



Queensland Government
Treasury

Queensland Treasury Response to
Commonwealth Grants Commission
Position Paper 2008/09

Motor Vehicle Tax

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SUMMARY OF QUEENSLAND'S POSITION

Queensland believes the existing methodologies for the assessment of revenue categories are generally robust, measure the revenue base using reliable data and that simplification in the 2010 Review proposed revenue assessments could be largely presentational. However, Queensland believes that the proposed methodology for the Motor Vehicle Taxes assessment is simpler and more transparent than the existing 2004 Review methodologies.

Queensland supports the aggregation of the existing three categories of 'Light vehicle and registration fees and taxes', 'Stamp duty on motor vehicle registration and transfers' and 'Heavy vehicle registration fees and taxes' into a single Motor Vehicle Taxes assessment.

The simplified assessment is based on robust and comparable data and compared to the existing assessments requires substantially less data and fewer weights. The vehicle weightings are implicit in the component parts.

Queensland supports the simplified five-component structure of the assessment and the split between new and used vehicles in the assessment of stamp duty is appropriate, as states with a higher proportion of used vehicle sales have a lower capacity to raise revenue from this source. The split between new and used vehicles has a material impact on the assessment and it is evident that this split is consistent and comparable across states.

For the purposes of assessing stamp duty, Queensland believes that number of vehicles sales is a more reliable measure of a state's capacity to raise revenue and that the data will be more comparable across states than if value of vehicle sales is used.

Queensland believes that those vehicles which are exempt of stamp duty should be removed from the assessment and on this basis the removal of diplomatic and consular vehicles is supported. The Commission should seek to exclude all exempt vehicles from the assessment as Queensland believes this will have a material impact on the assessment.

Key Issues

- the assessment of stamp duty on motor vehicles to be split between new and used vehicles;
- the number of vehicles rather than values to be used as a capacity measure of stamp duty; and
- an adjustment to remove exempt vehicles from data used in the assessment of stamp duty.

METHODOLOGICAL ISSUES

Queensland believes the methodology underpinning the assessment of motor vehicle taxes, delivers on the objective of simplification and that it reliably assesses in a single assessment what is currently undertaken across 3 assessment categories. The methodology is based on robust, reliable, comparable data and the proposed adjustments meet the relevant materiality criteria.

Assessment structure and data

The proposed category structure of Motor vehicle taxes is to assess five separate (weighted) component parts for each vehicle and revenue type, as follows:

- Light vehicles;
- Heavy rigid trucks;
- Articulated trucks;
- Stamp duty on new motor vehicle sales (55%); and
- Stamp duty on used motor vehicle sales (45%).

Queensland understands that the assessment will exclude exempt vehicles, although in the Position Paper, only diplomatic and consular vehicles are excluded from the assessment of new vehicle sales only.

Data to support the assessment is to be sourced from the ABS (*Motor Vehicle Census and Sales of New Motor Vehicles*) for numbers and types of vehicles. State provided data is to be used to establish the split between new and used vehicles and to adjust the data for exempt vehicles. Queensland believes these data sources are reliable, robust and comparable. The State provided data are consistent across jurisdictions and fit for the purposes of the assessment, as advised by the Commission.

New and used vehicle split

Queensland finds that it is appropriate to split the stamp duty component into new and used vehicle sales as there is clear conceptual case which is supported by reliable and consistent data. A state's capacity to raise revenue from motor vehicle stamp duty is influenced by the proportion of used vehicle sales as used vehicles are generally of a lower value and so raise a lower stamp duty amount. States with a higher proportion of used vehicle sales will have a lower capacity to raise revenue from this source.

State provided data indicates that the split between new and used vehicle sales is 55% and 45% respectively and that this split is consistent over a three year period. Queensland believes this split is valid.

Queensland is able to provide the following data to support the assessment:

- number and value of new vehicle sales;
- number and value of used vehicle sales;
- number and value of non-exempt vehicles;
- number of exempt vehicles; and
- number of vehicles by exemption type.

Value or number of vehicles

Analysis in the position paper is based on number, rather than value, of new and used vehicles as the capacity measure for stamp duty. Queensland believes numbers are the most appropriate indicator as they provide a policy neutral, consistent and comparable measure across states.

