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NSW Government takes significant step towards tax reform

The New South Wales Government's release of a discussion paper on improving the funding of emergency services is a welcome initiative that should lead to the removal of taxes on insurance products, the Insurance Council of Australia said today.

Insurance Council CEO Rob Whelan said the emergency services levy (ESL) added to policies was inequitable, unfair and inefficient.

Mr Whelan said he was pleased NSW Treasurer Mike Baird had embarked on a three-month consultation process to identify a better way to fund NSW's emergency services, and the ICA would be submitting a response to the discussion paper, *Funding our Emergency Services*, on behalf of member companies.

At present, the ESL is added to general insurance policies to fund emergency services across NSW. However, this means only those with insurance contribute towards the running cost. About 810,000 NSW households do not have insurance and do not contribute to emergency services funding.

Based on a notional emergency service levy rate of 21 per cent*, a NSW householder with a typical annual residential home and contents policy of \$1000 pays \$210 each year in emergency services levies.

This is further compounded by the addition of stamp duties and GST.

Mr Whelan said state taxes on insurance made policies less affordable and acted as a disincentive to property owners taking out appropriate cover.

"The Insurance Council believes moving to a property-based charge is a much fairer and more efficient way to fund NSW's emergency services," he said.

"The release of this discussion paper brings NSW closer to abolishing this inefficient levy, and is in line with the decision by the Victorian Government to remove its fire services levy from July 1, 2013.

"Ultimately the Insurance Council would like to see all state and territory governments working to abolish all taxes on insurance by 2015."

***Editors Note:** *The amount recovered from policy holders by insurance companies for their statutory contributions to the emergency services is an individual commercial matter for each individual insurer.*