

Motor Taxes

Overview

- 1 On 13 June 2023, the Commission issued a [consultation paper](#) on the motor taxes assessment for the 2025 Review. The paper considered changes since the 2020 Review and their implications for the assessment method.
- 2 The Commission proposed to retain the 2020 Review assessment method with one additional element: the introduction of a separate assessment of distance-based electric vehicle charges, if such an assessment became material in a future update.
- 3 A summary of state and territory (state) responses to each consultation question is included below, as well as the Commission's draft position and the draft 2025 Review assessment method.
- 4 State submissions can be viewed [here](#).

Consultation questions

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?

State views

- 5 All states said they supported a separate assessment of revenue from electric vehicle charges should they become material in future updates. All states supported the assessment method proposed in the consultation paper. New South Wales referred to the High Court challenge to Victoria's Zero and Low Emission Vehicle (ZLEV) road user charge.¹ It said if the High Court found states were unable to impose distance-based electric vehicles charges, electric vehicles could be included in the light vehicle component.
- 6 South Australia said until a separate assessment becomes material, the revenue raised from distance-based electric vehicle charges may be more appropriately assessed equal per capita.

¹ State submissions were provided before the High Court decision in *Vanderstock & Anor. v State of Victoria* [2023], [hca-30-2023-10-18.pdf \(hcourt.gov.au\)](#)

Commission response

- 7 On 18 October 2023, the High Court found that Victoria’s distance-based Zero and Low Emission Vehicle road user charge was an excise and, therefore, was constitutionally invalid.² The decision will prevent other states from imposing similar charges, including those that had already announced an intention to do so (New South Wales and Western Australia). Victoria is refunding the revenue previously collected from this charge. In light of this development, it is not relevant for the Commission to introduce a separate assessment of these charges.
- 8 Electric vehicles will continue to be included in data on the number of registered vehicles (light and heavy) used in the assessment (see next section). The Commission considers this is appropriate since electric vehicle owners will continue to be liable for registration fees, albeit with concessions or time-limited exemptions in some states (see other issues raised by states below).

Commission draft position

- 9 The High Court decision means states are unable to impose electric vehicle road user charges. Therefore, it is not relevant for the Commission to include a separate assessment for electric vehicle charges as part of the motor taxes category.

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

State views

- 10 All states said they supported the proposal. Several states said there are differences in the basis on which light vehicle registration fees are imposed (vehicle weight or engine capacity). New South Wales said the number of vehicles was a simpler and more consistent capacity measure than one that attempts to capture those differences. Queensland said the average policy was to impose registration fees per vehicle and this did not change regardless of the characteristics of the vehicle or its use. Western Australia said a state’s capacity to raise revenue from registration fees depends on the number of registered vehicles, not on the method of calculating these fees. The Northern Territory said the current assessment measures the overall taxation intensity on vehicles, rather than how that burden was distributed between vehicle types.
- 11 The ACT said other factors outside the control of governments, such as new vehicle products and changing consumer preferences, could have an impact on the revenue raised and may need to be considered in future.

² Section 90 of the Constitution of Australia gives the Commonwealth Parliament exclusive power to impose duties of customs and excise. See *Vanderstock & Anor. v State of Victoria* [2023], [hca-30-2023-10-18.pdf \(hcourt.gov.au\)](#)

Commission response

- 12 The Commission notes that the basis on which light vehicle registration fees are collected varies across the states – vehicle weight or engine capacity, private or business use. The assessment does not attempt to adjust for those differences. Instead, it uses the number of registered light vehicles as its proxy measure of states' capacity to raise light vehicle registration fees.
- 13 The Commission considers emissions-based registration fees are sufficiently similar to those based on vehicle weight or engine capacity for the revenue from those fees to be assessed using its proxy measure.

Commission draft position

- 14 The Commission proposes to assess revenue from emissions-based registration fees using the number of light vehicles.

