



**Australian Government**  

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**Commonwealth Grants Commission**

**2020 REVIEW**

**MOTOR TAXES**

**STAFF DRAFT ASSESSMENT PAPER**  
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# MOTOR TAXES

- 1 This paper provides the Commission staff proposals for the assessment of Motor taxes revenue for the 2020 Review.

## 2015 REVIEW APPROACH

- 2 The Motor taxes category comprises revenue from annual motor vehicle registration fees and associated charges. It includes fire and emergency services levies imposed on motor vehicles, traffic improvement and number plate fees, and revenues raised by the Commonwealth under its Federal Interstate Registration Scheme (FIRS).<sup>1</sup>
- 3 This category does not include revenue from stamp duty on motor vehicle transfers (assessed in the Stamp duty category), duty on compulsory third party insurance premiums (assessed in the Insurance tax category), or driver licence and permit fees (assessed in the Other revenue category).
- 4 Table 1 shows that States raised \$7.8 billion in motor tax revenue in 2016-17, mostly from light vehicle registrations.

**Table 1 Motor taxes revenue, 2016-17**

Component	Revenue	Proportion of total revenue
	\$m	%
Light vehicle registrations	6 335	81.2
Heavy vehicle registrations	1 463	18.8
Total	7 798	100.0

Source: State provided data.

## How was revenue capacity assessed?

- 5 States' capacities to raise motor taxes were assessed using the data on the total number of vehicles registered in each State. Motor tax revenue was assessed in two components, heavy vehicles and light vehicles, to recognise that:
  - States impose substantially higher registration fees on heavy vehicles than on light vehicles
  - the distribution of heavy and light vehicles differs between States.

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<sup>1</sup> The FIRS is an alternative to State based registration for heavy vehicles weighing more than 4.5 tonnes. The revenue is collected by the Commonwealth and paid to States.

- 6 Average registration charges were calculated for each component and applied to the number of vehicles in each State to calculate its assessed revenue for the component. The details of the two components are given below.
- 7 **Light vehicle registrations.** The number of passenger and light commercial vehicles registered in each State was used to measure its capacity to raise revenue from annual light vehicle registration fees. Those registration fees vary across States and are set according to the engine capacity, the number of cylinders and the use of the vehicle.
- 8 **Heavy vehicle registrations.** The number of heavy rigid and articulated trucks registered in each State was used to measure its capacity to raise revenue from annual heavy vehicle registration fees. The National Transport Commission sets national registration charges for heavy vehicles. Those fees vary by heavy vehicle type and some States provide concessions or rebates on these charges.

## GST redistribution

- 9 Table 2 shows the extent to which the assessment moves the GST distribution away from an EPC distribution in 2018-19. It shows GST revenue is redistributed from States with an above average revenue raising capacity (Victoria, Queensland, Western Australia, South Australia and Tasmania) to States with a below average revenue capacity (New South Wales, the ACT and the Northern Territory).

**Table 2 GST redistribution, Motor taxes, 2018 Update**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Redist
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Light vehicles	181	-22	-52	-73	-28	-23	3	13	198
Heavy vehicles	94	12	-25	-89	-3	-5	20	-5	126
Total	275	-10	-76	-161	-31	-28	24	8	307
Total (\$pc)	34	-2	-15	-62	-18	-53	57	32	12

Source: 2018 Update.

## ISSUES AND ANALYSIS

- 10 There are no major issues in this assessment. It is achieving HFE. The only change that Commission staff are proposing for the 2020 Review is to bring stamp duty on motor vehicle transfers back into the category. This is a presentational change only and will not affect the GST distribution.

## Presentation of stamp duty on vehicle transfers assessment

- 11 In the 2015 Review, the assessment of stamp duty on the transfer of motor vehicle ownership was moved from the Motor taxes category to the Stamp duty category. The change was made on the basis that vehicle transfer duty was a transfer tax, more like conveyance duty than annual vehicle registration fees and associated charges. This was a presentational issue only and the assessment continued to be based on the value of vehicle transfers.
- 12 Commission staff have reconsidered this issue. States impose a range of transaction taxes and they are assessed in several different categories. Presenting vehicle transfer duty in the Motor taxes category is consistent with its treatment in GFS. It is also simpler, in that it does not require an adjustment in the Commission's adjusted budget. For these reasons, Commission staff propose that the assessment of vehicle transfer duty be moved to the Motor taxes category. This will be a change in the presentation of the assessment only and will not affect the GST distribution. States' capacities to raise vehicle transfer duty will continue to be assessed based on the value of vehicles transferred.

