



## Queensland Treasury Response to Commonwealth Grants Commission Draft Report Attachment 6

### **Motor Taxes**

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## **SUMMARY OF QUEENSLAND'S POSITION**

Queensland supports the Motor Taxes assessment comprising the components:

- Light vehicle registration fees and taxes;
- Heavy rigid truck registration fees and taxes;
- Heavy articulated truck registration fees and taxes; and
- Stamp duty on motor vehicle registration and transfers.

The proposed light vehicle registrations, heavy rigid truck registrations and articulated truck registrations components are robust, transparent and comparable. The number of categories to assess motor taxes has reduced from three to a single category, and the methods used within the category have been considerably simplified.

Queensland has some concerns regarding the Draft Report's change of position over the assessment of stamp duty, moving from the original basis of vehicle numbers to the use of vehicle value in calculating each State's revenue base. Queensland acknowledges that while the new method is not ideal, it simplifies the assessment.

### ***Queensland's Position on Key Issues***

The Motor Taxes assessment to be finalised as outlined in the Draft Report.

## **PROPOSED METHODOLOGY**

The 2010 Draft Report proposes a single Motor Taxes assessment to replace the Light Vehicle Registration Fees and Taxes, Heavy Vehicle Registration Fees and Taxes, and the Stamp Duty on Motor Vehicle Registrations and Taxes assessment categories used in the 2004 Review.

The proposed Motor Taxes assessment is divided into four components:

- Light vehicle registrations;
- Heavy rigid truck registrations;
- Articulated truck registrations; and
- Stamp duty on motor vehicle registrations and transfers.

The light vehicle and heavy and articulated truck registrations components are calculated by dividing the aggregate revenue collected for a class of vehicle across all states by the number of those vehicles (less exempt vehicles) registered to obtain an average tax rate. This average tax rate is then multiplied by the number of those vehicles in each state to determine each state's assessed revenue.

The stamp duty on motor vehicles component is calculated by dividing the total stamp duty collected across all states by the total value of non-exempt vehicles in all states to determine a national average tax rate. Each state's assessed revenue is then determined by multiplying the average tax rate by the total value of vehicles in each state.

Each state's relativity is then determined by dividing the state's total assessed revenue per capita by the national assessed revenue per capita.

## **ASSESSMENT APPROACH**

Queensland generally supports the Commission's proposed methodology for the assessment of Motor Taxes.

### ***Registration Fees and Taxes***

The assessment of registration fees and taxes using vehicle numbers is logical, transparent, and simple. The division between light vehicles, heavy rigid trucks and articulated trucks is appropriate as these types of vehicles have significantly different tax rates. The proportion of each of these vehicle types out of total state vehicle numbers has a significant impact on revenue. Queensland considers no further work or adjustment is necessary for the registration fees and taxes factors.

### ***Stamp Duty***

The Draft Report proposes assessing stamp duty using vehicle value rather than the previous position of using vehicle numbers. Queensland maintains that using vehicle numbers is a more consistent and policy neutral method for assessing stamp duty. The other three components of the Motor Taxes category utilise vehicle numbers based on comparable and accurate ABS data. The newly proposed method introduces vehicle value in to the assessment category sourced from individual states, with Victoria unable to provide the data.

For vehicle numbers to accurately measure stamp duty however, the factor must be adjusted to both allow a split between new and used vehicle sales, and exclude exempt vehicles across the states. While this would be ideal, Queensland acknowledges there are practical difficulties with this method including differing exempt vehicles across states. Queensland accepts that the vehicle value method proposed in the Draft Report addresses these issues and allows the assessment of stamp duty without the need for these adjustments. In the interest of simplicity, Queensland supports the Commission's position.