Annual payroll over \$3m)
- Victorian Government Small Business Grant
- Victorian Government Rent Assistance SME Commercial Leasing Principles during COVID-19
- Victorian Government Land Tax Relief

The JobKeeper scheme is welcomed by dealers but decreased turnover criteria may be an issue.

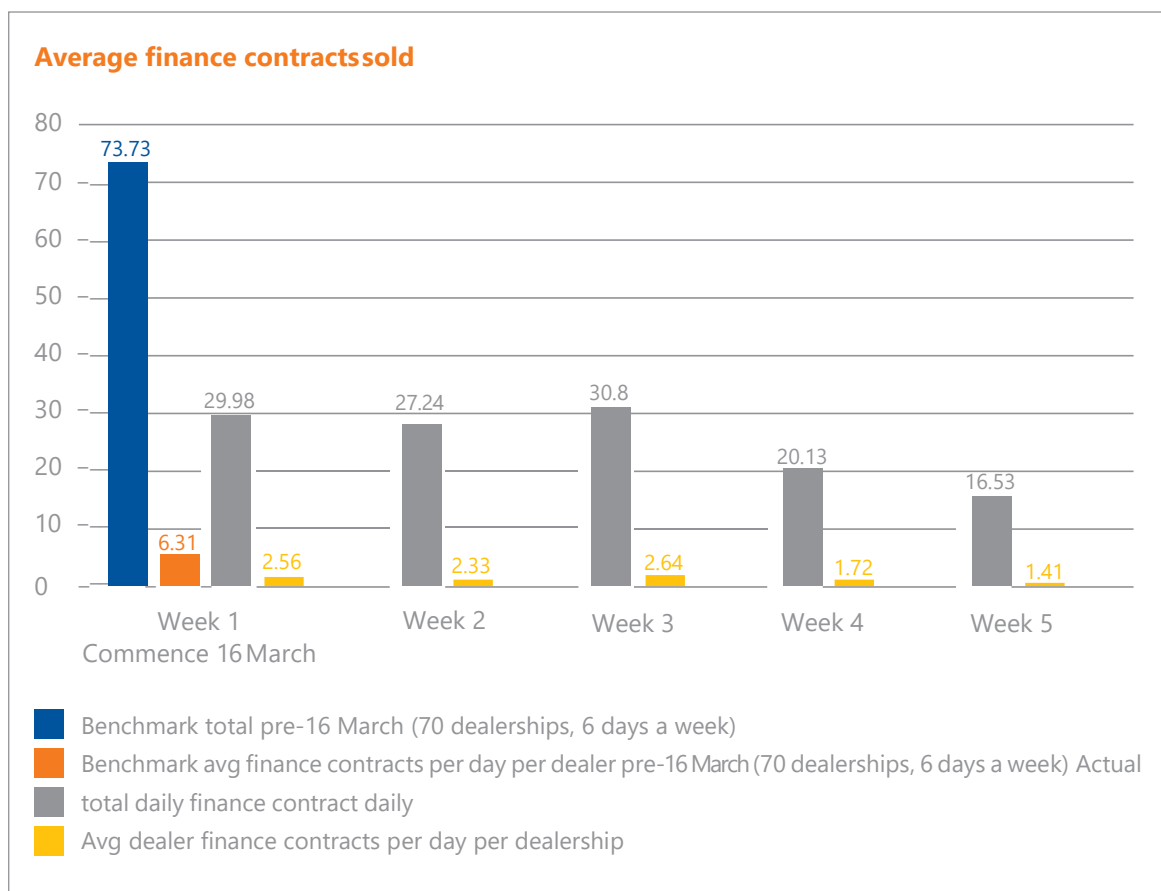
New car dealers pre COVID-19

The cumulative effect of COVID-19 on dealers is more pronounced than other industry sectors given the industry has suffered from more than two years of uninterrupted negative sales.

The two-year period of negative sales was partially triggered by egregious new credit lending rules introduced by the Australian Securities and Investments Commission (ASIC). This has made the access to credit, for all consumers, more difficult to achieve. COVID-19 has exacerbated the issues of an underperforming, overcrowded and overregulated automotive retail market.

ASIC's tighter lending criteria came into effect 1 November 2018. The intention of the new credit criteria was to create what ASIC interpreted as a fairer and more transparent pricing regime on car loans. What the new lending criteria has done, in effect, is remove credit availability options from consumers who previously would have qualified for vehicle finance. These individuals have been removed from the new vehicle market. VACC views this move as ill-informed and reflects the unintended consequences of consumer protection measures being implemented that ultimately limit the buying capacity of the people it is designed to protect.

Sales for dealer finance to consumers has fallen from what was already at pre COVID-19 disastrous dealer daily average of 6.31 contracts per day, to a catastrophic current level of 1.41 contracts per day, per dealer.



⁴VADA COVID-19 Impact Survey

Super Luxury Duty and Luxury Car Tax

The impact of the Super Luxury Vehicle Duty (SLD) in Victoria and Luxury Car Tax (LCT) imposed by the Australian Government are other factors contributing to the decline in vehicle sales.

