



## Vehicle Licence Duty – Dutiable Value of Used Vehicles

This Commissioner's practice outlines how the dutiable value of certain used vehicles will be determined when assessing duty on the grant or transfer of a vehicle licence.

### Background

#### *Vehicle licence duty*

Under the *Duties Act 2008*, duty applies to the grant or transfer of a vehicle licence based on the dutiable value of the vehicle at the time of the grant or transfer.<sup>1</sup>

The *dutiable value* of a used vehicle is the amount for which the vehicle might reasonably be sold, free of encumbrances, in the open market.<sup>2</sup>

When a person applies for the grant or transfer of a vehicle licence, they must include a signed statement setting out:<sup>3</sup>

- their estimate of the dutiable value of the vehicle at the time of the application and
- if they have purchased the vehicle, the purchase price.

The person may be required to give evidence of the dutiable value of the vehicle.<sup>4</sup>

Although the Department of Transport assesses duty when an application form<sup>5</sup> is submitted for the grant or transfer of a vehicle licence, the Commissioner of State Revenue will reassess the amount of duty if an investigation reveals the dutiable value was not accurately assessed. Penalty tax will apply when the Commissioner determines the dutiable value was under declared.

#### *Valuation of property*

The Commissioner may require a taxpayer to provide a written valuation by a qualified valuer<sup>6</sup> of any property, including a vehicle, together with any documents or other records in the taxpayer's possession or control relevant to determining the value.<sup>7</sup>

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<sup>1</sup> Duties Act s 229 and 233.

<sup>2</sup> Duties Act s 231 and 238.

<sup>3</sup> Duties Act s 234(1).

<sup>4</sup> Duties Act s 234(2).

<sup>5</sup> Application forms are available on the [Department of Transport website](#).

<sup>6</sup> A qualified valuer means a person licensed or registered under the *Land Valuers Licensing Act 1978* or a corresponding Act in another State or Territory, or a person who the Commissioner is satisfied is suitably qualified or experienced to provide a valuation.

<sup>7</sup> *Taxation Administration Act 2003* s 21.

Regardless of whether the Commissioner has required the taxpayer to provide a valuation or whether the taxpayer has complied with such a requirement, the Commissioner may:

- have a valuation made of any property or
- adopt any available valuation of the property the Commissioner considers appropriate.<sup>8</sup>

## Commissioner's Practice

### *General principles*

1. When a licensed vehicle has been purchased on the open market from someone unrelated to the purchaser, the actual purchase price will represent the dutiable value of the vehicle.
2. The purchase price for a vehicle includes all monetary and non-monetary consideration paid for the vehicle. Non-monetary consideration includes other property exchanged such as another vehicle.
3. The dutiable value of a used vehicle includes accessories included with or incorporated into the vehicle on the date of registration or transfer (regardless of whether the accessories are purchased under a separate agreement to that of vehicle). This includes spare parts sold with the vehicle for use in the vehicle but not spare parts that are duplicates or that cannot be used in the vehicle.<sup>9</sup>
4. The agreed value for which a vehicle is insured may not be the same as its market value. However, the Commissioner may use the agreed insured value as an indicator that the dutiable value declared for a vehicle is less than the market value.
5. The Commissioner may investigate the circumstances of the transaction and seek evidence from the vehicle owner about the dutiable value of the vehicle at the time of licensing if not satisfied with the dutiable value declared. Duty will be reassessed if the evidence shows the vehicle has a different dutiable value to the declared value.

#### *Example 1*

Laura purchases a used vehicle from a dealership. The agreed price is \$10,000, plus an additional \$1,000 for window tinting. For the purposes of assessing vehicle licence duty, the dutiable value of the vehicle is \$11,000, which is the total price Laura pays for the vehicle.

#### *Example 2*

Sam buys a vehicle from an unrelated person for \$35,000. Most vehicles of that particular year, make and model are advertised for sale at around \$20,000. However, Sam is prepared to pay a higher price because that particular vehicle is in exceptional condition and has additional features that make it a collector's item. The dutiable value of Sam's vehicle is \$35,000, which is the price he pays for the vehicle.

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<sup>8</sup> *Taxation Administration Act 2003* s 22.