Staff propose to recommend the Commission:

- retain the 2015 Review Motor taxes capacity measures
- present the assessment of stamp duty on motor vehicles transfers in the Motor taxes category.

## Other issues considered

- 13 ***Updating the split of revenue between heavy and light vehicles.*** In the previous two reviews, several States were unable to provide a split of their vehicle registration revenue between heavy and light vehicles. The Commission estimates the split using data that were provided by States for the 2009 Update.
- 14 In recent discussions, some States have indicated that they may be able to provide more recent data on the split. Commission staff intend to work with States to determine whether reliable data can be provided to update the allocation of revenue to the two components.
- 15 ***Progressive rates of vehicle transfer duty.*** Commission staff are proposing that the assessment of stamp duty on vehicle transfers be brought into the category. One issue in relation to that assessment is whether data are available to reliably estimate the impact of progressive rates of vehicle transfer duty.
- 16 All States except the Northern Territory apply progressive rates of duty to vehicle transfers. The Commission could consider making an adjustment to reflect

differences between States in the value distribution of vehicle sales, if reliable data were available and such an adjustment were material. To do so, the Commission would require data on the value distribution of vehicle sales in each State. In the 2015 Review, reliable data were not available for all States, but the data that were available suggested that an adjustment would not be material. Such an adjustment would also be complicated by the range of other criteria applied by States to determine the rate of vehicle transfer duty.

- 17 The ABS cannot provide revenue data or number of vehicles by value range. Commission staff intend to work with States to determine whether States can provide these data and whether an adjustment is practical, given other differences in States vehicle transfer duty regimes.
- 18 ***Treatment of motor tax concessions.*** In the 2015 Review, data provided by the ABS and States on motor taxes revenue were net of concessions. Any concessions provided by States were treated as foregone revenue. This differed from the Commission's treatment of conveyance duty concessions provided to first home owners. These concessions were treated as an expense and an adjustment made to add the related revenue back into the Stamp duty category.
- 19 One State has suggested that the treatment of motor taxes concessions should be reviewed and consideration given to whether the drivers of concessions are the same as the drivers of revenue.
- 20 Commission staff consider that the drivers are unlikely to be the same. States' capacities to raise motor taxes reflect their number of vehicle registrations and the value of vehicle transfers. Motor taxes concessions, on the other hand, are likely to be related to the number of concession card holders. Publicly available information suggests that motor taxes concessions do not represent a significant expense for States. Commission staff plan to investigate this issue further.
- 21 ***Elasticity adjustment.*** The Commission has engaged a consultant to provide advice on whether it should consider reinstating elasticity adjustments and, if so, for which categories. The question whether an elasticity adjustment could be assessed in the Motor taxes category will be addressed by that consultancy.

## CONCLUSION AND WAY FORWARD

- 22 There are no major issues in relation to the Motor taxes category. Commission staff intend to recommend that the assessment of stamp duty on vehicle transfers be moved back into the category. This is a presentational issue only, but will improve consistency with GFS.
- 23 Commission staff will work with States on whether data can be provided to:

- update the split of vehicle registration revenue between heavy and light vehicles
- measure reliably the impact of progressive rates of vehicle transfer duty and determine whether an adjustment would be material.

## Proposed assessment structure

24 Table 3 shows the proposed assessment structure for Motor taxes in the 2020 Review.

**Table 3 Proposed Motor taxes category structure, 2020 Review**

Component	Disability	Influence measured by disability
Light vehicle registrations	Number of light vehicles	Recognises the additional revenue capacity of States with a greater number of light vehicles.
Heavy vehicle registrations	Number of heavy vehicles	Recognises the additional revenue capacity of States with a greater number of heavy vehicles.
Stamp duty on motor vehicle transfers	Value of motor vehicle transfers	Recognises the additional revenue capacity of States with a higher total value of vehicles sold.