



# Volkswagen, Skoda and Audi emissions settlement payments

An income tax treatment may apply to a settlement payment you receive from the Volkswagen, Skoda and Audi class action.

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## What is the emissions class action?

A class action was brought against Volkswagen, Skoda and Audi in relation to the global diesel fuel emissions issue.

The class actions settled after 4 years of litigation. On 1 April 2020 the Federal Court approved the settlement in Australia.

You need to consider the income tax treatment of any settlement payment you receive as an individual. Generally, a settlement payment is a capital payment and not ordinary income.

Payments you receive for these kinds of losses are not usually taxable as a capital gain tax (CGT) event. They instead reduce the cost base of your asset (such as your car).

## Settlement payments and your tax return

The income tax treatment of your settlement payment will depend on:

- how you use your vehicle
- if the vehicle fits the definition of a **car or other vehicle**.

You **don't** need to declare a settlement payment you receive in your tax return for a car you use for either:

- private purposes only
- both a private and work-related use.

## **CGT and settlement payments**

Generally, if you sell a car there are no CGT implications.

As there is no CGT on the sale of cars, the settlement payment has **no CGT impact for cars**. However, the settlement payment will change the **cost base** for the car.

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