



Response to Commission Position Paper CGC 2008/09:

Motor taxes

Department of Treasury and Finance

January 2009

Summary

- Tasmania only supports a separate assessment of duty on used vehicles if the capacity measure for both used vehicles and new vehicles is the value of vehicles, not the number.
- Using the number of vehicles will not accurately capture the revenue raising capacities of the states and the differences are likely to be material.
- In the absence of reliable data to undertake an assessment based on the value of vehicles, Tasmania considers that a conservative approach would be to use only new vehicle sales data collected by the ABS. ABS data are reliable and comparable.

1. Tasmania notes the Commission's intention to assess a single motor tax category, containing five separate components (three for motor taxes and two for stamp duty).
2. Leaving aside the presentational alternative that Tasmania has previously advocated, Tasmania accepts the approach. However, the separation of new vehicle sales and transfers of used vehicles requires further consideration. Tasmania is particularly concerned that a capacity measure that does not reflect what states tax could lead to an outcome that does not reflect the relative capacities of the states to raise revenue.

Separate assessment of Used Vehicles

3. In principle, Tasmania supports the Commission's intention to separately assess vehicle weights for used vehicle transfers, if it is shown to be material and reliable data are available.
4. This support is also contingent on an appropriate measure of revenue raising capacity. Clearly, states' revenue raising capacities are linked to both the value of vehicles and the number of vehicles. In aggregate, it is the total value of the stock of vehicles in the community that is relevant. This reflects that it is average policy to tax the value of vehicles.
5. Tasmania has above average used vehicle transfers, but significantly below average used vehicle values. This is consistent with data that show that the age of Tasmania's vehicle stock is older than for other jurisdictions. If the capacity measure were only based on used vehicle numbers, this would significantly overestimate Tasmania's revenue raising capacity.
6. This is clearly evident in the summary information provided by Commission staff following the Staff meeting with states on 22 and 23 October 2008. The data show that, in 2006-07:
 - the average value of new vehicles in Tasmania was \$23 021, \$5 536 or 24 per cent below the state with the next lowest average value

(Western Australia) and well below an apparent national average of around \$30 000; and

- the average value of used vehicles in Tasmania was \$5 148, \$3 817 or 74 per cent below the state with the next lowest average value (South Australia) and significantly below an apparent national average of over \$10 000.

7. While the reliability and comparability of the data may have some influence on the magnitude of differences between states, these issues will not alter the fact that Tasmania has significantly lower average values upon which it can raise stamp duty.

8. Yet if only vehicle numbers are used, Tasmania would be assessed as having above average revenue raising capacity. This is evident in the following table, which replicates Table 11 from *Information for States Following Discussions, 22-23 October 2008* provided by Commission staff, but which converts the number of vehicles in each state into state proportions of the Australian total. The data are based on state provided data.

Table 1: State proportions of national new vehicle sales and used vehicle transfers, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
New vehicle sales	31.50	22.53	20.45	13.80	6.23	2.35	2.01	1.12	100.00
Used vehicle transfers	43.42	16.46	16.04	10.83	6.85	4.34	1.21	0.86	100.00
Total	40.34	18.02	17.18	11.59	6.69	3.83	1.41	0.93	100.00

9. Table 1 shows that according to state provided data, Tasmania has close to its population share of new vehicle sales, but has a significantly above population share of used vehicle transfers.

10. The most appropriate capacity measure, therefore, is the total value of vehicles. This will take into account the differences between states in the value of vehicles purchased and differences in the number of vehicles, both of which contribute to a state's revenue raising capacity. In Tasmania's case, the total value of vehicles will reflect the net effect of the relative advantage Tasmania has with regard to the number of vehicle sales and transfers and the relative disadvantage it has with regard to average vehicle values.

11. Conceptually, an assessment based on values rather than vehicle numbers would also be simpler than the illustrative assessment in the Commission position paper. This is because there would be no need to estimate the split of Actual Revenue between new and used vehicles (eg the 55 per cent and 45 per cent split).