Other issues raised by states

Assessment of electric vehicle incentives

- 15 Western Australia said electric vehicle incentives offered by states, in the form of rebates, grants or concessions, could become material in future updates. It said the Commission should consider assessing these in a single place, either as a separate expense assessment or in motor taxes, so as to be policy neutral to the type of incentive offered. Its preference was for incentives to be netted off motor tax revenue.

Commission response

- 16 States provide a range of incentives to encourage the purchase of electric vehicles.³
- Three states currently offer rebates to purchasers of new electric vehicles. The rebates range from \$2,000 to \$6,000 per vehicle and, in all but one case, are available for a limited time period or are capped at a certain number of vehicle sales.
 - Four states currently offer concessional registration fees or a time-limited exemption for newly registered vehicles. In most cases, these incentives are available for a limited period of time.
 - Two states (ACT and Northern Territory) currently offer concessional rates of stamp duty on transfers of electric vehicles. For the ACT, this concession is part of a transition to an emission-based registration system, while Northern Territory intends to provide a stamp duty concession until June 2027.

³ These incentives apply to electric vehicles and in some cases to other low emissions vehicles, such as plug-in hybrid and hydrogen vehicles.

- 17 Tax concessions are currently captured as reduced revenue in the relevant revenue category (motor taxes for vehicle registrations, other revenue for stamp duty on motor vehicle transfers). States' tax expenditure data indicate that the 'foregone revenue' from the 2 types of concessions is small relative to motor taxes revenue.
- 18 The Australian Bureau of Statistic (ABS) is unable to separately identify electric vehicle rebates in its Government Finance Statistics data. However, data published by states suggest rebate expenses are small. A separate expense assessment of these rebates is unlikely to be material.
- 19 Given the small size and temporary nature of most electric vehicle incentives, the Commission is not inclined to make a separate assessment of these incentives.

Commission draft position

- 20 The Commission proposes to assess electric vehicle incentives where they are classified in Government Finance Statistics data (rebates as expenses and tax concessions as reduced revenue). The Commission will continue to monitor the concessions provided by states.

Materiality of stamp duty on motor vehicle transfers

- 21 South Australia said the Commission should retest the materiality of a differential assessment of stamp duty on motor vehicle transfers.
- 22 In the 2020 Review, the Commission discontinued its differential assessment of stamp duty on motor vehicle transfers because it was no longer material. The Commission noted that for the assessment to become material, states would need to significantly increase the revenue they collect, or the per capita value of motor vehicles transferred would need to materially diverge from the average. This would have been inconsistent with the trends observed between 2015 and 2020.
- 23 As supporting evidence for retesting materiality, South Australia cited ABS data which show growth in state revenue from stamp duty on motor vehicle transfers between 2017–18 (the last year it was differentially assessed) and 2021–22. These data show increases in revenue range from 9% in Tasmania to 63% in Western Australia.

Commission response

- 24 The Commission has retested the materiality of a separate assessment of stamp duty on motor vehicle transfers, using ABS revenue data and state data on the value of motor vehicle transfers from the 2019 Update (the last data provided to the Commission). The assessment was not material at the driver materiality threshold (\$40 per capita). Therefore, the Commission does not propose to reintroduce a differential assessment of stamp duty on motor vehicle transfers.

Commission draft position

- 25 The Commission does not propose to reintroduce a differential assessment of stamp duty on motor vehicle transfers. However, the Commission will continue to monitor the materiality of these duties for the purpose of future reviews.

Draft 2025 Review assessment method

- 26 Following consideration of state views, the Commission proposes to retain the 2020 Review assessment method with 2 components: light vehicles and heavy vehicles. Each component is assessed using the number of registered vehicles in each state (including electric vehicles), sourced from the Bureau of Infrastructure and Transport Research Economics' *Motor Vehicles Australia* publication.

- 27 Table 1 shows the proposed structure of the 2025 Review motor taxes assessment.

Table 1 Proposed structure of the motor taxes assessment

| 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 capacity. | No |
| Heavy vehicle registration fees and charges | Number of heavy vehicles | Recognises states with greater numbers of heavy vehicles have greater capacity. | No |

Indicative distribution impacts

- 28 No method changes are proposed for this assessment.