

EU-Australia Trade Negotiations

1. Status quo

The EU and Australia launched negotiations on a trade agreement in 2018 ([EU Trade agreements](#)). However, negotiations were put on hold at the end of 2023 due to disagreements over agricultural market access. Talks resumed in June 2025, with both sides expressing renewed commitment to concluding an ambitious and mutually beneficial agreement.

2. Key priorities of the VDA

- **Swift conclusion of the FTA with significant market access for both sides and a dedicated Automotive Annex:** VDA fully supports the negotiations between the EU and Australia and hopes for a speedy conclusion. The agreement should include a comprehensive annex covering all vehicle groups, components, and regulatory cooperation to ensure long-term market access and legal certainty.
- **Removal of automotive-specific import tariffs:** VDA advocates for the full removal of existing tariffs on automotive-related products. This would strengthen fair competition, diversify supply chains, and support access to advanced automotive technologies.
- **Review of the Luxury Car Tax (LCT):** The current LCT effectively functions as a tariff. A swift removal – preferably without a prolonged lead time – could help lower consumer prices, support Australia's transition to cleaner vehicle technologies, and create a level playing field.
- **Review of Fringe Benefits Tax Exemption (FBT Exemption):** The VDA is advocating BEVs to be exempt from purchase price limits. A general exemption for BEVs would further stimulate the ramp-up of electromobility in Australia and contribute to Australia's decarbonization targets.
- **Accelerating the roll-out of charging infrastructure:** To reach Australia's own EV adoption targets, accelerated investment in public charging infrastructure will be essential.
- **Stronger EU–Australia cooperation in raw materials** can support sustainable mining, value creation in Australia, and secure supply for the global ramp-up of electromobility.

3. Footprint of the German automotive industry in Australia

- In 2024, the value of German automotive exports to Australia remained at EUR 3.1 bn.
 - German **export value of motor vehicles and engines to Australia remained** at around EUR 2.7 bn in 2024.
 - German **export value of parts, accessories and engine parts to Australia increased slightly** to around EUR 286 mn in 2024.
 - German **trade surplus with Australia** in automotive goods increased slightly totaling around EUR 3.1 bn in 2024.
- German OEMs have a **market share of approx. 10%** in the Australian passenger car market (S&P Global Mobility).
- Companies of the German automotive industry have around 89 production sites in Australia, exclusively by suppliers (Dun & Bradstreet, 2022).

4. Tariff barriers to trade

Currently, Australia applies a **uniform 5% tariff to imports** of passenger cars, light, medium as well as heavy-duty trucks, coaches and buses.

For parts, the MFN tariff rate applied to EU imports currently ranges from 0 to 5% depending on the product group. The FTA should remove all existing import tariffs, ensuring equal treatment for all product groups.

Australia already has 19 FTAs with 31 economies in place. As Australia already offers tariff-free access of automotive products from automotive hubs such as the USA, China, Japan, South Korea, ASEAN countries, India and the UK (bilaterally and partially through RCEP and CPTPP), removing tariffs under an EU-Australia FTA would help ensure equal treatment of EU companies and encourage a more diversified and competitive market.

5. Non-tariff barriers (NTBs)

Luxury Car Tax (LCT): Australia levies a 33% LCT on all passenger cars valued over a specified amount which increases yearly. The [threshold](#) is AUD 80,567 (approx. EUR 45,551). Commercial vehicles (incl. pickup trucks and goods minivans) are not subject to LCT. Emergency vehicles, motor homes, camper vans, vehicles intended for disabled persons as well as fuel efficient luxury cars (with a [fuel consumption of not more than 3.5 l/100 km](#)) having a customs value not exceeding AUD 91,387 (approx. EUR 51,668) are also exempted from LCT.

Cars are the only item still subject to a luxury tax in Australia, with the higher rates of sales taxes for all other luxury items (such as jewelry, furs, watches, televisions and radios) ceased in 2000. For the 2023-24 financial year the Australian government collected over AUD 1.1 bn (approx. EUR 622 mn) in LCT revenue.

The VDA calls for a swift removal of the LCT as it constitutes a de facto tariff on European cars. An immediate LCT removal – without a prolonged lead time – would minimize market disruption, prevent speculative behavior, and provide clarity for both consumers and manufacturers. Removing the LCT would also support Australia's decarbonization goals, provide Australian households with access to safer and/or climate-friendlier (electric) vehicles and strengthen technological competition in the Australian market.

Goods and Services Tax (GST): Additionally, Australia charges GST (10% of the value subject to customs duty) when importing vehicles.

In recent years, the Australian government has addressed concerns about standards and homologation raised by importing automotive companies:

- In the past, Australian **fuel quality standards** had a negative impact on the environment and made it difficult for EU automotive companies to import the latest vehicle technology. At the end of 2025, the [limits for sulfur and aromatics in petrol were significantly reduced](#) in line with international best practice values.
- In the past, many importing truck manufacturers needed to undergo lengthy homologation efforts regarding the **maximum width of trucks** in Australia. Following a [reform in June 2024](#), trucks with a width of 2.55 m, which are common in the EU, are now also permitted on Australian roads, provided they meet the necessary safety requirements.
- Following a reform in November 2024, a higher **front axle weight for trucks** is now permitted in Australia, similar to the EU. This reduces the homologation costs for exporting companies from the EU.

