



## **PROPOSED CHANGES TO FRINGE BENEFITS TAX**

17 July 2013

Automotive Holdings Group (ASX:AHE) advises shareholders that the proposed changes to Fringe Benefits Tax provisions, announced yesterday by the federal government, are not expected to have any major or sustained effect on the Group's long-term business model.

AHG managing director Bronte Howson said some of the headline reporting of the proposed changes had been sensationalist and largely unsubstantiated.

"We read yesterday a headline that suggested the proposed FBT rules will cripple the car industry," said Mr Howson.

"Frankly the automotive retail industry has seen similar predictions of doom and gloom from the original introduction of the FBT to the carbon tax and the recent manufacturing closure announcements, none of which have sent retail sales into a tailspin.

"Novated lease sales represent a small, low margin element of our business," he said.

"There may be some short-term effects on the new car sector but AHG is well placed to capitalise on the ongoing strength of the used vehicle market. We are strong in used car sales; our offering to customers is broad and includes revenue streams from new, used, service, parts and finance and insurance."

While acknowledging there may be a degree of uncertainty over the proposed changes until after the federal election Mr Howson said AHG's diverse income streams, including its industry leading logistics businesses, provide a hedge against any reliance on the company's new car sales operations.

If eventually enacted, the costs to business of compliance with the proposed changes will increase and may render novated leases impractical or unsustainable for many employers.

We anticipate employee salary packages and allowances will inevitably be restructured, however companies with operational fleet requirements will still purchase new vehicles and employees who lose company vehicles will most likely buy their own vehicles, new or used, under revised salary and allowance packages.



Subject to how the specific FBT changes are applied AHG may in fact benefit through more direct relationships with customers who presently purchase through novated leases, and the elimination of margins to intermediaries.

Current low interest rate campaigns offered by a number of manufacturers continue to support the new car market.

Mr Howson said AHG's significant market share and broad portfolio of franchise dealerships would accommodate any change in consumer sentiment towards the type and price range of vehicles preferred for fleet or private purchases.

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**About AHG** Automotive Holdings Group Limited (ASX: AHE) is a diversified automotive retailing and logistics group with operations in every Australian mainland state and in New Zealand. The Company is Australia's largest automotive retailer, with operations in Western Australia, New South Wales, Queensland and Victoria.

AHG's logistics businesses operate throughout Australia via subsidiaries Rand Transport and Harris Refrigerated Transport (transport and cold storage), AMCAP and Covs (motor parts and industrial supplies distribution), VSE (vehicle storage and engineering), Genuine Truck Bodies (body building services to the truck industry), and KTM Sportmotorcycles (motorcycle importation and distribution in Australia and New Zealand).

**Corporate:**

David Rowland  
Company Secretary  
Mobile: 0421 661 613  
Email: [drowland@ahg.com.au](mailto:drowland@ahg.com.au)

**Media:**

David Christison  
Group Executive Corporate Communications  
Mobile: 0418 959 817  
Email: [dchristison@ahg.com.au](mailto:dchristison@ahg.com.au)