Data reliability

12. The key issue that Commission staff have identified is data reliability. Tasmania acknowledges that this is a particular concern with regard to the capacity to develop an assessment based on the value of vehicles.
13. One of the concerns raised by Commission staff is the fact that such an assessment would be based on state provided data and that only six states have provided data (the exceptions being Victoria and the ACT). Tasmania does not consider that state provided data in itself is an issue if the data can be shown to be reliable and comparable. Further, Tasmania is surprised Victoria and the ACT cannot provide the data. At the least, Tasmania would expect all states to be able to provide the total value of vehicles upon which they impose tax, even if they cannot split the data between new and used vehicles.
14. The comparability and materiality of exemptions is an issue of concern. Only two states, New South Wales and Western Australia, have been able to provide value data on exempt vehicles. Tasmania, along with the other states, has been unable to identify the value of exempt vehicles. What is particularly concerning is the New South Wales data. It suggests that 30 per cent of the value of vehicles in New South Wales is exempt from duty.
15. This is a strikingly large percentage of the tax base and is a surprising outcome, which, in Tasmania's view, warrants separate investigation. Intuitively, the types of transactions that New South Wales exempts would not appear on face value to represent such a high proportion of value. Western Australia's data indicate that the proportion of its exempt vehicles is only 3.8 per cent of the value of vehicles. While it is difficult to make any judgements in the absence of other states data, the Western Australian data do seem to present a proportion that accords with what one could reasonably expect.
16. Furthermore, the exemptions from stamp duty granted by Tasmania are similar to those granted by New South Wales and are unlikely to lead to a material difference in terms of comparability. Attachment A lists Tasmania's stamp duty exemptions as compared to New South Wales.
17. Aside from the issue with exemption data, there is a broader question regarding the reliability and comparability of state provided data. This applies to both value of vehicles and number of vehicles.
18. The advice Treasury received from its agency responsible for vehicle registrations and transfers stated that it considered the data that it provided in response to the Commission's request to be reliable. However, the new vehicle sales data are not consistent with the ABS data, as shown in Table 2 below.

Table 2: New vehicle sales – difference between ABS data and state provided data

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
New vehicle sales (state)	339,370	242,684	220,353	148,653	67,147	25,334	21,659	12,101	1,077,301
New vehicle sales (ABS)	305,933	252,521	223,441	117,158	60,852	18,808	15,594	9,675	1,003,982
Difference	33,437	- 9,837	- 3,088	31,495	6,295	6,526	6,065	2,426	73,319
% Difference	9.9	-4.1	-1.4	21.2	9.4	25.8	28.0	20.0	6.8

19. Tasmania, along with the ACT, Western Australia and the Northern Territory, has new vehicle sales according to their own data that exceed the number of new vehicle sales published by the ABS by over 20 per cent. New South Wales and South Australia also have significant differences at close to 10 per cent. While there may be some differences in what is included in the ABS numbers¹ compared to state data, these differences are unlikely to be significant enough to explain the entire difference shown in the table, with the net difference still being material.

20. While the ABS does not publish data on the number of used vehicle transfers, the concern with the difference in new vehicle sales data creates just as much concern with regard to the reliability of the state provided data for used vehicles.

21. In this context, Tasmania considers there is the same level of concern with regard to state provided data for vehicle numbers as there is for vehicle values.

22. As discussed above, Tasmania favours an assessment that is based on total vehicle values, as this is what states tax. Tasmania, therefore, is willing to keep working on improving its data.

23. That said, there are some practical problems which may make this task difficult. As stated, the agency in Tasmania responsible for administering vehicle registrations and transfers considers its data to be reliable, notwithstanding the apparent inconsistency with the ABS data. However, the agency is not as confident about its capacity to provide reliable data to the disaggregated level that the Commission would require in the future. Tasmania has recently introduced a new motor registry system and there have been issues with the system's reliability during the initial introductory phase.

How should the assessment proceed?

24. Tasmania's preference is for an assessment based on the value of vehicles for the stamp duty component(s) of the category. This capacity

¹ The ABS data do not include motor bikes but do include vehicles owned by the Commonwealth and state governments. It is unclear whether states have consistently reported their data either including or excluding motor bikes and government vehicles.

measure would reflect what states tax and would best capture the revenue raising capacity of the states.

