



Changes to car thresholds from 1 July

Find out the new car thresholds that'll apply for the 2025–26 financial year.

Published 3 June 2025

Income tax

The car limit for 2025–26 is \$69,674. This is the highest value you can use to calculate depreciation on a car where:

- you use the car for business purposes, and
- you first use or lease the car in the 2025–26 income year.

As a business owner, you can claim a **tax deduction on expenses** for motor vehicles you use for business purposes.

If you're using a motor vehicle for both business and private purposes, you can only claim a deduction for the business part. You must be able to show the percentage you claim as business use and have records to support your claim.

Goods and services tax (GST)

If you're buying a car and the price is more than the car limit, the most **GST credit** you can claim (except in certain circumstances) is one-eleventh of the car limit. For 2025–26, the most GST credit you can claim is \$6,334 (that is, $1/11 \times \$69,674$).

You need to claim GST credits within the **4-year time limit**.

You can't claim a GST credit for luxury car tax when you buy a luxury car. This is even if you use it for business purposes.

Luxury car tax (LCT)

The LCT threshold for 2025–26 is:

- \$91,387 for fuel-efficient vehicles – In line with an increase to the motor vehicle purchase sub-group of the Consumer Price Index (CPI)
- \$80,567 for all other luxury vehicles – In line with an increase in the 'All Groups' CPI.

From 1 July, the definition of a **fuel-efficient vehicle** will also change, affecting vehicles with a fuel consumption rate of 3.5 and 7 litres per 100km. The indexation rates applying to the thresholds for fuel-efficient vehicles and other vehicles will be aligned.

If you're a dealer buying luxury cars under quote, you need to properly quote to meet your obligations.

For more information, visit [Get your LCT right](#).

QC 105023

Our commitment to you

We are committed to providing you with accurate, consistent and clear information to help you understand your rights and entitlements and meet your obligations.

If you follow our information and it turns out to be incorrect, or it is misleading and you make a mistake as a result, we will take that into account when determining what action, if any, we should take.

Some of the information on this website applies to a specific financial year. This is clearly marked. Make sure you have the information for the right year before making decisions based on that information.

If you feel that our information does not fully cover your circumstances, or you are unsure how it applies to you, contact us or seek professional

advice.

Copyright notice

© Australian Taxation Office for the Commonwealth of Australia

You are free to copy, adapt, modify, transmit and distribute this material as you wish (but not in any way that suggests the ATO or the Commonwealth endorses you or any of your services or products).