




Australian Government
Commonwealth Grants Commission

2025 Methodology Review

Motor taxes consultation paper

June 2023

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Overview of category

- 1 The motor taxes category consists of annual registration fees and associated charges levied by states and territories (states) on vehicle owners.¹
- 2 The category excludes revenue from:
 - stamp duty collected on compulsory third party motor vehicle insurance, which is assessed in the insurance tax category
 - stamp duty on the transfer of motor vehicle ownership, which is assessed in the other revenue category.

Current assessment method – 2020 Review

- 3 State capacity to raise revenue from motor taxes is assessed using the total number of vehicles registered in each state, split into 2 components (light and heavy vehicles). For each component, assessed revenue is derived by calculating the national average registration charge² and applying it to the number of vehicles registered in each state.
- 4 In the 2020 Review, the Commission said it considers this approach best captures states' capacity to raise annual registration fees because it reflects that they impose:
 - annual registration charges on a per vehicle basis
 - higher average registration charges for heavy vehicles than for light vehicles.

Data used in the assessment

- 5 Data on the revenue raised by states are sourced from the Australian Bureau of Statistics' (ABS) Government Finance Statistics and, for the last assessment year, from state revenue offices.
- 6 Data on the number of vehicles are obtained from the Bureau of Infrastructure and Transport Research Economics' Motor Vehicles Australia publication.

Category and component expenses

- 7 Table 1 shows motor tax revenues as a share of total state own-source revenue from 2018-19 to 2021-22.

¹ These include number plate fees, inspection fees, administration or recording fees and road safety levies.

² The national average registration charge is the national revenue raised by states divided by the national number of vehicles.

Table 1 Motor taxes, 2018-19 to 2021-22

	2018-19	2019-20	2020-21	2021-22
Total revenue (\$m)	8,053	8,406	8,685	9,090
Share of total own-source revenue (%)	6.1	6.6	6.3	5.5

Source: Commission calculation.

8 Table 2 shows that states raised \$9,090 million in motor tax revenue in 2021-22, representing 5.5% of total own-source revenue.

Table 2 Motor taxes revenue, by state, 2021-22

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Total revenue (\$m)	3,000	1,845	2,103	1,168	570	184	162	59	9,090
Total revenue (\$pc)	371	281	399	423	315	323	356	238	353
Share of state own-source revenue (%)	6.0	5.0	6.1	4.3	6.4	6.5	4.7	3.5	5.5

Source: Commission calculation.

9 As noted above, motor taxes revenue is assessed in 2 components:

- light vehicles
- heavy vehicles.³

10 Table 3 shows the relative size of each component in the assessment.

Table 3 Structure of the motor taxes assessment, 2021-22

Component	Component revenue	Driver	Influence measured by driver
	\$m		
Light vehicle registration fees and charges	7,509	Number of light vehicles	Recognises states with greater numbers of light vehicles have greater revenue capacity.
Heavy vehicle registration fees and charges	1,582	Number of heavy vehicles	Recognises states with greater numbers of heavy vehicles have greater revenue capacity.

Source: Commission calculation.

GST distribution in the 2023 Update

11 Table 4 shows the extent to which the assessment moves GST payments away from an equal per capita distribution. In 2023-24, the category moved \$343 million (\$13 per capita) compared to an equal per capita assessment. More GST was directed to states assessed to have below-average revenue raising capacity (New South Wales, the ACT and the Northern Territory). The remaining states were assessed to have above-average revenue raising capacity, with less GST payments provided to them as a result.

³ Heavy vehicles are vehicles weighing 4.5 tonnes or more.

Table 4 GST impact of the motor taxes assessment, 2023 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Light vehicles	205	-23	-86	-58	-38	-30	13	16	234
Heavy vehicles	88	4	-20	-88	2	-7	26	-5	120
Total (\$m)	293	-19	-105	-146	-36	-37	40	11	343
Total (\$pc)	35	-3	-19	-51	-19	-64	84	42	13

Source: Commission calculation.

- 12 Further detail on the motor taxes assessment and the underlying conceptual cases for assessment methods are explained in Vol 2 Chapter 10 – Motor taxes in the [Report on GST Revenue Sharing Relativities, 2020 Review](#).

What has changed since the 2020 Review?

Introduction of distance-based charges on zero and low emission vehicles

- 13 An emerging issue is the introduction of distance-based charges on zero and low emission vehicle (electric vehicle) use.⁴ The Bureau of Infrastructure, Transport and Research Economics forecasts that the number of electric vehicles will grow rapidly between 2025 and 2030.⁵
- 14 Victoria introduced a distance-based charge for electric vehicles from July 2021. Three other states (New South Wales, Western Australia and South Australia) subsequently legislated, or announced an intention, to introduce similar charges by 2027.⁶ In February 2023, the South Australian Parliament repealed its legislation to introduce an electric vehicle levy.
- 15 There is currently a High Court challenge to the validity of Victoria’s electric vehicle charge. If the challenge is successful, states will be unable to impose these charges in their current form. If it is unsuccessful, the proposals in this paper will remain valid.⁷

⁴ Zero and low emission vehicles include battery electric vehicles, plug-in hybrid electric vehicles and hydrogen fuel cell vehicles. They exclude heavy vehicles and motor cycles.

