

The General Manager
Indirect Tax Division
The Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir/Madam

GST TREATMENT OF AUSTRALIAN TAXES FEES AND CHARGES

We wish to provide comment on one aspect of the exposure draft regulation and explanatory material relating to the GST treatment of certain government fees and charges as released by the Assistant Treasurer on 2 May 2012.

The explanatory document identifies a number of items that are considered not to be regulatory in nature including "A fee payable by a person who chooses a personalised motor vehicle number plate (over and above the fee for a non-personalised number plate)".

Current Victorian legislation provides a definition for "non-standard number plates" (Road Safety Act 1986, Part 1, Section 3), generally referred to as "custom plates". At this time, the degree to which current and future custom plates will be considered personalised number plates is unclear.

VicRoads notes that the Treasurer released A New Tax System (Goods and Services Tax) (Exempt Fees and Charges) Determination 2003, applicable from 1st July 2003. The Determination lists numerous fees charged by VicRoads, including charges for number plates issued under the Road Safety Act (Vehicles) Regulations. As a result of this item being included in the Determination, any charge for number plates that VicRoads makes in accordance with the Regulations is deemed 'not for consideration' and is therefore not subject to GST.

The explanatory memorandum suggests that only that portion of the fee for a personalised plate that is in excess of the standard issue fee would be subject to GST. This implies that government agencies responsible for issuing number plates would have to provide a tax invoice which shows the total fee split between the charge for a standard plate and the balance applicable to the personalised plate. The costs of configuration of such an invoice within sales and payment systems would be considerable and customers would find the invoice complex and confusing. Further, there would be additional costs incurred in the administration of this charge. We are not aware of any other item where only part of the charge is considered to be a taxable supply.

The State of Victoria, benefits by approximately \$20 million per annum as a result of the sale of custom plates. Introduction of the proposed regulation will impact on this in a number of ways as follows:

- The scope of work required to modify existing VicRoads vehicle registration systems in order to capture GST revenue and issue appropriate tax invoices cannot be readily defined at this time but is conservatively estimated to cost between \$250,000 and \$500,000. Introduction of this regulation in July 2013 would require these modifications to be made in the 2012 -2013 financial year and no budget allowance has been made for such modifications.
- Additional legal and related costs are anticipated in determining which specific custom plates will be considered personalised number plates. The involvement of various jurisdictions offering customised number plates will be required to ensure consistency across Australia.
- It is expected that the imposition of GST on these sales would lead to an immediate reduction in sales and hence income. The sale of personalised number plates is a discretionary purchase and experience has shown that it is particularly price sensitive with previous price increases being offset by a reduction in sales volume. We would be anticipating a reduction in sales volume of up to 10%.
- We would need to communicate changes in the GST treatment of custom plates to our customers and again this would require resources and budgets that have not been provided for in 2012-2013.

We consider that it is inappropriate to introduce GST on the issue of personalised number plates at this time. The current legislative position and definitions are unclear and further consultation is required with jurisdictions regarding the intent and interpretation of legislation, including statutory rules. Further, the cost impost relating to changing complex systems to reflect the proposed regulation are considered unreasonable and such system changes are considered unlikely to be able to be implemented prior to 1st July 2013.

Yours sincerely



PETER MITCHEM
EXECUTIVE DIRECTOR TECHNICAL & INFORMATION SERVICES

30/5/2012