LCT remains an unnecessary tax and is counter to Australia's position on free trade agreements.

The LCT must be abolished to provide a direct relief to consumers and industry.

Victorian traders suffer from an extraordinary level of taxation that is applied to the sale of a motor vehicle. Below is an example of taxes payable on the sale of a car with a list price of \$80k.

A complete list of all taxes applied to vehicles from \$20k - \$20k is found in Appendix A.

Data supplied to VACC from an industry leading data sales aggregator shows that cars in Victoria valued at over \$100,000 have a reduced inquiry and sales figure of over 15 per cent from the 3rd Quarter of last year to March 2020. The deductive analysis from the aggregator is that the sales of vehicles price above \$100,000 vehicle are heading to interstate traders, either as consignment vehicles or as trading stock. Deloitte data commissioned by VACC supports this finding¹.



The current market

New vehicle sales data contained in VFACTS, released 3 April 2020 also reveals that car sales in Victoria are 15 per cent (YTD) in decline. The national YTD average is 13.1 per cent. Prior to the outbreak of COVID-19, Victoria was 11.9 per cent in decline, so the full effect of COVID-19 on new car sales is yet to be fully realised, however all expectations are it will be significant.

VADA members do not agree that the VFACTS figures represent an accurate reflection of the trading period 16 March through to 1 April 2020. Independent survey data drawn from a representative group of 70 VADA members shows COVID-19 attributed overall downturn from 16 March to 15 April of 70.1 per cent. In the March period, those figures showed an average weekly downturn of 62 per cent and 67.5 per cent respectively.

¹ VACC-Deloitte research available on request to Government,

The fiscal impact of COVID-19 on all dealerships

The COVID-19 crisis is impacting on all dealerships and across a range of the corporate structures. With large payrolls, dealerships are struggling to maintain employment levels and are not reinvesting into their businesses in the immediate to short-term. The impact is being felt from single car dealership franchisees through to the multi-national companies who have dealership holdings in every state and territory.

Case study 1

In September 2019 dealer group behemoth AP Eagers had an estimated market capitalisation of approx. \$3 billion. It is estimated that the market capitalisation on 17 April was \$1.01 billion. Its shares listed on the Victorian Stock Exchange (ASX) peaked at \$14.49. Those shares fell to a low of \$2.70 in late March 2020 and are currently trading on the ASX at \$3.54 (24 April 2020).

Case study 2

In September 2019 dealer group Autosports Group (ASG) had an estimated market capitalisation of approx. \$352 million. ASX advises that the market capitalization for ASG was on the 17 April 2020 at \$148.74 million. Its shares listed on the Victorian Stock Exchange (ASX) peaked at \$1.84 in November 2019 and are currently trading on the ASX at \$0.73 (24 April 2020).

The issue with aggregated turnover rules

The Australian Taxation Office (ATO) advises that for aggregation rules mandate the need to add any other business entities' annual turnover to an annual turnover to work out the aggregated turnover of an enterprise.

For the purposes of the Australian Government's relief packages each employer's turnover is based on the aggregated turnover rules cited in Division 328 of the Income Tax Assessment Act 1997, which relates to small business. This is generally the total of the annual turnovers of the entity, its 'connected entities' and 'affiliates'.

The Victoria Government Business Support webpage advises that the Victoria Government measures annual turnover from a GST business lodged Business Activity Statement. ASIC defines a large proprietary company as one where the consolidated revenue for the financial year of the company and any entities it controls is \$50 million or more.

Ordinarily VACC would not question the internal mechanisms and business rules of the ATO and ASIC. All VADA member businesses would normally operate under the auspices of the legislation and regulation that come under the control of the ATO, SRO and ASIC. However, in light of the COVID-19 crisis and preceding deplorable trading conditions that new car dealerships were exposed to, the current enactment of the threshold criteria and rules is considered perverse. VACC's view is it should not apply to this sector for the purposes of government sourced COVID-19 relief packages.

Example of how the impact of 'entity' is discriminating against dealers

The table below provides a sample of data extracted from the VADA COVID-19 Dealership Impact Survey. The survey was conducted from 16 March to April 15 and measured many activities found in a dealership.

Of note is the observation that the dealer groups below (actual dealership names redacted), all large employers, will not qualify for five of the six available relief packages directly as a result of having an aggregated turnover of the entity of more than \$50 million and staff levels of more than 20.

The average turnover per dealership, all of whom operate under different ABN numbers and have separate Licenses under the Victorian Motor Car Trader Traders Act (1986), have annual individual dealership turnovers less than the threshold amount. As a result, many have begun standing down or terminating staff.

