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IPART Submission Calls for Removal of State Taxes on Insurance Products

The Insurance Council of Australia has made a submission to the NSW Independent Pricing & Regulatory Tribunal (IPART) calling on the NSW Government to remove the burden of State taxes currently being imposed on insurance products.

Commenting on the submission, Insurance Council of Australia CEO Kerrie Kelly said “concern over climate change and the need to respond to more erratic weather events requires a sound public policy framework that encourages adaptive behaviours. Measures that remove distortions and encourage general insurance uptake are fundamental to achieving this.”

The submission also highlights the strong relationship between State taxation and non insurance. The Insurance Council’s report: *“The Non Insured: Who, Why and Trends”* released in May 2007, identified the relationship between States taxes and non insurance and the correlation between the two.

The *Non Insured* report was very clear in identifying that those States with the highest levels of insurance taxation also experienced the highest levels of non insurance.

“Total taxation on insurance accrues around \$1.2 billion in revenue to the NSW Government, or around 7% of all State taxes,” said Ms Kelly

“Independent research undertaken by the Australian National University confirms the correlation between insurance taxes and the incidence of non insurance. Taken together, the combined effects of taxes on insurance can add over 40% to the cost of a residential premium and over 60% to the cost of a commercial premium.”

Using modelling from Access Economics, the Insurance Council has estimated the cost of removing all taxes on insurance premiums, including removing fire service levies, would be affordable at around a net cost to revenue of some \$410 million or around 2.6% of all State taxes, or 1% of all NSW revenues.

“The modelling by Access indicates if the NSW Government were to abolish fire service levies, and funded the fire services through a charge on municipal rates or on the occupants of residential and non residential property, the NSW Government would enjoy a modest revenue gain of between \$38 and \$66 million,” said Ms Kelly.

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