⁵ ‘Electric Vehicle Uptake: Modelling a Global Phenomenon’, *Bureau of Infrastructure, Transport and Regional Economics (BITRE)*, Canberra, 2019, Research Report 151, Canberra, <https://www.bitre.gov.au/sites/default/files/bitre-report-151.pdf>, (accessed 1 June 2023).

⁶ The New South Wales charge will apply from the earlier of 1 July 2027 or the date on which sales of battery electric vehicles represent 30% of all new vehicle sales in the state. The Western Australian charge will apply from 1 July 2027.

⁷ *Vanderstock & Anor v The State of Victoria* [2021] HCA M61, https://www.hcourt.gov.au/cases/case_m61-2022, (accessed 1 June 2023).

The ACT's transition to an emissions-based registration system

- 16 From 1 July 2024, the ACT will transition from its current weight-based registration system for light vehicles to an emissions-based system.⁸ Under the new scheme, lower emission vehicles will face lower registration fees. The ACT expects that 96% of existing vehicles will face the same or lower registration costs in the new scheme.⁹

Implications for assessment

A separate assessment of revenue from electric vehicle charges

- 17 Where applied, electric vehicle charges are collected on a different basis to other light vehicle registration fees and charges. This is a change in what states do and the Commission needs to consider if the assessment approach from the 2020 Review captures the drivers of revenue capacity for electric vehicle charges.
- Electric vehicle charges are based on the distance travelled on public roads¹⁰ during a specified period.¹¹
 - Other light vehicle registration fees are based on vehicle weight or engine capacity and number of cylinders. The Commission does not currently adjust for the complexity of these differences, but assesses revenue raising capacity using the total number of light vehicles registered in each state.
- 18 In accordance with its assessment guidelines, the Commission would make a separate assessment of revenue from electric vehicle charges, if reliable data were available to support that assessment and it was material.¹²
- 19 Revenue from electric vehicle charges is not separately identified in the ABS Government Finance Statistics.¹³ The Commission currently assesses that revenue on the same basis as other motor taxes, since the amount raised is small and a separate assessment is not material. However, if more states impose the charge and

⁸ Vehicles will move to the emissions-based system at their first registration or registration renewal after 1 July 2024.

⁹ ACT Government Media Release, 1 February 2023, see https://www.cmtedd.act.gov.au/open_government/inform/act_government_media_releases/barr/2023/updating-the-act-registration-system-and-introducing-new-motor-vehicle-concessions.

¹⁰ Public roads are roads or road-related areas, in any state or territory, which are open to the public or the public is entitled to use (whether on a free or paid basis). The relevant legislation in New South Wales and Victoria places the onus on the electric vehicle registered operator to satisfy the road authority of the distance not travelled on public roads and, therefore, exempt.

¹¹ From 1 July 2022, Victoria's charge is 2.6 cents per kilometre travelled by electric vehicles and hydrogen vehicles and 2.1 cents per kilometre travelled by plug-in hybrid vehicles. The rates are indexed annually. New South Wales and Western Australia intend to impose rates of 2.5 cents per kilometre for electric and hydrogen vehicles and 2.0 cents per kilometre for plug-in hybrids, indexed to CPI from 1 July 2021 (New South Wales) or 1 July 2022 (Western Australia).

¹² The Commission's assessment guidelines specify that it will include a driver where a conceptual case exists, where there are reliable data and methods with which to assess the driver, and where that assessment is material.

¹³ The ABS's Government Finance Statistics framework classifies electric vehicle charges to TC 519 Motor vehicle taxes elsewhere classified.

if, as anticipated, the proportion of electric vehicles increases, a separate assessment could become material.

