

# AUSTRALIAN CAPITAL TERRITORY

## ROAD TRANSPORT (GENERAL) ACT 1999

### ROAD TRANSPORT (THIRD-PARTY INSURANCE) AMENDMENT REGULATIONS 2003 (No 1)

#### SUBORDINATE LAW No 2003-13

#### EXPLANATORY STATEMENT

##### Overview of Regulations

Subsection 233(1) of the *Road Transport (General) Act 1999* ('the Act') provides that the Executive may make regulations for the purposes of the Act.

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 *Road Transport (Third-Party Insurance) Amendment Regulations 2003* ('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 July 2003.

##### Changes to Goods and Services Tax (GST) legislation

The Federal Government intends to amend the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act) so that businesses and other persons registered for the GST will be able to 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 input tax credit (ITC) is not claimable on CTP premiums for policies commencing before 1 July 2003.

The effect of this change to the GST will be to remove the tax credit previously available to the CTP insurer for these policies, increasing their cost by an additional 8.149%, over the premium otherwise payable. However, this additional cost to businesses is recoverable from the ATO as an ITC when they complete their next Business Activity Statement.

The premium for all passenger (Class 1) vehicles is currently \$390.80 (net of the \$2.00 Road Safety Contribution). The premium from 1 July 2003 for a passenger vehicle will be \$432.00 where the registered operator or beneficial owner of the vehicle intends to claim an ITC.

This represents a gross increase of \$41.20 (or 10.5%). However, as \$39.27 (the 10% GST component of the premium) is recoverable from the ATO, the net cost of a class 1 premium to someone registered for the GST will therefore be \$392.37, a net increase of just 0.5%.

Where the registered operator indicates that no ITC will be claimed, the Class 1 (passenger vehicle) premium will be \$399.45. This represents an increase of \$8.65 (or 2.2%).

Not all premium classes have had their CTP premiums adjusted by the same percentage. There have been further adjustments up or down 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 reflect the recommendations of PricewaterhouseCoopers Actuarial (PWC Actuarial), the actuary for NRMA Insurance Limited (NRMA), the sole ACT CTP insurer. The Department of Urban Services has engaged Ernst & Young ABC as an independent actuary to review the proposed premiums and 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 for 2002/03 and 2003/04 in each CTP vehicle premium classification.

**Attachment 2** compares the lower (0% ITC) premium rates for 2003/04 which apply where the registered operator or beneficial owner of the vehicle does not intend to claim an input tax credit (ie he/she is not registered with the Australian Taxation Office for the GST) with the maximum (100% ITC) rates which apply where an input tax credit will be claimed (ie the registered operator or beneficial owner is registered with the ATO for the GST).

## **Financial Implications**

In previous years a road safety contribution has been added to the premium for all premium classes (apart from trailers) to provide revenue for the NRMA — ACT Road Safety Trust. It is proposed that, from 2003-04 onwards, the road safety contribution be determined as a separate amount under section 96 of the Act. This will improve transparency in relation to the charging of the road safety contribution.

No change is proposed to the amount of the road safety contribution (currently \$2.00).

The amending regulations have no other revenue implications.

## Details

**Regulations 1, 2 and 3** are formal provisions, specifying respectively the title of the amending regulations, their commencement date and the title of the principal regulations.

**Regulation 4** inserts a transitional regulation which provides for the existing premium schedule to continue to apply to any third-party policy commencing before 1 July 2003 and for this transitional provision to expire on that date.

**Regulation 5** substitutes a new premium schedule in place of the existing schedule to the principal regulations.

**Schedule 1** prescribes the maximum premium rates for 2003/04 in each CTP vehicle premium classification. These rates apply where the registered operator intends to claim an input tax credit (ie he/she is registered with the Australian Taxation Office for the GST) and are 8.149% higher than the rates payable where he/she is not registered with the ATO for the GST and does not claim back the 10% GST component of the premium as an input tax credit (ITC).