Queensland does not believe that the value of vehicles is an appropriate capacity measure. The value of used vehicles in particular may not be consistent across the states and in Queensland it is believed that the values of exempt vehicles are underestimated. Data provided by Queensland's Office of State Revenue (OSR) indicates that in any given year only 9 – 11% of exempt used vehicles have a reported market value.

Data provided by the Commission following the 22-23 October 2008 staff conference also highlights that not all states are able to provide value of vehicles data. Queensland does not believe that a consistent or comparable measure of value of used car sales across states is available. This is because of the difficulty in consistently valuing exempt used vehicle sales.

Exempt vehicles

Queensland supports the removal of diplomatic and consular vehicles from the assessment of new vehicle sales. Further, Queensland believes where it is the average policy to exempt vehicles of motor vehicle taxes they should be excluded from the assessment by making an adjustment to remove such vehicles. It is expected that this adjustment would have a material impact on distribution.

In Queensland, for example, approximately 50% of cars are stamp duty exempt, as presented in Table 1 below. This indicates that Queensland is unable to collect stamp duty from these vehicles and this is likely to have a material impact on the State's capacity to raise revenue.

Table 1: Stamp duty on motor vehicle transfers (number), exempt and non-exempt status (new and used vehicles), Queensland

	Non-exempt (no.)	Exempt (no.)	Exempt (%)
2004-05	693,882	718,762	51
2005-06	693,472	679,519	50
2006-07	717,918	719,533	50

Source: Queensland Office of State Revenue

Queensland proposes that where there is consistency in state policies on vehicle exemption, the data should be adjusted to remove these vehicle types, subject to meeting the materiality threshold. This adjustment will better reflect what states do and present a more accurate measure of a state's revenue raising capacity.

Queensland's State Revenue Office collects data by exemption type, and it is expected that most states would be able to provide the data required to make this adjustment.

Other states and New South Wales exemption policy

Following the 22-23 October staff conference, the Commission has requested comments on the range of exemptions provided compared to those offered by New South Wales. Queensland's exemption policy is similar in the following instances (see attachment for full exemption details):

- vehicle is transferred to beneficiary of a deceased estate;
- new registered operator is an ex-serviceperson;
- new registered operator is a licensed motor dealer;
- vehicle is a gift – in NSW this is applicable to married or de facto couples only, in Queensland this also includes other family members.

Queensland believes this exercise will assist in determining which vehicles can be removed from the stamp duty assessment component and also establish the consistency of state exemption policies and welcomes the Commission's further work in this area. (In Queensland the two largest stamp duty exemption types are when the new registered operator is a licensed motor dealer and the vehicle is gift, in total they make up 66.8% of all exempt vehicles in Queensland).