- 20 Recognising this possibility, the Commission proposes to:
- monitor the materiality of a separate electric vehicle assessment in future updates
 - if it becomes material, amend the motor taxes assessment method to introduce a separate electric vehicle assessment, after consulting states, as a new component in the motor taxes category.
- 21 In keeping with the Commission’s supporting principle of ‘what states do’, the capacity measure for the new electric vehicles assessment should reflect the approach states use to raise these charges. That is, it should reflect the total distance travelled on public roads by electric vehicles in each state. Initially, it may not be possible to develop a capacity measure based on state-provided data, because states that do not introduce the charge will not collect data on the average distance travelled. If all states introduce the charge, it may be possible to revisit the issue of basing the capacity measure on state-provided data.
- 22 In the absence of data on distance travelled by electric vehicles for all states, the Commission proposes to use a proxy measure as its capacity measure. The measure will combine Bureau of Infrastructure and Transport Research Economics data on the number of electric vehicles in each state and the average distance travelled by all vehicles. The Commission will validate the proxy using data on distance travelled by electric vehicle from states that have introduced the charge. If the proxy does not provide a good measure of distance travelled by electric vehicles, the Commission will consult states in the earliest possible update on the options and whether an alternative assessment can be made.
- 23 As noted above, the Commission proposes to test the materiality of an assessment of a separate electric vehicle assessment in future updates. If the assessment is not material, the Commission’s preliminary view is to continue to assess electric vehicle charges revenue on the same basis as other motor taxes (number of vehicles). In 2021-22, a separate electric vehicle assessment would not have been material (Table 5).

Table 5 Assessment of distance-based charges for electric vehicles, 2021-22

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Actual revenue (\$m)	0	1	0	0	0	0	0	0	1
Vehicles	11,933	10,402	8,740	4,236	2,022	859	1,448	157	39,797
Avg distance travelled (km)	11,878	12,765	12,408	11,728	11,540	11,274	12,192	11,923	95,707
Kilometres travelled (mill)	142	133	108	50	23	10	18	2	485
Assessed revenue (\$m)	0	0	0	0	0	0	0	0	1
Assessed revenue (\$pc)	0	0	0	0	0	0	0	0	0

Source: Bureau of Infrastructure and Transport Research Economics, Motor Vehicles Australia and Australian Bureau of Statistics, Survey of Motor Vehicle Usage.

Note: The average distance travelled is sourced from Bureau of Infrastructure and Transport Research Economics data from 2020.

Consultation question

Q1. If an assessment of revenue from electric vehicle charges becomes material in future updates, do states support the revenues being assessed as a separate component of the motor taxes category?

The ACT's transition to an emissions-based registration system

- 24 The basis on which light vehicle registration fees are collected varies across states – either vehicle weight or engine capacity. They also vary according to the use of the vehicle (private or business). The Commission does not adjust for the complexity of these differences. Instead, it observes that average policy is to impose registration fees at set amounts per vehicle per year. The assessment uses the number of registered light vehicles as its proxy measure of states' capacity to raise light vehicle registration fees.
- 25 The Commission's preliminary view is that the ACT's move to emissions-based registration fees does not require a change to its proxy measure of revenue capacity (number of light vehicles). The Commission considers that emissions-based registration fees are sufficiently similar in nature to those based on vehicle weight or engine capacity for the revenue from those fees to be assessed using its proxy measure. Both are annual (or periodic) fees to register a vehicle. The proxy measure does not attempt to adjust for vehicle characteristics or use.

Consultation question

Q2. Do states agree that the number of registered light vehicles remains an appropriate measure of revenue capacity for revenue raised from emissions-based registration fees?

Proposed assessment

Differences from the 2020 Review approach

- 26 Subject to state views, the Commission proposes to retain the 2020 Review assessment method with one additional element. It proposes to monitor the materiality of distance-based electric vehicle charges and introduce a separate assessment of these charges if they become material.
- 27 This assessment of registration fees and charges for light and heavy vehicles has evolved since the 1993 Review (with the current method in place since the 2010 Review) and is robust. It reflects how states impose annual registration charges (on a per vehicle basis) and that these are materially different between light and heavy vehicles. The Commission does not propose changing this part of the assessment method, including for the introduction of emissions-based registration schemes.

Proposed assessment structure

- 28 Table 6 presents the proposed structure of the motor taxes assessment. A separate assessment of revenue from distance-based charges is not currently material.

Table 6 Proposed assessment structure for motor taxes

Component	Driver	Influence measured by driver	Change since 2020 Review?
Light vehicle registration fees and charges	Number of light vehicles	Recognises states with greater numbers of light vehicles have greater revenue capacity	No
Heavy vehicle registration fees and charges	Number of heavy vehicles	Recognises states with greater numbers of heavy vehicles have greater revenue capacity	No
Electric vehicle charges	Distance travelled	Recognises states with greater distance travelled by electric vehicles have greater revenue capacity	Occur only if material

Source: Commission calculation.

Consultation

29 The Commission welcomes state views on the consultation questions identified in this paper (outlined below) and the proposed assessment. State submissions should accord with the 2025 Review framework. States are welcome to raise other relevant issues with the Commission.

- Q1. If an assessment of revenue from electric vehicle charges becomes material in future updates, do states support the revenues being assessed as a separate component of the motor taxes category?
- Q2. Do states agree that the number of registered light vehicles remains an appropriate measure of revenue capacity for revenue raised from emissions-based registration fees?