⁵ BDO. Retrieved 17 April 2020 from <https://www.bdo.com.au/en-au/insights/tax/business-tools/faqs-on-australias-covid-19-economic-stimulus-tax-measures>

⁶ ASIC. Retrieved 17 April 2020 from <https://asic.gov.au/regulatory-resources/financial-reporting-and-audit/preparers-of-financial-reports/are-you-a-large-or-small-proprietary-company/>

	Number of dealerships	Total annual turnover	Avg turnover per dealership	Pre March 16-Number of employees	Number of employees at 15 April
Dealer Group A	7	\$ 125 million	\$17.85 million	110	65
Dealer Group B	2	\$60 million	\$30 million	62	30
Dealer Group C	6	\$124 million	\$20.66 million	137	45

The myth of new car dealer profitability

Dealers remain confused that governments, at all levels, mandate turnover as the sole metric for relief package qualification. It appears government is of the opinion that new car dealerships have the benefit of a profitable business model and financial resources to continue operating throughout these extraordinary trading circumstances.

The decisions of government suggest they are not (or were not) aware of the substantial distress the industry was experiencing prior to the outbreak of COVID-19. VACC had communicate the state of the industry to government prior to the pandemic. The VACC position is supported by an internal Deloitte Motor Industry Services report that advised that 36 per cent of Victorian Dealers were already operating at a loss before the crisis hit and 20 percent were breaking even².

A \$50 million threshold criteria applying to a new car dealer industry, where there is no such thing as a fixed net profit, as opposed to a fast food franchises who have an annual turnover of over \$50 million and static pricing can expect a return of approximately 10% of revenue. It is VADAs view that new car dealerships should not be aligned with other industries based on assumptions about high turnover and profitability. High turnover in the new car sector does not equate to profit in the same sense as it does with other industry sectors (e.g. fast food, hardware, gambling). This creates the distorted perception that high turnover must be a good proxy for high profitability and therefore the ability to withstand all external economic shocks. It also leads to the inaccurate conclusion that all franchisees must, by extension, have deep pockets who can just sail through this nightmare without consequence or assistance. The airline industry is a similar example of a low margin/low profitability, high turnover, high capital-intensive industry.

A Deloitte Profit Focus report reveals that dealer net profitability for Q2 of 2019 as a percentage of sales was 1.2 per cent. That average profit in Q1 was 1.0 per cent. A further update from Deloitte in March 2020 advises that the profitability percentage for both 2018 and 2019 was benchmarked nationally at 0.90 percent.

“The overcrowded and overregulated new car dealer market has been brow beaten into a belief that an acceptable level of net profit as percentage of turnover is two per cent” VADA member March 2020

Many dealerships, even in an optimum trading environment, struggle to get near that 0.90 per cent profitability and only the top 10 percent of dealers achieve this outcome. The top brands have an average available margin in a car before discount of approximately eight-nine per cent and then they are discounted dramatically beyond that to win business.

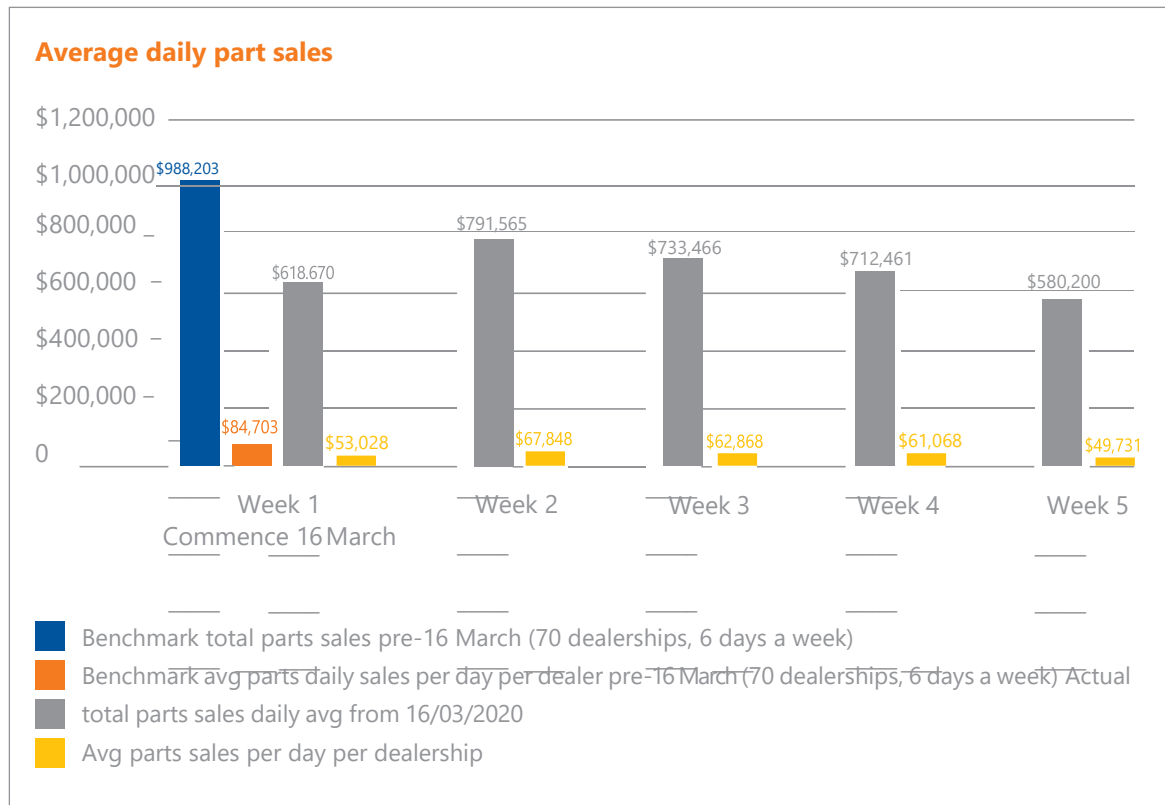
⁷ Understanding the Victorian Food Franchise Industry. Retrieved 19 April 2020 from <https://Victoriandebtsolvers.com.au/research-centre/understanding-the-Victorian-food-franchise-industry/>

