

2004

AUSTRALIAN CAPITAL TERRITORY

ROAD TRANSPORT (GENERAL) ACT 1999

**ROAD TRANSPORT (THIRD-PARTY INSURANCE) AMENDMENT
REGULATIONS 2004 (NO 1)**

SL2004-40

EXPLANATORY STATEMENT

Road Transport (Third Party Insurance) Amendment Regulations 2004 (No 1)

Overview of legislation

Road Transport (General) Act 1999

The *Road Transport (General) Act 1999* (the Act) provides for the administration and enforcement of the ACT's road transport legislation. Part 10 of the Act deals with third party compulsory insurance for motor vehicles.

Subsection 233(1) of the Act provides that the Executive may make regulations for the purposes of the Act.

Road Transport (Third-Party Insurance) Regulations 2000

The *Road Transport (Third-Party Insurance) Regulations 2000* ('the principal regulations') prescribe matters necessary to give effect to Part 10 (Compulsory Vehicle Insurance) of the Act. In particular—

- subsection 214(1) of the Act prohibits an authorised insurer from charging a higher premium for a compulsory third-party (CTP) policy than the maximum premium prescribed under the regulations for the policy; and
- subsection 214(2) of the Act provides that the regulations may prescribe different maximum premium rates for—
 - a. different kinds of motor vehicles; or
 - b. motor vehicles—
 - i. used for different purposes; or
 - ii. mainly used or usually garaged in different areas or circumstances; or
 - c. policies issued or effective for different periods.

The principal regulations set out the prescribed maximum premium rates. These rates are reviewed annually.

The amending regulations

The *Road Transport (Third-Party Insurance) Amendment Regulations 2004 (No 1)* ('the amending regulations') amend the principal regulations by revising the maximum CTP premiums that can be charged for the various premium classes for policies taking effect on or after 1 October 2004.

Detail of amending regulations

Clauses 1, 2 and 3 – formal provisions

Clauses 1, 2 and 3 of the amending regulations are formal provisions setting out:

- the name of the amending regulations;
- the commencement arrangements; and
- the name of the regulations being amended.

Clause 4 – Substituted regulation 11

Clause 4 of the amending regulations replaces existing regulation 11 with a new regulation 11, dealing with the maximum premiums that may be charged for a third-party policy.

The new regulation 11 allows for different maximum premiums to be charged depending on whether the person paying the premium tells the Road Transport Authority (RTA) that the person is entitled to claim an Input Tax Credit (ITC) in relation to the third-party policy.

The need for such a provision in regulation 11 arises from changes to the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act) so that businesses and other persons registered for the GST can recover the 10% GST component of a CTP premium from the Australian Taxation Office (ATO) as an ITC on new policies and renewals taking effect from 1 July 2003.

Under transitional arrangements in place for the first three years of the GST (section 23 of the *A New Tax System (Goods and Services Tax Transition) Act 1999*), an ITC was not claimable on CTP premiums for policies commencing before 1 July 2003.

The effect of this change to the GST has been to remove the tax credit previously available to the CTP insurer for these policies. In 2004-05 this will increase the cost of affected policies by an additional 7.389%, over the premium otherwise payable, compared with a loading of 8.149% in 2003-04. However, any additional cost to businesses is recoverable from the ATO as an ITC when they complete their next Business Activity Statement.

Clause 5 – New regulation 14

New regulation 14 is to the effect that the new premium rates apply only to policies that commence on or after 1 October 2004 and the maximum premiums set out in Schedule 1, as in force prior to the commencement of these amending regulations, continue to apply to policies commencing before 1 October 2004.

Clause 6 – new Schedule 1

Clause 6 replaces the existing schedule of maximum premiums for different classes of vehicles with the new schedule of maximum premiums to apply in respect of policies beginning on or after 1 October 2004.

Schedule 1

Schedule 1 prescribes the maximum premium rates to apply from 1 October 2004 in each CTP premium classification.

Where the owner of a vehicle (or trader's plate) advises the RTA that there is no entitlement to claim an ITC (ie claim back the 10% GST component of the premium for the policy), the amount specified in column 5 for the relevant premium classification is prescribed as the applicable maximum premium.

Where the owner of a vehicle (or trader's plate) advises the RTA that there is an entitlement to claim an ITC in relation to the policy, the amount specified in column 6 for the relevant premium classification is prescribed as the applicable maximum premium.

The premium amounts prescribed in column 6 are 7.389% higher than the corresponding amounts prescribed in column 5.

Where the registered operator indicates that no ITC will be claimed, the Class 1 (passenger vehicle) premium will be \$385.85. This compares with the previously applicable premium of \$399.45 and is a reduction of \$13.60 (or 3.4%).

The premium from 1 October 2004 for a passenger vehicle will be \$414.35 where the registered operator or beneficial owner of the vehicle indicates an intention to claim an ITC. This compares with the previously applicable premium of \$432.00 and is a reduction of \$17.65 (or 4.1%).

Not all premium classes have had their CTP premiums adjusted by the same percentage. There have been further adjustments depending on each class's claims experience. Relativity factors are derived from the past 10 years' comparative claims experience and the passenger vehicle premium is multiplied by this to calculate premiums for the other classes.

These revised CTP premium rates have been developed by Pricewaterhouse Coopers Actuarial, the actuary for Insurance Australia Limited (NRMA Insurance), the sole ACT CTP insurer. The proposed premiums have been reviewed by Ernst & Young ABC, an independent actuary engaged by the Department of Urban Services to ensure that the interests of the ACT community are protected. The independent actuary has verified that the proposed premiums are adequate to fund the cost of the ACT CTP scheme while not being excessive.

