

Tuesday June 18, 2019

## Expansive NSW Budget reinforces need for fresh dialogue on tax reform

### **Statement from Rob Whelan, CEO, Insurance Council of Australia:**

The Insurance Council of Australia welcomes today's NSW Budget, which emphasises solid operating surpluses, fiscal responsibility and strong infrastructure spending.

However, the insurance industry is concerned that this comes at a cost to households and businesses that insure their assets. The amount of revenue that the Berejiklian Government expects to raise from inequitable insurance taxes and levies will continue to place an unfair burden on NSW policyholders.

Revenue from insurance stamp duties and the Emergency Services Levy (ESL) will soar by 5.4 per cent a year over the next four years, reaping \$8.6 billion, compared with annual inflation of 1.3 per cent.

The Budget shows continued over-reliance on both the ESL and stamp duties, which numerous reports and inquiries have concluded are unfair, inefficient and inequitable.

From July 1, NSW households will typically be paying more than 50 per cent in taxes on insurance (GST, plus 9 per cent stamp duty, plus the ESL) on renewals and new policies. As a result, typical household premiums will rise by \$60-\$100 this year.

However, many small businesses and primary producers will be hit hardest. The combination of GST, stamp duty and ESL will result in these sectors paying up to 70 per cent in taxes on their insurance policies.

The ICA urges the Government to restart the ESL reform process, which was abandoned in May 2017, in consultation with the insurance industry, independent tax experts, local government, small business and other key stakeholders.

Stamp duties and the ESL are a significant cause of non-insurance and underinsurance in the community. More than 848,000 NSW families (about 30 per cent) do not have household (home or contents) insurance – Australia's second-worst non-insurance rate after the NT.

Though the NSW Government is making a \$600 million provision for firefighters' workers compensation through increases in the ESL over the next four years, *The Australian* this week revealed a similar scheme in Queensland has cost only \$11.2 million over the past three years.

The ICA and its members would welcome consultation on an all-of-government approach to removing unfair taxes and levies on insurance and ensuring fairer taxation models are designed and implemented.

**Media contact:** Media adviser 02 9253 5161 0432 121 116 Twitter: @ICAUS

Page 1 of 1