⁸ Deloitte Profit Focus 2019 retrieved 19 April from <https://www.eprofitfocus.com/market-intelligence/dealer-profitability/2019-q2-dealer-profitability/>

¹ Adele Ferguson. AFR 22 April 2020.

It is the view of VACC that it would be difficult to find any other industry that would come close to a net profit return in sales of two per cent or less. Factoring that two per cent of a large volume turnover may appear healthy it is important to be reminded that the difference between it being a two per cent profit and falling into the red can be as little as a single dealership department underperforming.

This type of underperformance is the case with VADA members reporting a daily average loss of 41.3 per cent, per dealership in the lucrative parts sales department.

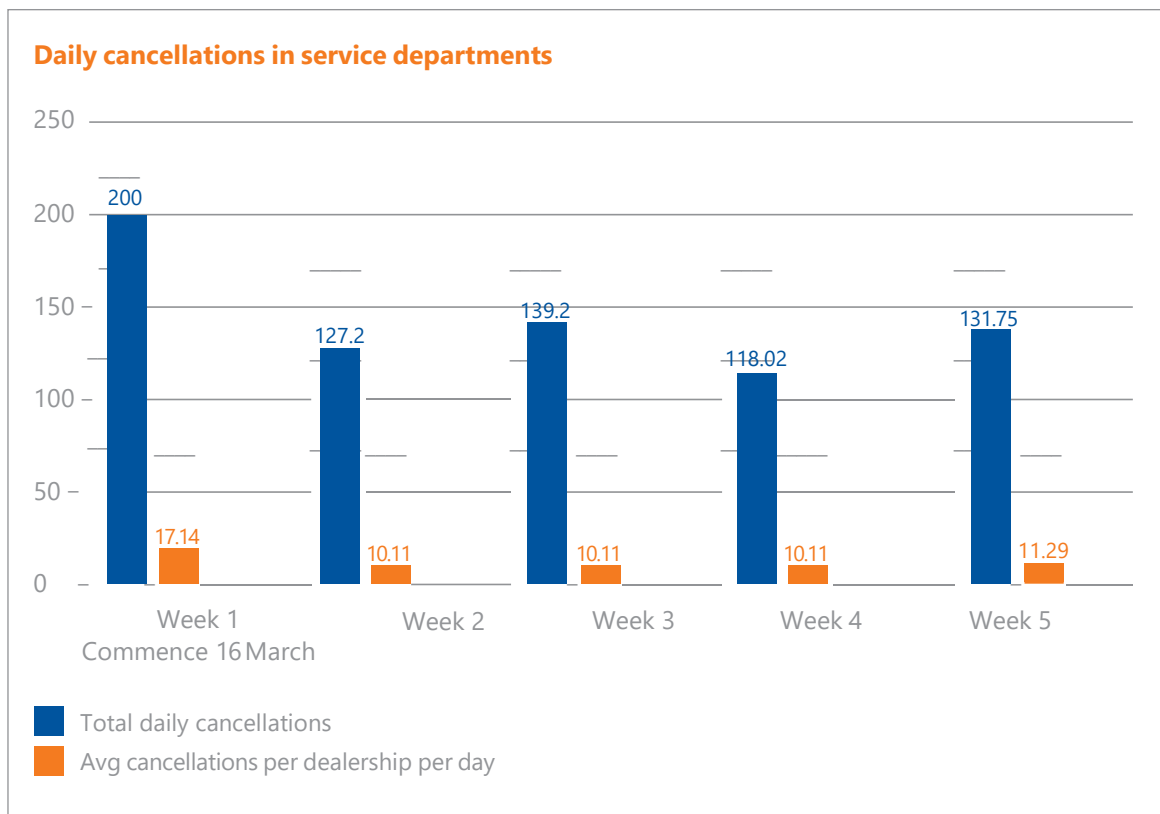


⁹VADA dealer principal interviews 2020.

¹⁰VADA COVID-19 survey April 2020

¹¹VADA COVID-19 survey April 2020

Add to this dealership service departments on average tracking at 11.29 less service cars per day. This will be further exacerbated as new car sales and aftermarket repairers continue to flounder.