<sup>9</sup> For more information about additional features, see our website at [www.wa.gov.au/organisation/departments-of-treasury-and-finance/vehicle-licence-duty](http://www.wa.gov.au/organisation/departments-of-treasury-and-finance/vehicle-licence-duty)

### *Example 3*

Jason licenses his 50-year-old classic car and declares the purchase price of \$8,000 as the dutiable value. On the same day, he insures the car for an agreed value of \$185,000 because he is sentimentally attached to the vehicle and knows these rare collectable vehicles are selling for very high prices. After identifying the significant difference between the declared dutiable value and the insured value, the Commissioner conducts an investigation and determines that the market value of that particular car is \$145,000. Vehicle licence duty is assessed on a dutiable value of \$145,000.

### ***Vehicles not purchased on the open market***

6. When a vehicle is purchased from a related party, the purchase price will not necessarily be accepted as the dutiable value of the vehicle. In these cases, or if a vehicle is received as a gift, it is necessary to consider the price for which the vehicle might reasonably be sold on the open market.
7. Resources such as the *Redbook* website<sup>10</sup> provide information on the average selling price of various makes and models of vehicles. This information may be used as a guide, and will generally be considered appropriate evidence of the market value of a vehicle in the absence of any evidence to the contrary.

### *Example 4*

Jenny's parents gift her their car. The car is in fair condition, and *Redbook* indicates vehicles of that make and model sell on average for \$9,000. The Commissioner would accept \$9,000 as the dutiable value for the vehicle.

### *Example 5*

A father sells a vehicle to his daughter for \$1,000. The *Redbook* website suggests that type of vehicle is valued at \$10,000. The daughter should declare a dutiable value of \$10,000 to the Department of Transport instead of the price she paid.

### *Example 6*

Frank's employer is upgrading the company's fleet and offers to sell the existing vehicles to their employees at the depreciated book value of the vehicles. Frank purchases one of the vehicles for \$4,500. The average selling price of a similar vehicle in similar condition is \$10,000. Because Frank is purchasing the vehicle from a related party, he should declare the value of the vehicle as \$10,000 when applying for a transfer of the licence.

### ***Unlicensed and restored vehicles***

8. When an unlicensed vehicle is purchased and an application for the grant of a vehicle licence is made, the dutiable value will be the value of the vehicle at the time of the grant of the licence, not at the time that the vehicle was purchased.
9. When the purchaser has carried out work on the vehicle before the licence is granted, the value of the vehicle will usually be greater when it is licensed than when the unlicensed vehicle was purchased.

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<sup>10</sup> Accessible at <https://www.redbook.com.au/>

#### Example 7

Sheryl purchases an unlicensed, damaged vehicle from an auction house for \$10,000 and spends \$8,000 repairing it. When she applies to have the vehicle licensed, its value will be greater than the price she paid for it. Sheryl will need to estimate the current market value of the vehicle, and may use *Redbook* to assist.

#### Example 8

Sally purchases an unlicensed vehicle for \$1,500. She reconditions the engine, replaces some damaged rear panels and resprays the vehicle. When Sally applies to have the vehicle licensed, its value will be greater than the price she paid for it. Sally will be required to estimate the current market value of the vehicle, and may use *Redbook* to assist.

### Classic cars and collector's vehicles

10. Guides such as the *Redbook* website rely on aggregated sales data to estimate the value of a vehicle. For classic cars and other vehicles that are either rare or unique, these guides may not be particularly useful for determining the value of one of these vehicles.
11. When this type of vehicle is sold between parties dealing at arm's length, the purchase price will usually be the best evidence of the market value.
12. When an unlicensed vehicle is purchased and licensed after being restored, the owner may be required to provide objective evidence about the market value. Examples of acceptable evidence include an independent valuation from an expert valuer.

#### Example 9

Tom buys an unlicensed classic car for \$10,000. After spending \$100,000 to restore the vehicle, Tom applies for it to be licensed. The value on *Redbook* of \$10,000 is for an average vehicle in average condition, so the *Redbook* value may not be applicable. Tom should declare the dutiable value as the value he would expect that vehicle to sell for in the open market in its restored state.

If the Commissioner reviews the assessment, Tom may be requested to provide a written valuation from a qualified valuer about the dutiable value of the vehicle. The Commissioner will generally adopt the qualified valuer's valuation.

### Date of Effect

This Commissioner's practice takes effect from 27 October 2021.

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COMMISSIONER OF STATE REVENUE  
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### Document history

Commissioner's Practice	Issued	Dates of effect	
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