



Senate drive for car tax redesign

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KEVIN Rudd's \$555 million luxury car tax faces a Senate push to deliver exemptions for fuel-efficient vehicles and four-wheel drives in the bush.

Because the Coalition is warning that it may take a hard line in the Senate on what it describes as the "Tarago Tax", the Rudd Government could be forced to rely on the Greens and independents to secure support for the tax.

But the Greens and independent Senator Nick Xenophon yesterday called for relief for green-friendly vehicles under the tax changes, warning that their vote could hinge on such a move.

Greens Senator Christine Milne told *The Australian*: "The ultimate aim of any taxation measure in relation to transport needs to be to reduce emissions.

"The Greens will move to have the luxury car tax transformed into a tax based on vehicle greenhouse emissions

and we are keen to discuss how best to achieve this with the Government, Opposition and independents.

"Before the discussions are finalised, it is too soon to say how the Greens may finally vote."

Senator Xenophon said it did not make sense to apply the tax to hybrid vehicles that are ultra fuel-efficient.

Family First Senator Steve Fielding did not return calls yesterday.

Annette Hurley, Labor chairwoman of the Senate economics committee, which will report shortly on the luxury car tax, said if people wanted more fuel-efficient vehicles, they could buy smaller cars.

She also questioned claims that exemptions should be offered to families in regional areas who required a four-wheel drive, noting that such vehicles were mostly driven in urban areas.

The comments prompted a

furious response from Liberal Senator Alan Eggleston, the deputy chair of the committee: "If that's their attitude, I guess it just shows they don't care about people in the country."

Independents also flexed their political muscle yesterday on the Medicare surcharge levy changes, which are designed to ease tax penalties for families who fail to take out private health insurance.

The Australian reported yesterday that Senator Xenophon was keen to consider a compromise to bring the new income threshold at which penalties apply for singles down from \$100,000 to \$75,000.

Senator Xenophon said it might strike a better balance between the need to lift the tax threshold that has remained stuck at \$50,000 for nearly a decade and limiting an exodus of private health fund members to

the public health system.

On the removal of a \$2.5 billion tax exemption for condensate, a form of light crude oil, which the North West Shelf has enjoyed for 24 years, Senator Milne said "subsidies to fossil fuels will have to be phased out as part of the climate effort".

"The environmental cost of fossil fuels needs to be reflected in their price," she said.

The Government yesterday continued to blame the Coalition for threatening the budget surplus with its plans to block various measures in the Senate.

"Having a strong budget surplus is an important buffer against international economic uncertainty," Wayne Swan said.

"Yesterday they announced that they were going to blow a huge hole in that surplus. That is completely economically irresponsible," the Treasurer said.