INSURANCE COUNCIL OF AUSTRALIA

Media Release

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Tasmanian Budget makes insurance less affordable for householders

Stamp duty hikes in yesterday's Tasmanian Budget will add to the cost of living of most Tasmanians by forcing up the price of insurance.

The Budget has increased general insurance stamp duties from 8 per cent to 10 per cent effective from October 1, which will add $31 a year to the typical household insurance bill.

Mr Rob Whelan, Chief Executive of the Insurance Council of Australia, said the increase in stamp duty was unfortunate and ran contrary to the Tasmanian Government's stated desire to reform its tax base.

"Stamp duties are inequitable, highly inefficient and unfair, and insurers are very disappointed to see Tasmania increasing its stamp duties rather than take positive steps towards reducing or removing them," Mr Whelan said.

"The Insurance Council, along with other interested stakeholders, engaged in extensive consultation with Tasmanian decision makers throughout 2011 on ways to improve the Tasmanian state tax base. This measure runs counter to that process."

At the moment a typical Tasmanian household pays $124 in stamp duties on a home and contents policy and two motor vehicle policies. From October 1, the stamp duty measures will increase this by $31 to $155.

The increased reliance on insurance stamp duty means insurance now accounts for 7.5 per cent of all Tasmanian taxes, up from 6 per cent the previous year.

Mr Whelan said: "The increase is fundamentally inconsistent with the recommendation of the Henry Tax Review that called upon the removal of insurance taxes.

"The Henry Tax Review found that insurance taxes are amongst the most inefficient of all taxes. The NSW and Queensland governments are working on a state tax reform plan on behalf of all the states, which is to be presented to the Council of Australian Governments meeting late this year.

"Insurers hope Tasmania's decision to increase stamp duties is only a short-term move."

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