

June 6, 2012

Insurance Council urges states to follow ACT lead on phasing out insurance taxes

The Insurance Council of Australia congratulates the Australian Capital Territory Government for yesterday's announcement of a five-year phase out of stamp duties on general insurance products, starting on October 1 this year.

The announcement, contained in the ACT Budget, follows the recommendation of the ACT Taxation Review in May 2012 to abolish duties on general insurance and life insurance.

The move means that from October 1, a property owner will pay less state tax for insuring their property.

Mr Rob Whelan, Chief Executive of the Insurance Council, said the ACT Government was the first state or territory government to remove stamp duties on all general insurance products.

"The ACT Government's decision to phase out insurance stamp duties over the next five years is a clear acknowledgement that reform of state insurance taxes is achievable," Mr Whelan said.

"Together with its previous policy to abolish fire levies on insurance, the ACT Government is continuing to lead the way on general insurance tax reform.

"The ACT Government is demonstrating that securing insurance tax reform is an achievable goal for state governments.

"The ICA urges all state governments to follow the lead of the ACT and work towards a goal of abolishing all taxes on insurance by 2015."

The ACT's stamp duty rate of 10 per cent will be phased out over five years by reducing the rate by 2 percentage points each year.

Mr Whelan said: "This means the average householder, who currently pays a little over \$800 a year for a home and contents policy, can expect to save about \$20 in stamp duties from October 1, and about \$90 each year once duties have been completely removed in late 2016."

Using data obtained from the 2009-10 Australian Bureau of Statistics Household Expenditure Study, the Insurance Council estimates about 4 per cent of all households in the ACT and Northern Territory have no building insurance and about 27 per cent of ACT and NT households have no contents insurance.

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An independent study conducted by the Centre for Law and Economics at the Australian National University estimated the number of households with building insurance would increase by 13 per cent if stamp duties were removed in the ACT and NT.

Mr Whelan said: “As the May 2012 ACT Taxation Review shows, under- and non-insurance in the Australian community can impose a direct cost on government where there is an expectation that help will be provided in the event of a catastrophe.

“The abolition of insurance stamp duty is recognition that encouraging insurance take-up is a major part of building a community’s resilience to natural disasters and other catastrophes.”

In contrast, the Tasmanian Government increased stamp duties by 2 percentage points in its recent Budget, making insurance less affordable for householders and adding about \$31 a year to a typical household insurance bill.