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2026-27 ACT Budget Submission

Introduction

Thank you for the opportunity to make a submission for the 2026-27 ACT Budget. The ACT branch of the Australian Electric Vehicle Association (AEVA) has been advocating for differentiated stamp duty since 2024 as a fair scheme for actively encouraging the purchase of zero emissions vehicles (ZEVs). Since January 2023, monthly EV sales in the ACT have hovered around the 15–25% range and, for the first time, the number of new EV registrations in 2025 could be lower than 2024. In our view, the ACT will not reach its target of 80–90 percent ZEV sales by 2030 without stronger policy settings.

Greenhouse gas emissions attributed to ground transport in the ACT continue to rise. In 2010-11, transport emissions in the ACT were 1,022 kilotonnes CO_2-e and represented 23% of total emissions. In 2023-24, the figures were almost 1,080 kilotonnes CO_2-e and over 65% of total emissions. While differential duty schemes are working well in other international jurisdictions, the ACT scheme is not working as effectively as it could. This submission presents our view on recommended reforms to motor vehicle duty.

Background

The ACT Government is to be commended for being the only jurisdiction in Australia to implement a differential duty scheme. The categories A to D in use today were inherited from the Green Vehicle Duty Scheme (GVDS) introduced in 2008. In 2015, a new Vehicle Emissions Reduction Scheme (VERS) was introduced which defined these categories as bands (in grams CO_2 per kilometre) reflecting changes to the Green Vehicle Guide at the time. A decade later, the bands in the ACT legislation remain unchanged with the exception of category A, which was recently split into three categories: AAA (0 g/km), AA (1–65 g/km) and A (66–130 g/km). We strongly recommend that the bands be reviewed in light of fuel efficiency improvements over the past ten years, and the initial effect of the New Vehicle Efficiency Standard (NVES) on new vehicles sold. The bands are also likely to need regular downward adjustments over time.

In 2016, the paper ‘Will cars go green under the ACT's reformed vehicle purchase tax?’ by Dr Anna Mortimer critiqued the environmental performance of the two differentiated duty schemes that had operated in the ACT (Mortimer 2016). Mortimer wrote, ‘the ACT Government will not be able to differentiate sufficiently between the revised emission bands on a price signal ranging from 1% to 6%. The same price signal applied to the former GVDS, and was found to be ineffective to shift consumers’ preference to fuel efficient vehicles. The environmental effectiveness of the VERS will depend on whether the ACT Government adopts a strong and stringent price signal.’

The application of stamp duty to the purchase price of a vehicle has a larger effect on purchasing behaviour than on-going costs such as fuel, maintenance, insurance and registration fees (ICCT 2018). Critically, a substantial price signal is needed to prevent new heavily polluting vehicles entering the fleet and remaining there for 15 to 20 years with emissions into the 2040s. Strong price signals in other jurisdictions have worked very effectively. A report from the European Federation of Transport and Environment titled The Good Tax Guide (2022) surveyed 31 European countries and found that 20 of these include CO_2 emissions in the calculation of vehicle purchase taxes. Most of these countries have used a highly non-linear approach which targets highly polluting vehicles. The report states that 'Across Europe, BEV tax differentials are broadly correlated with BEV uptake [whereas] there is no correlation … between BEV tax differentials and per capita GDP or income'.

Current arrangements

The EV market in Australia has matured. New vehicle prices have fallen, the range of available models has broadened in most market segments, and the second-hand market is growing. The EV sales environment in the ACT has witnessed falling prices and the share of EVs in new car sales has reached a point where stamp duty exemption and free registration have been withdrawn. AEVA accepts that every vehicle buyer, especially those purchasing new vehicles, should contribute to government revenue. However, it is also essential that a strong price signal encourages the purchase of ZEVs.

Figure 1 shows the stamp duty payable for vehicles in each emissions category at three price points ($30,000, $60,000, $90,000) using the stamp duty rates that will apply from 1 September 2025. Regardless of price, there is very little variation in the duty payable from category AAA to D (less than two-fold) and the amounts are noticeably flat from AAA to C. From 2008 until 2022, the stamp duty rates for vehicles valued below $45,000 ranged from 0% to 4%, a differential that Mortimer (2016) found to be 'ineffective'. Under this new regime, the price signal is even weaker with a range of only 2.5% to 4.53%. This undermines the use of differential duty to improve the environmental performance of ACT vehicles.