## COMPARISON OF MAXIMUM RATES OF CTP PREMIUMS (12 MONTH POLICIES)

Item	Classification	Maximum Premium	
		2002/03	2003/04
1	Ambulance .....	\$549.10	\$604.80
2	Breakdown vehicle.....	\$353.70	\$432.00
3	Bus or tourist vehicle		
	(a) if the vehicle has seating for not more than 16 adults (including the driver).....	\$666.35	\$864.00
	(b) if the vehicle has seating for more than 16 adults (including the driver).....	\$1,682.40	\$1,857.60
4	Drive-yourself vehicle.....	\$2,346.80	\$2,592.00
5	Firefighting vehicle.....	\$490.50	\$540.00
6	Goods vehicle		
	(a) if the unladen weight is not over 975 kg.....	\$392.80	\$432.00
	(b) if the unladen weight is over 975 kg but not over 2 t.....	\$568.65	\$626.40
	(c) if the unladen weight is over 2 t.....	\$1,408.85	\$1,728.00
7	Historic vehicle.....	\$41.05	\$43.15
8	Miscellaneous vehicle.....	\$627.25	\$648.00
9	Mobile crane.....	\$705.40	\$777.60
10	Motorcycle		
	(a) if the engine capacity is not over 300 mL.....	\$80.15	\$86.40
	(b) if the engine capacity is over 300 mL but is not over 600 mL.....	\$392.80	\$453.60
	(c) if the engine capacity is over 600 mL.....	\$353.70	\$410.40
11	Passenger vehicle.....	\$392.80	\$432.00
12	Police vehicle .....	\$1,096.20	\$1,209.60
13	Primary producer's goods vehicle		
	(a) if the unladen weight is not over 2 t.....	\$353.70	\$388.80
	(b) if the unladen weight is over 2 t.....	\$216.90	\$302.40
14	Primary producer's tractor.....	\$314.60	\$345.60
15	Private hire car.....	\$2,151.40	\$2,462.40
16	Taxi.....	\$6,254.80	\$6,912.00
17	Trader's Plates.....	\$41.05	\$43.15
18	Trailer.....	nil	nil
19	Undertaker's vehicle.....	\$275.55	\$345.60
20	Veteran vehicle.....	\$41.05	\$43.15
21	Vintage vehicle.....	\$41.05	\$43.15

Note: premium amounts for 2002-03 (but not 2003-04) include the \$2.00 Road Safety Contribution. For 2003-04, this amount is to be set separately by determination under section 96 of the Act.

## MINIMUM AND MAXIMUM RATES OF CTP PREMIUMS FOR 2003/04

Item	Classification	Premium	
		0% ITC	100% ITC
1	Ambulance .....	\$559.20	\$604.80
2	Breakdown vehicle.....	\$399.45	\$432.00
3	Bus or tourist vehicle		
	(a) if the vehicle has seating for not more than 16 adults (including the driver).....	\$798.90	\$864.00
	(b) if the vehicle has seating for more than 16 adults (including the driver).....	\$1,717.60	\$1,857.60
4	Drive-yourself vehicle.....	\$2,396.80	\$2,592.00
5	Firefighting vehicle.....	\$499.30	\$540.00
6	Goods vehicle		
	(a) if the unladen weight is not over 975 kg.....	\$399.45	\$432.00
	(b) if the unladen weight is over 975 kg but not over 2 t.....	\$579.20	\$626.40
	(c) if the unladen weight is over 2 t.....	\$1,597.80	\$1,728.00
7	Historic vehicle.....	\$39.90	\$43.15
8	Miscellaneous vehicle.....	\$599.15	\$648.00
9	Mobile crane.....	\$719.00	\$777.60
10	Motorcycle		
	(a) if the engine capacity is not over 300 mL.....	\$79.85	\$86.40
	(b) if the engine capacity is over 300 mL but is not over 600 mL.....	\$419.40	\$453.60
	(c) if the engine capacity is over 600 mL.....	\$379.45	\$410.40
11	Passenger vehicle.....	\$399.45	\$432.00
12	Police vehicle .....	\$1,118.45	\$1,209.60
13	Primary producer's goods vehicle		
	(a) if the unladen weight is not over 2 t.....	\$359.50	\$388.80
	(b) if the unladen weight is over 2 t.....	\$279.60	\$302.40
14	Primary producer's tractor.....	\$319.55	\$345.60
15	Private hire car.....	\$2,276.85	\$2,462.40
16	Taxi.....	\$6,391.20	\$6,912.00
17	Trader's Plates.....	\$39.90	\$43.15
18	Trailer.....	nil	nil
19	Undertaker's vehicle.....	\$319.55	\$345.60
20	Veteran vehicle.....	\$39.90	\$43.15
21	Vintage vehicle.....	\$39.90	\$43.15

Note: The minimum premium rates shown are the 0% Input Tax Credit (ITC) premium rates for 2003/04 which apply where the registered operator or beneficial owner of the vehicle does not intend to claim an input tax credit (ie he/she is not registered with the Australian Taxation Office for the GST). The maximum rates shown are the 100% ITC rates which apply where an input tax credit will be claimed (ie the registered operator or beneficial owner is registered with the ATO for the GST).

The premium amounts shown do not include the \$2.00 Road Safety Contribution. For 2003-04, this amount is to be set separately by determination under section 96 of the Act.