

June 12, 2012

Insurance Council welcomes NSW Budget steps towards insurance tax reform

The Insurance Council of Australia today welcomed New South Wales Treasurer Mike Baird's announcement of a review into the emergency services levy on insurance premiums.

In today's Budget, Mr Baird announced the NSW Government would be releasing a discussion paper to consider new funding arrangements for the fire and emergency services levies, which he described as "one of the most inefficient taxes in the state".

Community consultation will take place before the reform is finalised.

The announcement follows tax reform discussions between the Insurance Council and NSW Treasury, which include the submission of research examining the impact on households and businesses of scrapping the levy.

Insurance Council CEO Rob Whelan said the insurance industry was pleased NSW was taking a very positive step towards removing taxes on insurance.

"We congratulate Mr Baird and the NSW Government for this initiative, and we look forward to responding to the discussion paper," Mr Whelan said.

"State taxes and levies on insurance products are unfair and inequitable. They make insurance less affordable and serve as a disincentive to property owners taking out appropriate cover.

"The ICA estimates more than 810,000 NSW households have no household insurance – about 30 per cent of the population. A property-based charge is a fairer and much more efficient way to fund NSW's emergency services.

"Today's announcement is the first step towards bringing NSW in line with other states on emergency services levies. It is consistent with the decision by the Victorian Government to remove its fire services levy from July 1, 2013.

"The ICA is encouraged to see Australia's two largest states taking substantial steps towards tax reform in line with the recommendations of the Henry Tax Review."

The Insurance Council estimates the emergency services levy adds about 21 per cent to the premium for a typical NSW home and contents policy and about 36 per cent to business insurance premiums.

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Mr Whelan said: “Insurers are also heartened by the progress being made by Mr Baird and his South Australian counterpart, Mr Jack Snelling, towards a plan for reforming all state taxes, including scrapping stamp duties on insurance.

“The ICA would like all state and territory governments to work towards a goal of abolishing all taxes on insurance by 2015.”

Today’s announcement comes one week after the Australian Capital Territory Government announced a five-year phase out of stamp duties on general insurance.

BACKGROUND:

This table compares the fire services levy (known as the emergency services levy in NSW) and stamp duty rates that apply to residential home and contents policies in each state and territory.

	FSL rate: town/country	Stamp duty rate:	Details
NSW	21 per cent/ 21 per cent	9 per cent	12/06/12: NSW Treasurer Mike Baird announces a discussion paper into removing the levy
VIC	18 per cent/ 36 per cent	10 per cent	Victorian Government to abolish FSL on 1/7/2013
QLD	Nil	7.5 per cent	Removed FSL 1985
WA	Nil	10 per cent	Removed FSL 2003
SA	Nil	11 per cent	Removed FSL 1999
ACT	Nil	10 per cent*	Removed FSL 2006
TAS	Nil	8 per cent**	A limited FSL remains in place for some commercial products
NT	Nil	10 per cent	No history of an FSL

*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, starting on October 1, 2012

**Tasmania’s stamp duty rate increases to 10 per cent on October 1, 2012