



COMMONWEALTH GRANTS COMMISSION

DRAFT ASSESSMENT PAPER CGC 2003/10

STAMP DUTY ON MOTOR VEHICLE REGISTRATIONS AND TRANSFERS

Prepared for the Commission's 2003 Conferences on Draft Assessments

AUGUST 2003

NOTE

Included in this paper are the results of preliminary calculations based on the methods proposed throughout the paper and using the data currently available. Those results are indicative only and should be seen as work in progress. Ongoing changes are being made to standards and factor calculations as new data come to hand. Moreover, the calculations have been done using a prototype assessment system and are subject to ongoing revision as checking processes proceed.

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INTRODUCTION

1. This paper presents a draft assessment for the Stamp Duty on Motor Vehicle Registrations and Transfers category. Early in the review, this category was designated as a no change category and a discussion paper was not released for it. This paper responds to comments provided in State submissions and at 2002 conferences.

1999 REVIEW ASSESSMENT METHOD

Description of the category

2. In the 1999 Review, the Stamp Duty on Motor Vehicle Registrations and Transfers category comprised net collections from stamp duty on motor vehicle new registrations and transfers.

3. Table 1 shows the revenue standards for this category in dollars per capita and percentages of own source revenue used in the 2003 Update. Total collections were \$1 502 million (an average of \$76.61 per capita) in 2001-02. This represented 3.08 per cent of State own source revenue.

Table 1 STANDARD REVENUE FOR STAMP DUTY ON MOTOR VEHICLE REGISTRATIONS AND TRANSFERS

		1997-98	1998-99	1999-2000	2000-01	2001-02
Standard revenue	\$pc	67.46	69.12	71.45	71.51	76.61
Percentage of own source revenue	%	3.25	2.93	2.95	2.94	3.08

Source: 2003 Update Working Papers, Volume 2, pages 18 and 21.

The revenue base

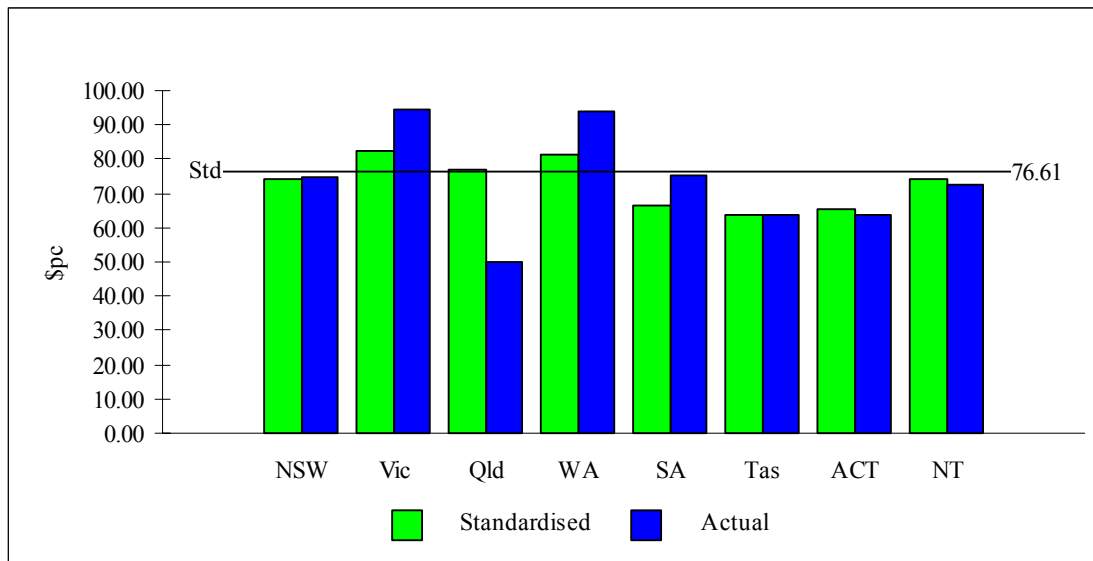
4. The revenue base was an estimate of the dutiable value of motor vehicles subject to the stamp duty. An adjustment was made to the estimate to better reflect what States actually levy, and to improve policy neutrality. The adjustment took account of the practice of three States to levy the duty on the list price of a vehicle rather than the lower market price.