Attachment 1 to this explanatory statement compares maximum premium rates to apply from 1 October 2004 with those previously applicable in each CTP vehicle premium classification for vehicles used for private purposes (ie where the registered operator or beneficial owner is not registered with the ATO for the GST and does not intend to claim an ITC).

Attachment 2 to this explanatory statement compares maximum premium rates to apply from 1 October 2004 with those previously applicable in each CTP vehicle premium classification for vehicles used for business purposes (ie where the registered operator or beneficial owner is registered with the ATO for the GST and intends to claim an ITC).

Financial Implications

As no premium revenue is retained by the Government, the amending regulations do have any revenue implications.

Attachment 1

COMPARISON OF MAXIMUM RATES OF CTP PREMIUMS (12 MONTH POLICIES) (Applicable to vehicles used for private purposes to which 0% Input Tax Credit applies)

Item	Classification	Premium	
		2003-04	From 1/10/04
1	Ambulance	\$559.20	\$540.20
2	Breakdown vehicle.....	\$399.45	\$385.85
3	Bus or tourist vehicle		
	(a) if the vehicle has seating for not more than 16 adults (including the driver).....	\$798.90	\$771.70
	(b) if the vehicle has seating for more than 16 adults (including the driver).....	\$1,717.60	\$1,543.40
4	Drive-yourself vehicle.....	\$2,396.80	\$2,315.15
5	Firefighting vehicle.....	\$499.30	\$482.30
6	Goods vehicle		
	(a) if the unladen weight is not over 975 kg.....	\$399.45	\$385.85
	(b) if the unladen weight is over 975 kg but not over 2 t.....	\$579.20	\$559.45
	(c) if the unladen weight is over 2 t.....	\$1,597.80	\$1,543.40
7	Historic vehicle.....	\$39.90	\$38.55
8	Miscellaneous vehicle.....	\$599.15	\$578.75
9	Mobile crane.....	\$719.00	\$694.50
10	Motorcycle		
	(a) if the engine capacity is not over 300 mL.....	\$79.85	\$77.15
	(b) if the engine capacity is over 300 mL but is not over 600 mL.....	\$419.40	\$366.55
	(c) if the engine capacity is over 600 mL.....	\$379.45	\$366.55
11	Passenger vehicle.....	\$399.45	\$385.85
12	Police vehicle	\$1,118.45	\$1,080.40
13	Primary producer's goods vehicle		
	(a) if the unladen weight is not over 2 t.....	\$359.50	\$347.25
	(b) if the unladen weight is over 2 t.....	\$279.60	\$270.10
14	Primary producer's tractor.....	\$319.55	\$308.65
15	Private hire car.....	\$2,276.85	\$2,199.40
16	Taxi.....	\$6,391.20	\$6,173.75
17	Trader's Plates.....	\$39.90	\$38.55
18	Trailer.....	nil	nil
19	Undertaker's vehicle.....	\$319.55	\$308.65
20	Veteran vehicle.....	\$39.90	\$38.55
21	Vintage vehicle.....	\$39.90	\$38.55

Note: The maximum premium rates shown are the 0% Input Tax Credit (ITC) premium rates which apply where the registered operator or beneficial owner is not registered with the Australian Taxation Office for the GST and does not intend to claim an input tax credit.

Attachment 2

COMPARISON OF MAXIMUM RATES OF CTP PREMIUMS (12 MONTH POLICIES) (Applicable to vehicles used for business purposes to which 100% Input Tax Credit applies)

Item	Classification	Maximum Premium	
		2003-04	From 1/10/04
1	Ambulance	\$604.80	\$580.10
2	Breakdown vehicle.....	\$432.00	\$414.35
3	Bus or tourist vehicle		
	(a) if the vehicle has seating for not more than 16 adults (including the driver).....	\$864.00	\$828.70
	(b) if the vehicle has seating for more than 16 adults (including the driver).....	\$1,857.60	\$1,657.45
4	Drive-yourself vehicle.....	\$2,592.00	\$2,486.20
5	Firefighting vehicle.....	\$540.00	\$517.95
6	Goods vehicle		
	(a) if the unladen weight is not over 975 kg.....	\$432.00	\$414.35
	(b) if the unladen weight is over 975 kg but not over 2 t.....	\$626.40	\$600.80
	(c) if the unladen weight is over 2 t.....	\$1,728.00	\$1,657.45
7	Historic vehicle.....	\$43.15	\$41.40
8	Miscellaneous vehicle.....	\$648.00	\$621.55
9	Mobile crane.....	\$777.60	\$745.85
10	Motorcycle		
	(a) if the engine capacity is not over 300 mL.....	\$86.40	\$82.85
	(b) if the engine capacity is over 300 mL but is not over 600 mL.....	\$453.60	\$393.65
	(c) if the engine capacity is over 600 mL.....	\$410.40	\$393.65
11	Passenger vehicle.....	\$432.00	\$414.35
12	Police vehicle	\$1,209.60	\$1,160.20
13	Primary producer's goods vehicle		
	(a) if the unladen weight is not over 2 t.....	\$388.80	\$372.90
	(b) if the unladen weight is over 2 t.....	\$302.40	\$290.05
14	Primary producer's tractor.....	\$345.60	\$331.45
15	Private hire car.....	\$2,462.40	\$2,361.90
16	Taxi.....	\$6,912.00	\$6,629.90
17	Trader's Plates.....	\$43.15	\$41.40
18	Trailer.....	nil	nil
19	Undertaker's vehicle.....	\$345.60	\$331.45
20	Veteran vehicle.....	\$43.15	\$41.40
21	Vintage vehicle.....	\$43.15	\$41.40

Note: The maximum rates shown are the 100% ITC rates which apply where the registered operator or beneficial owner is registered with the ATO for the GST and intends to claim an input tax credit.