25. Whether this is achievable rests on the capacity of states to provide reliable and comparable data. Tasmania believes that it will not be possible for states to improve their data to the point of perfect reliability and comparability and, therefore, the question for the Commission is whether data can be improved sufficiently to confidently make an assessment.
26. Tasmania considers that if the Commission is not confident that data can be improved sufficiently, the fall back position is to make an assessment based on the ABS data on new motor vehicle sales. This appears to be the Commission's final fall back position, with the first fall back position being to use state provided data on the number of new vehicle sales and used vehicle transfers.
27. However, Tasmania does not consider this first fallback position to be appropriate, because if the data issues cannot be solved sufficiently for the preferred value-based approach, then they are highly unlikely to be solved for state provided vehicle numbers either. Further, the use of vehicle numbers, particularly used vehicle numbers, would particularly disadvantage Tasmania because it would significantly overstate Tasmania's revenue raising capacity.
28. The use of ABS data on new vehicle sales, therefore, is the only real alternative in Tasmania's view. While this capacity measure will face the same issue in that it does not capture what states actually tax, it is at least a more conservative approach because it uses reliable and comparable third party data.

ATTACHMENT A: STAMP DUTY EXEMPTIONS

New South Wales	Tasmania
duty is not payable if the vehicle has been:	
<ul style="list-style-type: none"> • left to you in a will; 	✓
<ul style="list-style-type: none"> • awarded to you as part of a divorce settlement; 	✓ ¹
<ul style="list-style-type: none"> • previously registered in your name in another State or Territory and you have paid duty on that vehicle; 	✓
<ul style="list-style-type: none"> • purchased by eligible war veterans; 	✓ ²
<ul style="list-style-type: none"> • transferred from joint names to a single name or from a single name to joint names (married or de facto couples only); 	✗ ³
<ul style="list-style-type: none"> • used for carrying sick or injured people, provided that it is specially constructed and used mainly or wholly to carry sick or injured people, and / or specially constructed, with an unladen weight of not more than 250 kg, and used solely to carry disabled persons; 	✓ ⁴
<ul style="list-style-type: none"> • licensed motor dealers: vehicles which are second hand (including imported vehicles) if the licensed second-hand dealer signs a declaration stating the vehicle is only being held for resale. There are also some exemptions for certain new vehicles registered as demonstration vehicles; 	✓
<ul style="list-style-type: none"> • registered by exempted organisations involved in charitable activities or welfare; 	✓ ⁵
<ul style="list-style-type: none"> • due to administrative errors such as two people (such as two brothers) buy a vehicle but the motor dealer registers it in one name only, or a couple buys a vehicle but the motor dealer registers it in the name of one partner only or the wrong partner 	✓

Notes:

1. Extended to a relationship break up within the meaning of the *Relationships Act 2003*.
2. Limited to one vehicle only.
3. There is currently a two year window which commenced 1 January 2009 in which no duty is chargeable in respect of the transfer of registration of a vehicle if the transfer is from an eligible pensioner to the eligible pensioner's spouse within the meaning of the *Relationships Act 2003*.
4. Tasmania has not picked up on this definition; however ambulances are exempt, as are self propelled wheelchairs which travel at a speed of less than 10km/h.
5. If that institution is, or is entitled to be, endorsed by the Australia Tax Office as a charitable or benevolent institution.

In addition to the above Tasmania also exempts the following:

- A light vehicle whose registered operator is –
 - the crown; or
 - the State Fire Commission;
- a bitumen laying machine, a bulldozer, an earthmoving machine, an excavator, a forklift truck, a front-end loader, an industrial barrow, a log loader, a log skidder, a road grader, a road roller, a rotary hoe, a shovel loader, a street sweeper, a traction engine, a traxcavator or a trench digger;
- an agricultural machine used exclusively for agricultural purposes;
- a vehicle designed or adapted for use and used exclusively in, or in connection with, fire-fighting operations;
- a trailer consisting of a mobile air compressor, a concrete mixer, a mobile electric generator or a mobile latrine;
- a dolly (but not a converter dolly);
- a vintage car.