5. For States which imposed a single rate of duty, the estimate of dutiable values was calculated by dividing their actual revenues by their legislated rate of duty. For States which imposed progressive rates of duty, the estimate of dutiable values was based on the sample value data they provided, adjusted for the size of the sample.

6. The list price/market price adjustment was based on a comparison of Queensland motor vehicle list prices with market prices, conducted in the 1999 Review. That comparison suggested that imposing duty on list price of a vehicle increased a State's revenue collections by three per cent compared to imposing the duty on market price.

7. Figure 1 shows the assessment for 2001-02 from the 2003 Update.

Figure 1 STAMP DUTY ON MOTOR VEHICLE REGISTRATIONS AND TRANSFERS: STANDARDISED, ACTUAL AND STANDARD REVENUES PER CAPITA, 2001-02



Importance of the category

8. Table 2 shows that for the 2003 Update, the Stamp Duty on Motor Vehicle Registrations and Transfers category redistributed \$53.0 million in equalisation grants compared with an equal per capita distribution.

Table 2 GRANT DISTRIBUTION OF STAMP DUTY ON MOTOR VEHICLE REGISTRATIONS AND TRANSFERS COMPARED WITH AN EQUAL PER CAPITA DISTRIBUTION, GST RELATIVITIES

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Change in grant	17.6	-39.4	0.8	-13.6	24.2	5.8	3.5	1.0	53.0

CATEGORY DEFINITION FOR THE 2004 REVIEW

9. There was general support for the existing scope of the category and the Commission has found no reason to change it. The category will continue to comprise net collections from stamp duty on motor vehicle new registrations and transfers.

ISSUES FOR THE 2004 REVIEW

State views

10. States were generally satisfied with the existing assessment method. Few States commented on the category in their submissions.

11. **Victoria** said the calculation used by the Commission to estimate States' effective rate of duty should be more transparent.

12. Victoria was concerned with the validity of some of the effective rates of duty included in the assessment. It noted that the Commission estimated effective rates of duty for States where the rate of duty depended on the value of the vehicle and the purpose for which it was used (Victoria, Western Australia and South Australia). Victoria had not been able to obtain information on the calculation used by the Commission to convert these ranges to an effective rate of duty. It was concerned that estimated motor vehicle valuations (revenue base) were partly reflecting estimation effects and policy choices between States rather than real differences in values.

Analysis and evaluation

13. Two States, Queensland and the Northern Territory, apply a single rate of duty. For these States, the Commission calculates the estimate of their dutiable values by dividing their actual revenue by their legislated rate (which was also their effective rate of duty).

14. Other States apply progressive rates of duty. These States provide the Commission with sample data on the number of vehicles, the value of vehicles and the duty paid by value range. The Commission calculates the estimate of their dutiable values by dividing their actual revenue by their estimated effective rate of duty.

15. The Commission uses States' sample data and their legislated rates (see Attachment A) to calculate their effective rate of duty¹. Attachment B presents the 2001-02 calculation for New South Wales. The steps involved are:

¹ The Commission undertakes the calculation by value range. This provides an additional check on the quality of data provided by States.

- (i) for each value range, use sample values and sample vehicle numbers to calculate notional duty payable;
- (ii) aggregate the sample values and notional duty payable;
- (iii) calculate an effective rate of duty by dividing the aggregate notional duty payable by the aggregate sample value.

16. Victoria provided sample data on vehicle numbers and duty paid but not vehicle values. As a result, a more complex method had to be used to estimate its effective rate of duty. Victoria's three tiered duty regime further complicated the calculation. It applies progressive rates of duty to new passenger vehicles registrations, a single (5 per cent) rate of duty to new non-passenger vehicle registrations and a single (8 per cent) rate of duty to other vehicle registrations and transfers. Victoria's sample data did not classify its vehicle numbers into these three types.

17. The Commission used past information on the shares of vehicles in each group to classify the latest data on vehicle numbers by type and value range. For new vehicle registrations, it used information on changes in average vehicle values to estimate the average value of vehicles in each value range. It multiplied those average values by the number of vehicles to determine total value by value range. For other vehicles, the Commission estimated values by dividing the duty paid by the relevant single duty rate.

18. The estimated values for each group of vehicles were aggregated. A single effective rate of duty was then calculated as aggregate duty paid divided by the aggregate estimated vehicle values.

