

Road User Charges (Temporary RUC Reduction Scheme) Amendment Bill (No 2)

Government Bill

Explanatory note

General policy statement

Fuel prices throughout the world increased after Russia's invasion of Ukraine. High fuel prices are part of general increases in the cost of living that are affecting households and businesses. Fuel prices in New Zealand have decreased slightly from the high points seen in 2022, but remain higher than before the invasion. The overall policy goal of this Bill is to offset some of the increase by reducing road taxes.

The Government has reduced petrol excise duty, levied on every litre of petrol imported or produced. There is no equivalent excise duty on diesel, and vehicles powered by a fuel other than petrol (or by a fuel not subject to excise duty) are subject to road user charges (**RUC**), which are based on distance travelled and are unrelated to fuel consumption.

Reduced rates of RUC ended at the close of 31 January 2023. This Bill aims to reinstate reduced RUC to provide relief to diesel vehicle owners equivalent to the relief that the reduction in excise duty gives to petrol vehicle owners. It does so by requiring the RUC collector (New Zealand Transport Agency) to apply a 36% discount to all legislated rates of RUC. That discount is equivalent to a 25-cents-per-litre reduction in petrol excise duty.

The discount is time limited (commencing on 1 March 2023 and ending on 30 June 2023) to ensure that owners of diesel vehicles are treated similarly to the owners of petrol vehicles. The Bill contains a new power to continue RUC reductions through an Order in Council should the Government decide on further extensions past 30 June 2023.

RUC vehicle owners should only purchase the number of RUC units at the reduced rate that they would expect to use during the temporary reduction period. Section 42D of the Road User Charges Act 2012 contains a power to issue assessments for purcha-

ses that are excessive or unreasonable or that otherwise abuse the intent of the reduction. That power will continue to apply during the second temporary reduction period.

Departmental disclosure statement

The Ministry of Transport is required to prepare a disclosure statement to assist with the scrutiny of this Bill. The disclosure statement provides access to information about the policy development of the Bill and identifies any significant or unusual legislative features of the Bill.

A copy of the statement can be found at—

- <http://legislation.govt.nz/disclosure.aspx?type=bill&subtype=government&year=2023&no=231>
- <https://www.transport.govt.nz/area-of-interest/revenue/rates-of-petrol-excise-duty-and-road-user-charges/>

Regulatory impact statement

The Ministry of Transport produced a regulatory impact statement in January 2023 to help inform the main policy decisions taken by the Government relating to the contents of this Bill.

A copy of this regulatory impact statement can be found at—

- <https://www.transport.govt.nz/assets/Uploads/Post-implementation-regulatory-assessment-Temporary-decreases-in-petrol-excise-duty-road-user-charges-and-half-fare-public-transport.pdf>
- <https://www.treasury.govt.nz/publications/risa/post-implementation-assessment-temporary-decreases-petrol-excise-duty-road-user-charges-and-half-fare-public-transport>

Clause by clause analysis

Clause 1 is the Title clause.

Clause 2 provides that the Bill commences on 1 March 2023.

Clause 3 provides that the Bill amends the Road User Charges Act 2012 (the **principal Act**).

Clause 4 amends section 42A of the principal Act. The effect of the amendments is to reinstate the reduced rates of road user charges provided for by the Road User Charges (Temporary RUC Reduction Scheme) Amendment Act 2022. The amendments provide for a second temporary reduction period, which commences on 1 March 2023 and, if not extended by an Order in Council made before 30 June 2023, ends on that date. The second temporary reduction period can be extended by subsequent Orders in Council made before the period ends.

Clause 5 defines, for the second temporary reduction period, the term normal rate in section 42B of the principal Act. For the second temporary reduction period, the nor-

mal rate is the GST-inclusive rate specified for the RUC licence from time to time in regulations made under section 85, or by notice given under section 90A(2).

Clause 6 amends section 42G of the principal Act, which provides for the repeal of the provisions relating to the temporary reduction period and the second temporary reduction period. Those provisions will now be repealed 5 years after the second temporary reduction period ends.

Clauses 7 to 9 make consequential amendments to the principal Act.

Hon Michael Wood

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The Parliament of New Zealand enacts as follows:

1 Title

This Act is the Road User Charges (Temporary RUC Reduction Scheme) Amendment Act **(No 2) 2023**.

2 Commencement

This Act comes into force on **1 March 2023**.

3 Principal Act

This Act amends the Road User Charges Act 2012.

Part 1

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Amendments to principal Act**4 Section 42A amended (Meaning of temporary reduction period)**

(1) In the heading to section 42A, after “**temporary reduction period**”, insert “**and second temporary reduction period**”.

(2) After section 42A(2), insert: 10

(2A) In sections 42B to 42G, unless the context otherwise requires, **second temporary reduction period** means the period—

(a) beginning on 1 March 2023; and

(b) ending on one of the following dates:

(i) the date specified by an Order in Council made under **subsection (2B)**; or 15

(ii) if no Order in Council has been made under **subsection (2B)**, 30 June 2023.

(2B) The Governor-General may, by Order in Council made before the second temporary reduction period ends, shorten or extend the second temporary reduction period to a date specified in the order. 20

(3) In section 42A(3), after “subsection (2)”, insert “or **(2B)**”.

5 Section 42B amended (Temporary reduction in rate of road user charges)

(1) In section 42B(1), after “temporary reduction period”, insert “or second temporary reduction period”. 25

(2) In section 42B(3), replace the definition of **normal rate** with:

normal rate means,—

(a) for the temporary reduction period, the GST-inclusive rate—

(i) applying immediately before the commencement of the temporary reduction period; and 30

(ii) specified for the RUC licence—

(A) in the Road User Charges (Rates) Regulations 2015; or

(B) by notice given under section 90A(2); and

(b) for the second temporary reduction period, the GST-inclusive rate specified for the RUC licence— 35

- (i) from time to time in regulations made under section 85; or
 - (ii) by notice given under section 90A(2).
- (3) In section 42B(6), after “section 42A(2)”, insert “or the second temporary reduction period is extended by an Order in Council under **section 42A(2B)**”.

6 Section 42G amended (Repeal)

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In section 42G(1), replace “12 months after the end of the temporary reduction period” with “5 years after the second temporary reduction period ends”.

Part 2

Consequential amendments

7 Section 42C amended (Road user charges that apply after end of temporary reduction period)

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- (1) In the heading to section 42C, after “**temporary reduction period**”, insert “**or second temporary reduction period**”.
- (2) In section 42C, after “temporary reduction period”, insert “or second temporary reduction period”.

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8 Section 42D amended (When assessments may be issued)

- (1) In section 42D(2), after “temporary reduction period”, insert “or second temporary reduction period”.
- (2) In section 42D(3)(a), after “2022”, insert “or any subsequent orders made from time to time under clause 20 of Schedule 3 of the Customs and Excise Act 2018”.
- (3) In section 42D(3)(b), after “temporary reduction period”, insert “or second temporary reduction period”.
- (4) In section 42D(5)(a), after “section 42A(1)”, insert “and **(2A)**”.

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9 Section 42E amended (How assessments are to be calculated)

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In section 42E, formula, item b, after “temporary reduction period”, insert “or second temporary reduction period”.