Further, VADA members also advise that on average, 50 per cent of total dealer margin is paid in the form of post-facto bonuses that are connected with brand driven statistical performance criteria, but always with a large emphasis on the Customer Satisfaction Index.

VADA members average margin per sale by model

VACC research has received data from VADA members to document the average percentage return of a new motor vehicle in order to ascertain the net profit from return per sale. The table below includes figures sourced by dealers that includes incentives known as dealer holdback³.

Most vehicles sold would be a negative return if dealer holdback was not included in these figures. The two brands in the table below are both VFACTS top 10 brands and have an average retail margin of 10 per cent. A more comprehensive guide is provided in Appendix B.

As previously stated, even though this very small net profit and percentage of sales is measured off a large turnover, it takes only a slightly underperforming department within a dealership to tip this number to negative.

VACC is witnessing this performance in finance sales and parts.

The myth of guaranteed profit for new car dealerships should provide cause for an exemption from the threshold turnover criteria.

³ Manufacturers and importers of motor vehicles commonly make payments to their dealers known as "holdback" payments. These payments are part of incentives and impacted by CSI score and margin achieved.

Average retail margin per brand per model

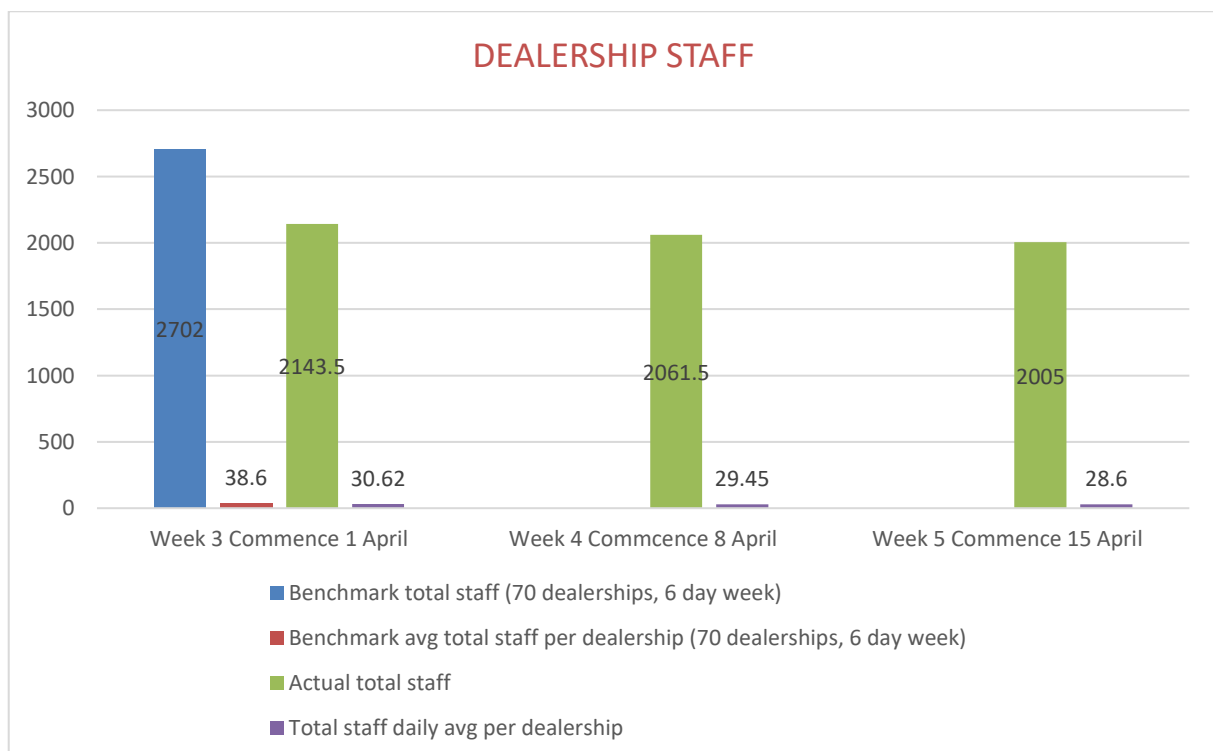
Manufacturer	Retail	Manufacturer	Retail
Kia	Avg Margin	Ford	Avg Margin
Model	Includes Holdback	Model	Includes Holdback
PICANTO	0.0%	ECOSPORT	0.0%
RIO	1.1%	FOCUS	1.7%
CERATO	-0.1%	ESCAPE	1.0%
OPTIMA	0.0%	MONDEO	0.0%
SELTOS	1.1%	TRANSIT	-0.1%
SPORTAGE	0.8%	RANGER	-0.1%
SORENTO	-1.9%	MUSTANG	-1.0%
CARNIVAL	-0.2%	EVEREST	-3.2%
STINGER	0.0%	ENDURA	2.9%
NEW VEHICLE AVERAGE	0.1%	NEW VEHICLE AVERAGE	0.1%
USED	6.0%	USED	4.8%
Net Profit / Sales 2019	0.0%	Net Profit / Sales 2019	0.8%

Unemployment and the thresholds

The impact of a lack of cash flow as a result of a market that is in free fall at 70.1 per cent has resulted in dealers being cash poor and struggling to meet weekly payroll. This has meant that dealers have had to rapidly reduce staff levels.

