



TAX FORUM

4-5 October 2011

STATEMENT OF REFORM PRIORITIES

PARTICIPANT NAME AND POSITION

Andrew McKellar, Executive Director

ORGANISATION

Australian Automobile Association (AAA)

STATEMENT OF PRIORITIES

AAA's Tax Reform Priorities

1. The AAA advocates that any reform of fuel tax and other motoring taxes, charges and fees should ensure that there is no net increase in the overall cost of motoring. Motorists are already heavily overtaxed, given the combination of fuel excise and the various fixed taxes imposed at the Federal and State levels;
2. The AAA advocates that all revenue from motoring taxation should be dedicated to the funding of land transport infrastructure;
3. The AAA has concerns with ad hoc and piecemeal changes to motoring taxes. In general, specific changes need to demonstrate benefits to motorists and include offsetting reductions in other costs if a new or increased charge is proposed;
4. The AAA opposes the imposition of a congestion tax on top of existing motoring taxes;
5. The AAA reserves its position on road user charging prior to the release of detailed structures of any proposal for such a system;
6. The AAA advocates for nationally consistent and minimal registration charges for passenger motor vehicles;
7. The AAA advocates the removal of stamp duty on vehicle registration; and
8. The AAA expresses concern that the Luxury Car Tax acts as a disincentive to the uptake of advanced vehicle safety and environmental technologies. The AAA supports the abolition or significant reform of the Luxury Car Tax.



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The inefficiencies in the current approach to transport taxes and levels of investment in road transport infrastructure are well known. They have been identified and analysed in numerous official inquiries and gatherings. Land transport stands out as the remaining infrastructure utility in need of reform.

Existing funding arrangements, whereby the Commonwealth collects fuel excise revenue and uses only a proportion of the revenue to fund roads, must be addressed. The issue of revenue allocation must also be resolved, as must funding responsibilities, which vary between the three levels of Government.

The AAA advocates that any reform of fuel tax and other motoring taxes, charges and fees should ensure that there is no net increase in the overall cost of motoring. Motorists are already heavily overtaxed, given the combination of fuel excise and the various fixed taxes imposed at the Federal and State levels. The AAA is keen to ensure that the Tax Forum will lead to better outcomes for motorists.

Financing AAA's Tax Reform Priorities

The crux of AAA's argument is that all revenue from any proposed changes to motoring taxation should be dedicated to the improvement and maintenance of land transport infrastructure.

Roads are for the most part provided by Governments out of consolidated revenue and motorists are charged for their use through a variety of mechanisms, most of which are only loosely related to their use. There is not a direct link between revenue collected and spending on roads. At the national level, fuel users pay fuel excise of 38.143cpl which in 2010-11 raised \$13.21 billion.¹

At the state level, the major taxes impacting on motorists include registration fees and stamp duty which is applied every time the vehicle is sold. A report released by the Bureau of Infrastructure, Transport and Regional Economics (BITRE) in 2010, showed State and Territory Governments collected \$5.9 billion in vehicle registration fees, stamp duty and driver licence fees in 2006-07.²

¹ Budget- Budget Strategy and Outlook 2011-12. Budget Paper NO.1 2011-12, 5-35

² http://www.bitre.gov.au/publications/38/Files/IS37_RoadExpend.pdf, p 12



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Motorists are over-taxed now with excise, GST and all the fixed Federal and State taxes. At the Federal level, there is a significant discrepancy between revenue collected via fuel excise and Federal Government investment in land transport infrastructure as shown in the table below.

Fuel Excise Revenue and Land transport Expenditure forecasts

	2011-12	2012-13	2013-14	2014-15
Revenue				
Petrol excise	5,870	5,680	5,230	5,380
Diesel Excise	7,610	7850	8290	8530
<i>Total forecast for fuel excise</i>	13,480	13,530	13,520	13,910
Expenditure				
Fuel tax credit scheme	5,142	5,614	5,715	5,819
Roads	4,521	4,300	3,552	3,811
Rail	1,085	1,233	1,477	650
<i>Total forecasted expenditure</i>	10,748	11,147	10,744	10,280
Difference between revenue and expenditure	2,732	2,383	2,776	3,630

Figures obtained from Budget- Budget Strategy and Outlook. Budget Paper NO.1 2011-12, 5-35, 5-41, 6-35, 6-40. Revenue figures does not include Biodiesel excise. All figures are in millions.

Motorists pay the entire fuel excise amount of 38.143 cents per litre. Heavy vehicles receive a rebate that reduces their fuel excise to around 23 cents per litre. Miners, farmers and industry claim fuel tax credits up to the full excise amount. Motorists receive none of this fuel price relief.

Therefore, AAA advocates that motorists should pay a fairer share of roads funding, and all that they pay in various taxes must be dedicated to land transport infrastructure.



Australian Government



A tax plan for our future
Stronger • Fairer • Simpler

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LIST OF ATTACHMENTS

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