19. Less estimation would be required if Victoria were able to provide data on vehicle values disaggregated by vehicle type and value range. In the absence of that data, some estimation will be required.

20. The Commission has reviewed the size of the list price/market price adjustment. This review was based on a comparison of Queensland motor vehicle list prices with market prices — similar data were not available from other States. That analysis confirmed that imposing duty on the list price of a vehicle increased a State's revenue collections by about three per cent compared to imposing the duty on market price.

Commission decisions

21. All States impose this duty on the value of vehicles. Since it is the standard policy, the Commission accepts that there is a conceptual case for using the dutiable value of vehicles subject to the stamp duty as the measure of the revenue base. The Commission is satisfied that the sample data provided by the States are sufficiently comparable and representative to be used to estimate missing vehicle value data. Therefore, it has decided to:

- (i) continue to estimate the dutiable value of motor vehicle registrations and transfers using actual revenue and legislated rates for those States that impose a single rate of duty; and

- (ii) continue to estimate the dutiable value of motor vehicle registrations and transfers using actual revenue and estimated effective rates of duty for those States that impose progressive rates of duty.

22. The Commission has concluded that the standard policy is to impose this duty on the market price of vehicles. It acknowledges that there are differences between list and market prices for new vehicles. Those differences mean that the estimated total dutiable value of vehicles in States which levy duty on list prices are not comparable with those for other States. Evidence suggests that the differences are material.

23. The Commission has decided to make adjustments to remove the differences to ensure that the assessments are policy neutral.

24. The Commission has decided to:

- (i) continue to assess a list price/market price adjustment; and
- (ii) base that adjustment on three per cent.

PROPOSED ASSESSMENT METHOD FOR THE 2004 REVIEW

25. The assessment method for the 2004 Review will be the same as that for the 1999 Review. The revenue base will be the estimated market value of motor vehicle new registrations and transfers subject to duty. The assessment contains a policy adjustment to remove the effects of the non-standard policy of three States to levy duty on the list price rather than market price.

Calculation of the revenue base

26. Table 3 presents the calculation of the revenue base starting with actual revenues from the Commission's equalisation budget. It is identical to that used in the 2003 Update.

Table 3 CALCULATION OF THE REVENUE BASE, GST RELATIVITIES

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
A. Actual revenue (\$m)									
1997-98	422.014	386.144	152.798	139.164	97.933	29.360	17.620	12.830	1 257.863
1998-99	443.683	408.600	167.200	138.500	84.795	31.022	18.282	12.607	1 304.689
1999-2000	462.000	418.230	167.300	160.200	97.400	27.541	19.654	12.891	1 365.216
2000-01	465.028	428.640	167.286	161.100	102.056	27.736	20.141	12.256	1 384.247
2001-02	497.440	459.622	184.300	180.700	114.459	30.082	20.501	14 464	1 501.568
B. Effective rate of duty (%)									
1997-98	3.18	3.33	2.00	3.00	3.44	3.20	3.00	3.00	
1998-99	3.18	3.35	2.00	3.00	3.44	3.15	3.09	3.00	
1999-2000	3.16	3.64	2.00	3.52	3.46	3.13	3.07	3.00	
2000-01	3.15	3.63	2.00	3.55	3.47	3.14	3.07	3.00	
2001-02	3.19	3.62	2.00	3.66	3.47	3.15	3.06	3.00	
C. Estimated motor vehicle dutiable values (\$m) = (A divided by B)									
1997-98	13 279.9	11 591.1	7 639.9	4 638.8	2 844.5	917.6	587.3	427.7	41 926.8
1998-99	13 938.1	12 212.1	8 360.0	4 616.7	2 463.3	983.7	591.0	420.2	43 585.1
1999-2000	14 618.7	11 492.5	8 365.0	4 549.3	2 814.3	879.4	639.5	429.7	43 788.5
2000-01	14 743.3	11 796.5	8 364.3	4 540.8	2 941.4	883.9	655.4	408.5	44 334.2
2001-02	15 617.3	12 692.6	9 215.0	4 940.8	3 298.4	955.4	669.9	482.2	47 871.6
D. List price/market price adjustment									
1997-98	1.0000	1.0000	0.9700	1.0000	0.9700	1.0000	1.0000	0.9700	
1998-99	1.0000	1.0000	0.9700	1.0000	0.9700	1.0000	1.0000	0.9700	
1999-2000	1.0000	1.0000	0.9700	1.0000	0.9700	1.0000	1.0000	0.9700	
2000-01	1.0000	1.0000	0.9700	1.0000	0.9700	1.0000	1.0000	0.9700	
2001-02	1.0000	1.0000	0.9700	1.0000	0.9700	1.0000	1.0000	0.9700	
E. Revenue base (\$m) = (C times D)									
1997-98	13 279.9	11 591.1	7 410.7	4 638.8	2 759.2	917.6	587.3	414.8	41 599.5
1998-99	13 938.1	12 212.1	8 109.2	4 616.7	2 389.4	983.7	591.0	407.6	43 247.8
1999-2000	14 618.7	11 492.5	8 114.1	4 549.3	2 729.9	879.4	639.5	416.8	43 440.2
2000-01	14 743.3	11 796.5	8 113.4	4 540.8	2 853.2	883.9	655.4	396.3	43 982.8
2001-02	15 617.3	12 692.6	8 938.6	4 940.8	3 199.4	955.9	669.9	467.7	47 481.7

