



AUSTRALIAN CAPITAL TERRITORY

**SUBMISSION TO THE
COMMONWEALTH GRANTS COMMISSION'S
COMMISSION POSITION PAPER 2008/9:**

Motor Taxes

January 2009



Introduction

The 2010 Review has been run as an iterative process between the Commonwealth Grants Commission (the Commission) and the States and Territories (the States) over the course of the past four years. As part of this process the ACT has provided a number of submissions in response to the Staff and Commission Discussion Papers, incorporating subsequent multilateral and bilateral discussions with Commission staff and other States. These submissions outlined the ACT's position as to the validity of the conceptual case behind a number of assessments and the proposed assessment methodologies.

It is noted that in some instances the position adopted by the Commissioners, as detailed in the latest Commission Position Papers, is at odds to those of the ACT. In the interests of brevity the ACT has not sought to reiterate the entirety of its previously stated position unless new data or new thinking has been applied. In this light, a lack of objection does not imply support where such support has not been previously stated.

Category Structure

Although the ACT is largely indifferent as to the structure of the assessment of motor taxes, throughout the Review process it has been stressed by a number of jurisdictions that the assessment of multiple components within a single category rather than single components in multiple categories does not increase the simplicity or transparency of the assessment methodology. In fact, to casual readers of the Commissions' reports it is likely that the use of multiple components in a single category is more complex and less transparent. However, it is conceded that there may be some administrative benefits to the Commission in assessing a lesser number of categories, and given the impact on the relativity is marginal, the ACT can accept the one category approach.

The application of differential vehicle weights to broad vehicle classes is supported given that applying weights is essential to recognising that some States have a below average capacity to raise revenue from heavy vehicle registrations and the sale of heavy vehicles.

Used Vehicle Transfers

The conceptual case presented by the Commission for the inclusion of used vehicle transfers is supported given it seems that the volume of used car transfers is not uniform across jurisdictions. As new car sales does not appear to be a reasonable proxy for used vehicle transfers the differential assessment is valid.

The ACT is in a position to provide data on the number and value of used car transfers.

Vehicle Exemptions

Excluding diplomatic, consular, and Australian Government vehicles from the broad indicators is supported given that these vehicles are exempt from registration and stamp duty fees in all States (effectively a *de facto* common policy of the States). Furthermore, given its unique circumstances, the ACT's revenue raising capacity is differentially affected by these exemptions.

It is not clear that such common policies exist between jurisdictions with respect to exemptions on used vehicle transfers. Given that it is unlikely to be material the ACT does not support further investigation of exemptions for used vehicles.