VADA members have advised a reduction in staff levels from a benchmark aggregate of 2702 staff (16 March) to a total of 2005 staff on April 15, 2020.

That is a decrease of 28.9 per cent in 30 days. The fallout for dealers in regional Victoria is along a similar trajectory, with regional dealers reporting a 27.8 per cent reduction in staff.



The most common approach taken by dealers in the mid-March to early April period was to not extend the probationary period of staff who had been employed for less than six months.

Whilst JobKeeper is a very welcome initiative by government, it is a reimbursement subsidy, meaning dealers who are still cash poor are facing an uphill battle to access a line of credit that will allow for them to pay staff wages in the first instance.

The economic stimulus packages announced by the Prime Minister and Treasurer to date have a number of components including:

- Supporting business capital investment through enhanced tax concessions;
- Cash flow assistance for small and medium-sized businesses as well as not-for-profits (NFPs) to help them stay in business and keep their employees in jobs;
- Targeted support for the most severely affected sectors, regions and communities.

It is VACC's view that the automotive dealer network is a severely affected sector, with the impact in metropolitan and regional Victoria as pronounced as each other.

Access to the Victorian Government Payroll Tax exemptions , rental assistance as mandated under the National Cabinet Mandatory Code of Conduct for SME Commercial Leasing Principles during COVID-19, access to small business grants in order for industry to access much needed assistance fit the criteria as far as a severely affected sector is concerned.

Based on the evidence portfolios presented to government VACC reiterates its key recommendations for urgent implementation of the following;

Recommendations

1. That the Victorian Government exempt automotive franchise dealers and all Licensed Motor Car Traders (LMCT) from the \$3 million annual wage threshold to enable those businesses to have their payroll tax for the 2019-2020 financial year waived, be eligible for future payroll tax deferrals and refund of payroll tax already remitted.
 2. That the Victorian Government exempt all automotive dealers and LMCTS from the less than \$650 thousand payroll criteria applied to the Victorian Governments Business Support Fund.
 3. That the Victorian Government exempts all automotive dealers and LMCTs from the turnover threshold criteria associated with the Victorian Government Rent Assistance SME Commercial Leasing Principles during COVID-19.
 4. That the Victorian Government extend the Land Tax deferral and 25 per cent Land Tax Refund for all automotive dealers and LMCTs
 5. That the Victorian Government assist LMCTs in the sale of vehicle by introducing legislation that will allow for LMCTS to consign a vehicle from the member of the public.
 6. That the Victorian Government assist LMCTS and fleet owners (car rental etc.) by allowing for a voluntary suspension of vehicle registration for a 3-month period.
 7. Abolish Super Luxury Vehicle Duty
-