Table 3 CALCULATION OF THE REVENUE BASE, GST RELATIVITIES
(continued)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
F. Standardised revenue (\$m) = equals (A_{Aust} times E divided by E_{Aust})									
1997-98	401.552	350.485	224.081	140.266	83.430	27.746	17.759	12.544	1257.863
1998-99	420.483	368.411	244.636	139.275	72.082	29.676	17.829	12.297	1304.689
1999-2000	459.430	361.180	255.004	142.972	85.793	27.639	20.099	13.099	1365.216
2000-01	464.009	371.265	255.348	142.911	89.797	27.817	20.628	12.472	1384.247
2001-02	493.885	401.392	282.674	156.250	101.178	30.215	21.184	14.790	1501.568

2004 REVIEW DRAFT CALCULATIONS

Grant share effects

27. The assessment redistributes \$53.0 million compared with an equal per capita distribution. This level of redistribution is the same as that in the 2003 Update because the proposed assessment method is identical to that used in the 1999 Review.

Revenue raising capacity ratios

28. There will be no change in revenue raising capacity ratios because the proposed assessment method is identical to that used in the 1999 Review. Table 4 presents the revenue raising capacity ratios.

Table 4 REVENUE RAISING CAPACITY RATIOS, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
2003 Update	0.9707	1.0791	1.0052	1.0632	0.8696	0.8335	0.8569	0.9655	1.0000
2004 Review draft	0.9707	1.0791	1.0052	1.0632	0.8696	0.8335	0.8569	0.9655	1.0000

Standardised revenues

29. There will be no change in standardised revenues because the proposed assessment method is identical to that used in the 1999 Review.

Reality checks

30. Standardised revenues depend on actual revenues and legislated or estimated effective rates of duty. The movement in the effective rates is very small, so the movement in standardised revenues tracks the movement in actual revenues.

Updateability

31. The assessment will be updated annually using actual revenues, legislated rates of duty and sample data on vehicle numbers, value of vehicles and duty paid provided by States.