6. Ramp-up of electromobility

In April 2023, the Australian government released a [National Electric Vehicle Strategy](#). One major target is that 50% of new light-vehicles shall be zero-emissions vehicles (ZEVs) by 2030.

Electromobility is slowly gaining traction in Australia. In 2024, almost 11% of all light vehicle sales were electric (BEV & PHEV). **German OEMs are driving the transition towards electromobility**, reaching 17% EV market share in January–August 2025 (+4%, 2024 YTD).

Currently, the Australian government exempts certain fully electric vehicles provided by employers from the so-called [Fringe Benefits Tax Exemption](#) (FBT exemption), a tax on benefits granted by employers to their employees. In order to benefit from the FBT exemption the vehicle's first retail sale price must be below the Luxury Car Tax (LCT) threshold for fuel-efficient vehicles (AUD 91,387 / approx. EUR 51,668). The VDA is advocating for BEVs to be exempt from aforementioned thresholds. A general exemption for BEVs would further stimulate the ramp-up of electromobility in Australia and contribute to Australia's decarbonization targets.

In addition, some regions grant interest-free loans for the installation of home charging stations or exempt EVs from registration fees. However, the charging infrastructure in Australia is still insufficient. A March 2025 [report](#) estimated that there is **one public charge point for every 37 EVs in Australia**. The VDA is advocating for a significant expansion of the charging infrastructure network to meet national EV adoption targets, facilitating long-distance mobility and ensuring consumer confidence.

7. Raw materials

Australia is one of the world's most important producers of raw materials. As a leading global producer of lithium, iron, bauxite, titanium, rare earth elements and more, Australia plays a particularly important role for the global automotive industry and the transition to electromobility ([DERA](#), 2022).

The following is a list of raw materials for which the country is currently ranked among the top 10 worldwide.

1. **Lithium (for lithium-ion batteries):** 51.0% of global production (No 1 worldwide)
2. **Iron (for car body, chassis etc.):** 38.0% of global production (No 1 worldwide)
3. **Bauxite (for lightweight components):** 25.1% of global production (No 2 worldwide)
4. **Titanium (for valves, exhaust systems etc.):** 17.1% of global production (No 3 worldwide)
5. **Manganese (for steel alloying and battery cathodes):** 15.1% of global production (No 3 worldwide)
6. **Zinc (for galvanization):** 9.9% of global production (No 3 worldwide); 2.9% of global processing (No 7 worldwide)
7. **Rare Earth Elements (for electric motor magnets, sensors, catalysts, displays etc.):** 5.4% of global production (No 3 worldwide)
8. **Cobalt (for battery cathodes):** 3.5% of global production (No 4 worldwide); 1.9% of global processing (No 7 worldwide)
9. **Nickel (for battery cathodes):** 4.8% of global production (No 5 worldwide); 3.2% of global processing (No 6 worldwide)
10. **Antimony (for lead-antimony alloys):** 2.7% of global production (No 7 worldwide)

The VDA calls for stronger EU-Australia cooperation in raw materials to support sustainable mining, value creation in Australia, and secure supply for the global ramp up of electromobility.

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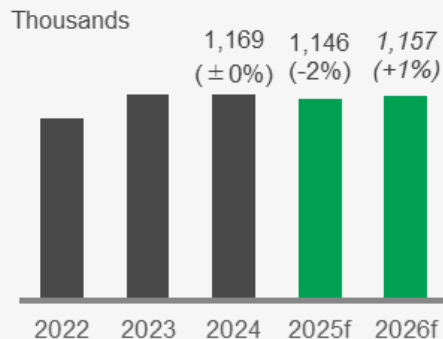
Australia

I Economic situation

- **GDP-Forecast 2025:** +1.7% (2026: +2.2%)
- **Forecast Private Consumption 2025:** +1.9% (2026: +2.3%)
- **Forecast Inflation 2025:** +2.5% (2026: +2.7%)
- **Forecast Capital Investments 2025:** +1.1% (2026: +2.7%)

GDP growth is currently boosted by population growth coming from migration. Per-capita-GDP has been negative in the last 8/9 quarters. Private consumption is hampered by falling real disposable incomes.

II Light Vehicle Sales



- **Sales in 2024:**
1,169,300 Units (±0%)
- **Forecast Sales 2025f:**
1,145,900 Units (-2%)

f = forecast

III Passenger Car Production

- There are no major OEMs with a significant presence in Australia. Only a few small-series manufacturers produce in Down Under.
- Furthermore, there have been no announcements from major OEMs regarding plans to manufacture in Australia.

IV Situation in the Automotive Industry

- Light vehicle market is currently about 200.000 units below its record level in 2015 – however slightly above pre-covid volume.
- Car density is 734 cars/1,000 inhabitants (world: 178/1,000).

Sources: Consensus Forecasts, GTAI, IHS