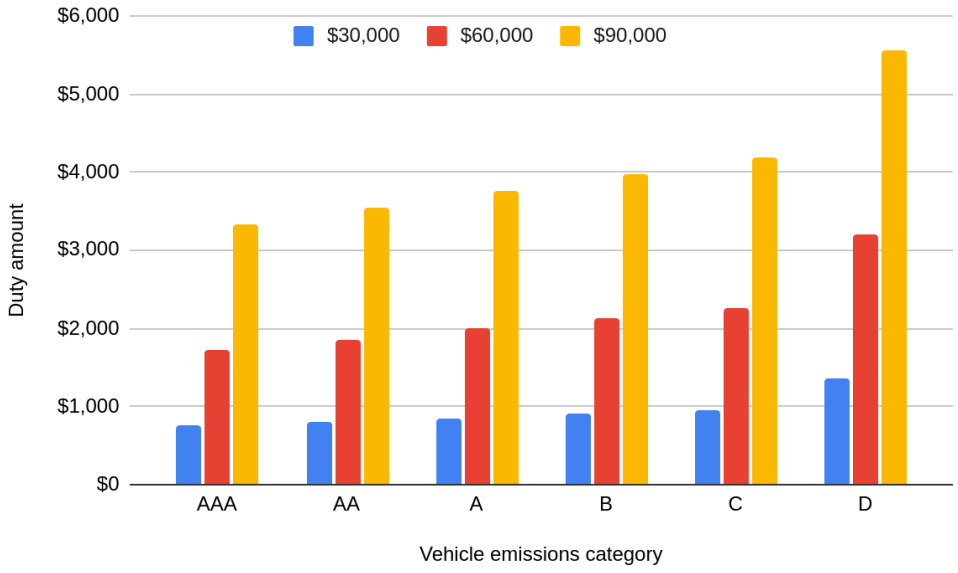

Figure 1: Stamp duty amounts for three different vehicle price points

Proposed changes to stamp duty

AEVA proposes that stamp duty rates be adjusted to send stronger price signals to prospective buyers to purchase a vehicle in a lower emissions category at each price point for both **new and used** vehicles with a CO_2 emissions rating. We refer to the current stamp duty rates in the Taxation Administration (Amounts Payable—Motor Vehicle Duty) Determination 2025. As noted above, the duty rates for the highest emitting vehicles (category D) are less than twice those for zero emissions vehicles (ZEVs; category AAA). This does not produce a sufficiently strong price signal to promote the behaviour change that the government seeks. We propose, instead, that the stamp duty parameters be reformed based on the experience of other jurisdictions and evidence from academic research. Our proposed rates for new and used vehicles and emissions bands to reflect current fuel efficiencies are shown in Table 1.

Table 1: Revised duty amounts

Vehicle category	Revised CO_2 emissions bands (g/km)	Duty amount below $45,000	Duty amount between $45,000 and $80,000	Duty amount above $80,000
AAA	0	~~2.5~~ 1%	~~4.0~~ 1.2%	~~8.0~~ 1.4%
AA	~~1-65~~ 1–50	~~2.67~~ 3%	~~4.41~~ 3.6%	~~8.0~~ 4.2%
A	~~66-130~~ 51–90	~~2.84~~ 5%	~~4.81~~ 6%	~~8.0~~ 7%
B	~~131-175~~ 91–139	~~3.0~~ 7%	~~5.22~~ 8.4%	~~8.0~~ 9.8%
C	~~176-220~~ 140–179	~~3.17~~ 9%	~~5.62~~ 10.8%	~~8.0~~ 12.6%
D	~~220+~~ 180+	~~4.53~~ 11%	~~7.81~~ 13.2%	~~8.0~~ 15.4%
Non-rated (C)		~~3.17~~ 9%	~~5.62~~ 10.8%	~~8.0~~ 12.6%

The price points considered in Figure 1 are re-presented in Figure 2 using the amended duty rates.