STATE STAMP DUTY ON MOTOR VEHICLE REGISTRATIONS AND TRANSFERS REGIMES

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	
Duty is based on the value of the vehicle.	<p><i>Passenger vehicles:</i> \$0-\$45 000: \$3.00 per \$100 or part thereof Above \$45 000: \$1 350 + \$5.00 per \$100 or part thereof.</p> <p><i>Other vehicles:</i> \$3.00 per \$100 or part thereof.</p>	<p>Vehicles not previously registered in Victoria or elsewhere: <i>Non-passenger vehicles:</i> \$5.00 per \$200 or part.</p> <p><i>Passenger cars:</i> \$0-\$35 000: \$5 per \$200 or part \$35 001-\$45 000: \$8 per \$200 or part Above \$45 000: \$10 per \$200 or part</p> <p><i>Used vehicles:</i> \$8 per \$200 (or part) (payable by registered used car dealers on their disposal of currently registered Victorian vehicles).</p>	\$2 per \$100 or part.	<p>\$0-\$15 000: 2.5% \$15 001-\$40 000: 2.5%-5.0% (proportional) Over \$40 000: 5.0%</p>	<p>\$0-\$1 000: \$1 per \$100 or part (min. \$5) \$1 001-\$2 000: \$10 + \$2 per \$100 or part of excess \$2 001-\$3 000: \$30 + \$3 per \$100 or part of excess Over \$3 000: \$60 + \$4 per \$100 or part of excess.</p> <p>Except for commercial vehicles where the rate is: \$0-\$1 000: \$1 per \$100 or part (min. \$5)</p> <p>\$1 001-\$2 000: \$10 + \$2 per \$100 or part of excess</p> <p>Over \$2 000: \$30 + \$3 per \$100 or part of excess.</p>	<p>\$0-\$1 000: \$1 per \$100 or part (min. \$5) \$1 001-\$2 000: \$10 + \$2 per \$100 or part of excess Over \$2 000: \$30 + \$3 per \$100 or part of excess.</p>	<p><i>Passenger vehicles:</i> Under \$600: \$20 \$600-\$34 999: \$3 per \$100 or part \$35 000-\$39 999: \$1 050 + \$11 per \$100 or part in excess of \$35 000 \$40 000 or over: \$4 for each \$100 or part of \$100 of the value of the vehicle.</p> <p><i>All other vehicles:</i> Under \$600: \$20 Over \$600: \$3 per \$100 or part.</p>	<p><i>Passenger vehicles:</i> Under \$45 000: \$3 per \$100 or part \$45 000 or over: \$1 350 plus \$5 per \$100 or part thereof in excess of \$45 000.</p> <p><i>Other vehicles:</i> \$3 per \$100 or part thereof.</p>	\$3 per \$100 or part.
Reference Period:	Duty is payable at the time the motor vehicle is registered or transferred.	Payments are due at the time of application or transfer of vehicle registration.	Payments are due at the time of application or transfer of vehicle registration.	Payments are due within 14 days of exchange.	Payments are due within 14 days of exchange.	Payments are due within 14 days of exchange.	Payments are due at time of application for registration or transfer of registration.	Payments are due within 14 days of transfer or issue.	

**CALCULATION OF NEW SOUTH WALES'
2001-02 EFFECTIVE RATE OF DUTY**

Table B-1 LEGISLATED RATES, NEW SOUTH WALES

Value range	Basic amount per vehicle	Marginal rate
	\$	%
\$0 - \$45 000	0	3
Value in excess \$45 000	1 350	5

Source: Attachment A.

Table B-2 SAMPLE DATA PROVIDED BY NEW SOUTH WALES

Value range	Value of vehicles	Number of vehicles	Duty paid
	\$	Number	\$
\$0 - \$45 000	11 962 064 207	1 007 791	359 139 102
>\$45 000	3 929 791 320	54 631	137 706 396
Total	15 891 855 527	1 062 422	496 845 498

Source: New South Wales data return for the 2003 Update

Calculating notional duty payable

Notional duty payable for each value range is calculated in two steps using the formulae:

$$\text{Excess Value} = \text{Value} - \text{Bottom of Value Range} * \text{No Vehicles} \quad (1)$$

$$\text{Notional Duty Payable} = \text{Basic Amount} * \text{No Vehicles} + \text{Excess Value} * \text{Marginal Rate} \quad (2)$$

(a) calculation for the \$0-\$45 000 range

$$\begin{aligned} \text{Excess value} &= 11\,962\,064\,207 - 0 * 1\,007\,791 \\ &= 11\,962\,064\,207 \end{aligned}$$

$$\begin{aligned} \text{Notional duty payable} &= 0 * 1\,007\,791 + 11\,962\,064\,207 * 3\% \\ &= 358\,861\,926 \end{aligned}$$

(b) calculation for the greater than \$45 000 range

$$\text{Excess value} = 3\,929\,791\,320 - 45\,000 * 54\,631$$

$$= 3\,929\,791\,320 - 2\,458\,395\,000$$

$$= 1\,471\,396\,320$$

$$\text{Notional duty payable} = 1\,350 * 54\,631 + 1\,471\,396\,320 * 5\%$$

$$= 147\,321\,666$$

Calculation of effective rate of duty

The effective rate of duty is calculated using the formula:

$$\text{Effective rate of duty} = \text{Total Notional Duty Payable} / \text{Total Value} \quad (3)$$

$$\text{Effective rate of duty} = (358\,861\,926 + 147\,321\,666) / 15\,891\,855\,527$$

$$= 506\,183\,592 / 15\,891\,855\,527$$

$$= 3.19 \text{ per cent}$$