Appendix A Duty and taxes imposed on sale of motor vehicle in Victoria

Make	List price	GST	Rego (inc TAC)	Federal Luxury Car Tax 2018/2019	Federal Luxury Car Tax 2019/2020	Vic Stamp Duty PRESENT	Vic Stamp Duty 1 July 2019	Total Drive Away price present	Total Drive Away price 1 July 2019	Difference (Includes reduction in LCT (because of increase in LCT threshold))
		10%		33% (> \$66,331)	33% (> \$67,525)	4.2% -> 5.2%	5.2% -> 7% -> 9%			
New	\$ 30,000.00	\$ 3,000.00	\$ 890.00	\$ -	\$ -	\$ 1,386.00	\$ 1,386.00	\$ 35,276.00	\$ 35,276.00	\$ -
New	\$ 40,000.00	\$ 4,000.00	\$ 890.00	\$ -	\$ -	\$ 1,848.00	\$ 1,848.00	\$ 46,738.00	\$ 46,738.00	\$ -
New	\$ 50,000.00	\$ 5,000.00	\$ 890.00	\$ -	\$ -	\$ 2,310.00	\$ 2,310.00	\$ 58,200.00	\$ 58,200.00	\$ -
New	\$ 60,000.00	\$ 6,000.00	\$ 890.00	\$ -	\$ -	\$ 2,772.00	\$ 2,772.00	\$ 69,662.00	\$ 69,662.00	\$ -
New	\$ 70,000.00	\$ 7,000.00	\$ 890.00	\$ 3,200.70	\$ 2,842.50	\$ 4,180.80	\$ 4,180.80	\$ 85,271.50	\$ 84,913.30	-\$ 358.20
New	\$ 80,000.00	\$ 8,000.00	\$ 890.00	\$ 6,500.70	\$ 6,142.50	\$ 4,919.20	\$ 4,919.20	\$ 100,309.90	\$ 99,951.70	-\$ 358.20
New	\$110,000.00	\$ 11,000.00	\$ 890.00	\$ 16,400.70	\$ 16,042.50	\$ 7,155.20	\$ 9,632.00	\$ 145,445.90	\$ 147,564.50	\$ 2,118.60
New	\$120,000.00	\$ 12,000.00	\$ 890.00	\$ 19,700.70	\$ 19,342.50	\$ 7,893.60	\$ 10,626.00	\$ 160,484.30	\$ 162,858.50	\$ 2,374.20
New	\$130,000.00	\$ 13,000.00	\$ 890.00	\$ 23,000.70	\$ 22,642.50	\$ 8,642.40	\$ 11,634.00	\$ 175,533.10	\$ 178,166.50	\$ 2,633.40
New	\$140,000.00	\$ 14,000.00	\$ 890.00	\$ 26,300.70	\$ 25,942.50	\$ 9,380.80	\$ 12,628.00	\$ 190,571.50	\$ 193,460.50	\$ 2,889.00
New	\$150,000.00	\$ 15,000.00	\$ 890.00	\$ 29,600.70	\$ 29,242.50	\$ 10,129.60	\$ 17,532.00	\$ 205,620.30	\$ 212,664.50	\$ 7,044.20
New	\$160,000.00	\$ 16,000.00	\$ 890.00	\$ 32,900.70	\$ 32,542.50	\$ 10,868.00	\$ 18,810.00	\$ 220,658.70	\$ 228,242.50	\$ 7,583.80
New	\$200,000.00	\$ 20,000.00	\$ 890.00	\$ 46,100.70	\$ 45,742.50	\$ 13,842.40	\$ 23,958.00	\$ 280,833.10	\$ 290,590.50	\$ 9,757.40
		10%		33% (> \$66,331)	33% (> \$67,525)	4.2%	4.2% -> 5.2%			
Demo	\$ 30,000.00	\$ 3,000.00	\$ 890.00	\$ -	\$ -	\$ 1,386.00	\$ 1,386.00	\$ 35,276.00	\$ 35,276.00	\$ -
Demo	\$ 40,000.00	\$ 4,000.00	\$ 890.00	\$ -	\$ -	\$ 1,848.00	\$ 1,848.00	\$ 46,738.00	\$ 46,738.00	\$ -
Demo	\$ 50,000.00	\$ 5,000.00	\$ 890.00	\$ -	\$ -	\$ 2,310.00	\$ 2,310.00	\$ 58,200.00	\$ 58,200.00	\$ -
Demo	\$ 60,000.00	\$ 6,000.00	\$ 890.00	\$ -	\$ -	\$ 2,772.00	\$ 2,772.00	\$ 69,662.00	\$ 69,662.00	\$ -
Demo	\$ 70,000.00	\$ 7,000.00	\$ 890.00	\$ 3,200.70	\$ 2,842.50	\$ 3,376.80	\$ 3,376.80	\$ 84,467.50	\$ 84,109.30	-\$ 358.20
Demo	\$ 80,000.00	\$ 8,000.00	\$ 890.00	\$ 6,500.70	\$ 6,142.50	\$ 3,973.20	\$ 4,919.20	\$ 99,363.90	\$ 99,951.70	\$ 587.80
Demo	\$110,000.00	\$ 11,000.00	\$ 890.00	\$ 16,400.70	\$ 16,042.50	\$ 5,779.20	\$ 7,155.20	\$ 144,069.90	\$ 145,087.70	\$ 1,017.80
Demo	\$120,000.00	\$ 12,000.00	\$ 890.00	\$ 19,700.70	\$ 19,342.50	\$ 6,375.60	\$ 7,893.60	\$ 158,966.30	\$ 160,126.10	\$ 1,159.80
Demo	\$130,000.00	\$ 13,000.00	\$ 890.00	\$ 23,000.70	\$ 22,642.50	\$ 6,980.40	\$ 8,642.40	\$ 173,871.10	\$ 175,174.90	\$ 1,303.80
Demo	\$140,000.00	\$ 14,000.00	\$ 890.00	\$ 26,300.70	\$ 25,942.50	\$ 7,576.80	\$ 9,380.80	\$ 188,767.50	\$ 190,213.30	\$ 1,445.80
Demo	\$150,000.00	\$ 15,000.00	\$ 890.00	\$ 29,600.70	\$ 29,242.50	\$ 8,181.60	\$ 10,129.60	\$ 203,672.30	\$ 205,262.10	\$ 1,589.80
Demo	\$160,000.00	\$ 16,000.00	\$ 890.00	\$ 32,900.70	\$ 32,542.50	\$ 8,778.00	\$ 10,868.00	\$ 218,568.70	\$ 220,300.50	\$ 1,731.80
Demo	\$200,000.00	\$ 20,000.00	\$ 890.00	\$ 46,100.70	\$ 45,742.50	\$ 11,180.40	\$ 13,842.40	\$ 278,171.10	\$ 280,474.90	\$ 2,303.80
		2018/2019	2019/2020							
	LCT Limit	\$ 66,331.00	\$ 67,525.00							
	LCT Rate	33%	33%							

