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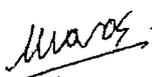


Senator the Hon Don Farrell
Minister for Trade and Tourism
Special Minister of State

The Hon Dr Jim Chalmers MP
Treasurer

MS26-000099

Commissioner Maroš Šefčovič
Commissioner for Trade and Economic Security, European Commission
European Union

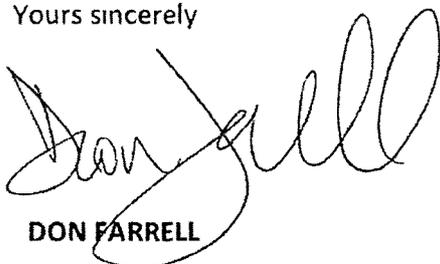

Dear Commissioner

In connection with the Free Trade Agreement between Australia, of the one part, and the European Union, of the other part ("the Agreement"), we have the honour to confirm our understanding regarding our exchanges in relation to Australia's Luxury Car Tax (LCT):

1. Australia will implement, in accordance with its laws and regulations, a new LCT category for zero emissions vehicles, with a threshold of AUD120,000 to be indexed annually using the motor vehicle purchase sub-group of the Consumer Price Index.
2. The new LCT category for zero emissions vehicles will come into effect from 1 July 2027, subject to the passage of legislation. The change will require amendments to taxation laws, including A New Tax System (Luxury Car Tax) Act 1999. Indexation would commence 12 months after this new category comes into effect.
3. For greater certainty, this letter does not give rise to legally binding obligations.

We look forward to your letter in reply confirming that you share this understanding in relation to the above exchanges.

Yours sincerely


DON FARRELL

24 MAR 2026


JIM CHALMERS

Parliament House, Canberra ACT 2600

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Canberra, 24 March 2026

Dear Minister Farrell,

Dear Dr Jim Chalmers,

In connection with the Free Trade Agreement between Australia, of the one part, and the European Union, of the other part, I have the honour to confirm the receipt of, and thank you for, your letter dated 24 March 2026, in relation to Australia's Luxury Car Tax.

For ease of reference, see the above-mentioned letter in annex.

For greater certainty, this letter does not give rise to legally binding obligations.

Your sincerely,



Maroš Šefčovič

Senator the Hon Don Farrell
Minister for Trade and Tourism
Australia

Dr Jim Chalmers
Treasurer
Australia