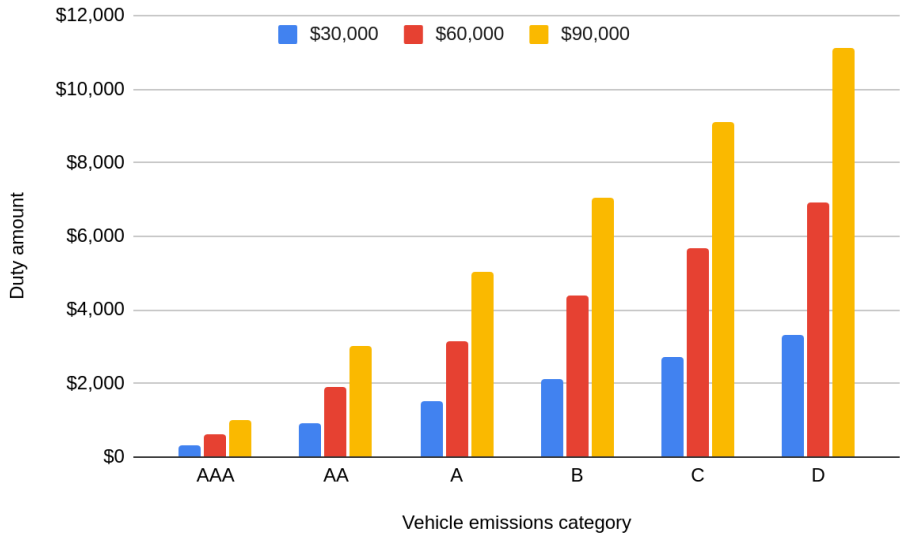

Figure 2: Stamp duties payable at three price points using the duty rates proposed by AEVA

Equity effects

By increasing the duty rates on the most polluting vehicles in the under $45,000 price bracket, lower value, higher emissions vehicles will attract more stamp duty than they do currently. There are older, low emissions and zero emissions vehicles now available in the second-hand market and their prices will continue falling. The differential duty scheme makes a $5,000 category A vehicle a cheaper option than a $5,000 category D vehicle by a saving of $300 in stamp duty. The proposed scheme is intended to encourage all buyers, regardless of vehicle price, to purchase lower emissions vehicles.

AEVA acknowledges the equity effects of the proposed revision to stamp duty rates and that, for some buyers, the additional stamp duty may make purchasing a low cost vehicle more difficult. The ACT Government currently provides registration discounts to a range of concession card holders and the government could consider extending stamp duty discounts (or full stamp duty exemption) to concession card holders when purchasing vehicles under a certain value to address these effects.

Rationale

Our rationale for these changes is summarised below:

- The new duty rates for vehicles valued under $45,000 increase linearly through the bands from 1% to 11%. This creates a wider range of duty rates and a stronger price signal. While not nearly as strongly differentiated as typical tax rates used throughout Europe, these are a substantial change from current settings and may be sufficient to affect buying behaviour.
- Duty rates are progressive on value, being set at 20% above the base rate of each emissions category from $45,000 to $80,000 and 40% above the base rate beyond $80,000.
- The highest duty rate (11% to 15.4% for Category D) remains much less than, for example, the 41% imposed on the most polluting vehicles in Ireland or the €28,091 (A$50,000) minimum that would be paid for any category D vehicle in the Netherlands.
- The suggested changes to the emissions bands reflect the improvement in fuel efficiency in the ACT fleet and market developments over the past decade.
- A vehicle with emissions of more than 90 g/km can no longer be considered ‘leading edge’ and is moved into category B for ‘significantly above average’ performance.
- Category C is re-defined to begin at 140 g/km so that the ‘average’ category aligns with the NVES passenger vehicle target for 2025.
- Category D is re-defined as 180 g/km and above to reflect efficiency improvements and the withdrawal of the most inefficient vehicles from the market to achieve NVES compliance.

Acknowledgement

The European Federation for Transport and Environment (T&E) provided the following feedback on this submission and we acknowledge their contribution:

> “T&E has reviewed the Australian EV Association’s stamp duty reform proposal and believes it strikes the right balance, encouraging drivers to switch to electric while targeting emissions from higher-polluting combustion models—especially luxury cars—ultimately lowering overall CO_2 intensity. This is the right step to take, as upfront taxes have been shown to change consumers' decisions, contributing to drivers switching to electric.”