Appendix B Example of Percentage of average retail margin on new cars by manufacturer and model

Percentage profitability by model									
Manufacturer	Retail	Manufacturer	Retail	Manufacturer	Retail	Manufacturer	Retail	Manufacturer	Retail
<i>Kia</i>	Ave Margin	<i>Ford</i>	Ave Margin	<i>Toyota</i>	Ave Margin	<i>Suzuki</i>	Ave Margin	<i>Nissan</i>	Ave Margin
Model	Includes Holdback	Model	Includes Holdback	Model	Includes Holdback	Model	Includes Holdback	Model	Includes Holdback
<i>Picanto</i>	0.0%	<i>ECOSPORT</i>	0.0%	<i>YARIS</i>	-1.4%	<i>Baleno Series II GL Manual</i>	0.8%	<i>Qashqai</i>	-0.37%
<i>Rio</i>	1.1%	<i>FOCUS</i>	1.7%	<i>COROLLA</i>	5.1%	<i>Baleno Series II GL Auto</i>	0.8%	<i>Juke</i>	-10.62%
<i>Cerato</i>	-0.1%	<i>ESCAPE</i>	1.0%	<i>COROLLA HYBRID</i>	4.6%	<i>Baleno Series II GLX</i>	0.8%	<i>X - Trail</i>	-0.61%
<i>Optima</i>	0.0%	<i>MONDEO</i>	0.0%	<i>PRIUS</i>	4.5%	<i>Ignis GL Manual</i>	0.8%	<i>Pathfinder</i>	0.15%
<i>Seltos</i>	1.1%	<i>TRANSIT</i>	-0.1%	<i>CAMRY</i>	0.1%	<i>Ignis GL Auto</i>	0.8%	<i>Navara D23</i>	-1.08%
<i>Sportage</i>	0.8%	<i>RANGER</i>	-0.1%	<i>CAMRY HYBRID</i>	4.4%	<i>Ignis GLX</i>	0.8%	<i>Patrol</i>	1.28%
<i>Sorento</i>	-1.9%	<i>MUSTANG</i>	-1.0%	<i>RAV 4</i>	7.3%	<i>Swift 1.2 Manual</i>	1.4%	<i>370Z</i>	-3.55%
<i>Carnival</i>	-0.2%	<i>EVEREST</i>	-3.2%	<i>RAV 4 HYBRID</i>	7.9%	<i>Swift 1.2 Auto</i>	1.4%	<i>Leaf</i>	3.06%
<i>Stinger</i>	0.0%	<i>ENDURA</i>	2.9%	<i>C-HR</i>	4.9%	<i>Swift 1.2 Auto Safety Pack</i>	1.4%		
	0.8%			<i>C-HR HYBRID</i>	9.1%	<i>Swift GLX Turbo</i>	1.2%		
NEW VEHICLE AVERAGE	0.10%	NEW VEHICLE AVERAGE	.10%	<i>KLUGER</i>	4.6%	<i>Swift Sport Manual</i>	1.0%		
Net profit/sales 2019	0.0			<i>FORTUNA</i>	5.1%	<i>Swift Sport Auto</i>	1.0%		
				<i>PRADO</i>	3.7%	<i>Jimny Manual</i>	0.9%		
Honda				<i>COASTER</i>		<i>Jimny Auto</i>	0.9%		
<i>Jazz</i>	4%			<i>LANDCRUISER 200</i>	6.5%	<i>S Cross Turbo Auto</i>	0.8%		
<i>Civic Hatch</i>	5%			<i>LANDCRUISER 70</i>		<i>S Cross Turbo Prestige</i>	0.8%		
<i>Civic Sedan</i>	5%			<i>HIACE</i>	2.9%	<i>Vitara 1.6 Manual</i>	0.7%		
<i>HR-V</i>	5.5%			<i>HILUX 4X4</i>	4.7%	<i>Vitara 1.6 Auto</i>	0.7%		
<i>CR-V</i>	6%			<i>HILUX 4X2</i>	4.3%	<i>Vitara Turbo 1.4 Auto</i>	0.8%		
<i>Odyssey</i>	8%			<i>Supra</i>	0.0%	<i>Vitara Turbo Allgrip</i>	0.8%		
NEW VEHICLE AVERAGE	5.5%			NEW VEHICLE AVERAGE	2.0%	NEW NEW VEHICLE AVERAGE	0.9%	NEW VEHICLE AVERAGE	-0.4%
USED	6.0%			USED	4.0%	USED	2.0%	USED	5.8%
Net Profit / Sales 2019	0.5%			Net Profit / Sales 2019	1.2%	Net Profit / Sales 2019	0.9%	Net Profit / Sales 2019	1.0%

Data provided by VADA members. Current to 17 April 2020.



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