Vehicle Registration Duty Exemptions

1. **New registered operator is a licensed motor dealer**
A licensed motor dealer where the motor vehicle has been acquired for sale in the course of and for the purpose of carrying on the business of such licensee. The dealer must maintain records as prescribed by Chapter 9 of the *Duties Act 2001*.
2. **Vehicle is being transferred to beneficiary of a deceased estate**
The Transfer of Registration is to the beneficiary of a deceased estate.
3. **Vehicle is being transferred to administrator of a deceased estate**
An executor or administrator of a deceased estate for the purpose of transferring the motor vehicle to a person beneficially entitled thereto or for the purpose of sale in the course of winding up the estate.
4. **Trailers/Caravans**
All trailers and drawn equipment are exempt.
5. **Repossession**
Owner has repossessed the motor vehicle pursuant to a hire purchase agreement or is an owner to whom the motor vehicle has been returned by the hirer voluntarily under a hire purchase agreement or on the termination of a hiring agreement.
6. **Same business name/owner**
Where the applicant is the sole owner/s of the business or another business owned solely by the same owner/s, as the previous registration.
7. **Redemption**
Owner is a hirer who has redeemed the motor vehicle that was previously repossessed. This applies only when the registration of the vehicle is to be recorded in the same name as before repossession. This category also applies to a private repossession.
8. **Vehicle is a motorised wheelchair**
The vehicle is a motorised wheelchair that will be used by a disabled person for private purposes.
9. **New registered operator is a Local Government**
A local government, a regional health authority established under the *Health Services Act 1991*, the Queensland Ambulance Service or the Queensland Fire and Rescue Authority.
10. **Foreign Consul**
New registered operator is a member of a Foreign Consulate Staff and is a national of the country represented.
11. **New registered operator is Government**
The Crown or any corporation representing the Crown or any Department, sub-Department, Board or Commission under the State Government.
12. **New registered operator is an ex-serviceperson**
An ex-serviceperson who buys/acquires the vehicle, not used for commercial purposes, and receives a concession on registration fees due to an injury resulting from war service. The acquirer must provide a letter from the Department of Veteran Affairs stating their disability.
13. **New registered operator is a person who has lost the use of one or both legs**
A person who has lost the use of one or both legs and who uses the vehicle for transport to and from his/her place of employment because he/she is unable to use public transport due to the disability. In this case a statement to that effect is required from the applicant.
14. **Transfer duty (i.e. contract/sale duty) paid on another document**
Owner is an applicant who is required to pay conveyance duty to the Commissioner of State Revenue on any other instrument (eg. contract for sale of a business or a farm) relating to the transaction by which the vehicle was acquired, including duty on the value of the vehicle. However, unless the applicant has previously obtained from the Office of State Revenue an endorsement on this form that such conveyance duty has been paid, they must pay the duty on their Transfer of Vehicle Registration Application and later claim a refund from the Office of State Revenue.
15. **The vehicle is a gift**
The transfer of a whole or part interest in a vehicle by way of gift to the registered operators spouse, parent, child, grandparent, grandchild or to one of their spouses.
For defacto spouses, an exemption will be granted provided a Statutory Declaration Registration Transfer in Defacto Relationship form (F3894) is completed.
16. **New registered operator is a primary producer**
Where the motor vehicle is 6 tonne or more GVM and is intended for use solely in connection with their business as a primary producer and is to be used by them for that purpose for 5 years and they provide a Statutory Declaration to that effect. The applicant must also be eligible and applying for primary producer concessional registration on form F4517.
17. **Other reasons for exemption**
Please provide evidence from the Office of State Revenue.

Duty Recovery - The Commissioner of State Revenue may take action against either the disposer or acquirer when recovering outstanding duty on a Vehicle Registration Transfer Application.

Duty and Dutiable Value

Duty is payable upon transfer of a vehicle registration unless exempt. Duty on tractor-based mobile machinery is charged at a flat rate of \$25.00. Duty for other vehicles is calculated at a variable percentage rate of the Dutiable Value of the vehicle as determined by the vehicle's fuel type or number of engine cylinders/rotors. These rates are: Electric/Hybrid vehicles with any number of cylinders/rotors = 2% (\$2.00 per \$100 or part thereof); up to 4 cylinders/2 rotors (incl. steam) = 3% (\$3.00 per \$100 or part thereof); 5 or 6 cylinders or 3 rotors = 3.5% (\$3.50 per \$100 or part thereof); 7 or more cylinders = 4% (\$4.00 per \$100 or part thereof).

The Dutiable Value of a vehicle that has previously been registered in Queensland or another State is the greater of the following:
 - total amount payable by the purchaser including any deposit, trade-in allowance and the price of all optional equipment; or
 - market value of the vehicle (The market value of the vehicle is the amount for which the vehicle might be sold, free of encumbrances on the open market).

Safety or Inspection Certificate Requirements and Exemptions

Certificate of Inspection

Where a Certificate of Inspection is required, it must be current at the date of disposal.

Safety Certificate

If a Safety Certificate is required, it must be current and attached to a conspicuous part of the vehicle when it is presented for sale and at the date of disposal.

Exemptions

1. The vehicle is a tractor-based mobile crane or a trailer/caravan with an ATM of 750kgs or less.
2. The Sale/Disposal is in one of the Shires of Barcoo, Boulia, Bulloo, Burke, Carpentaria, Cook, Croydon, Diamantina, Quilpie, Etheridge, Torres or Warroo.
3. Sale or disposal to a licensed motor dealer.
4. The vehicle is a motorised wheelchair.
5. Transfers between spouses.
6. Transfers husband and spouse to surviving partner.
7. Transfers deceased spouse to spouse.
8. Transfer registered operator (deceased) to beneficiary of the deceased estate (other than spouse).
9. Transfers to/from joint names provided one registered operator remains the same.