SUBMISSION TO THE PARLIAMENT OF SOUTH AUSTRALIA, ECONOMIC & FINANCE COMMITTEE

INQUIRY INTO THE SOUTH AUSTRALIAN TAXATION SYSTEM

JANUARY 2013

INTRODUCTION

The Insurance Council of Australia (ICA) [1]welcomes the opportunity of providing a submission to the Inquiry into South Australian taxation system (hereafter the Inquiry) being overseen by the Economic & Finance Committee of the South Australian Parliament (hereafter the EFC). The ICA has been a major contributor to the State tax reform debate in the past [2] and is pleased to make further contributions to the State tax reform debate through the SA parliamentary committee process.

The EFC is undertaking this inquiry at a time when research and analysis on State taxation is relatively well developed and advanced. For example, the Review into Australia's Future Tax System (the AFTS) provides the fundamental platform in which to undertake a principles based appraisal of the efficiency of State taxes regardless of which State they are levied. Similarly, State based reviews such as those undertaken in NSW, Tasmania and the ACT have concluded their findings with recommendations in concert with the Henry Tax Review. In more recent times, the Final Report of the GST Distribution Review,[3] also reaffirmed the findings of the Henry Tax Review in their summation of the relative benefits and costs of a given array of State taxes.

What these Federal and State reviews and inquiries have in common is the conclusion that State taxes fall into two basic categories. The first are taxes on transactions (such as stamp duties and levies on the purchase of insurance and on property sales) which have large dead weight costs, are a drag to prosperity and suffer from revenue volatility. The second category are those State taxes, such as payroll and land taxes, that although they suffer from weaknesses in their bases through exemptions, offer the States a tax base that is potentially efficient and revenues that are stable and predictable. The conclusion from these reviews is that the States would be materially better off if they reformed their tax bases on payroll and land to reduce exemptions at the same time as they reduced their reliance on transaction type taxes such as stamp duties.

However, notwithstanding the availability of such consistent advice to the States and Territories, reform of State transaction taxes remains somewhat piecemeal with only the Victorian Government [4]with its abolition of fire levies for insurance and the ACT government [5] with its transaction tax abolition program, [6]engaging in clear State tax reform initiatives. Moreover, the ICA notes that the broader State tax reform goal has been regrettably lost in Commonwealth/State financial discussions and that the absence of a consensual plan between the States and the Commonwealth has disappointingly delayed such important change. The ICA also submits that the impasse in Commonwealth/State Financial

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[1] The Insurance Council of Australia (ICA) is the representative body of the general insurance industry in Australia. ICA members represent more than 90 percent of total premium income written by private sector general insurers. ICA members, both insurers and reinsurers, are a significant part of the financial services system. September 2012 Australian Prudential Regulation Authority statistics show that the private sector insurance industry generates gross written premium of $37.9 billion per annum and has total assets of $115.7 billion. The industry employs approx 60,000 people and on average pays out about $116 million in claims each working day. Insurance Council members provide insurance products ranging from those usually purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses and larger organisations (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

[2] See ICA submissions to the Australian Future Tax System Review, the NSW IPART Review, and the Tasmanian State Tax Review available at www.insurancecounicl.com.au

[3] See GST Distribution Review (October 2012) "Final Report"

[4] On the 28th August 2012, the Victorian government announced the abolition of fire levies on insurance and their replacement with a property based charge. See Media Release Premier, Deputy Premier & Treasurer 28 August 2012 "*Coalition to introduce fairer system to fund Victoria's fire services*"

[5] In May 2012, the ACT government announced its response to the ACT Taxation Review which included abolishing conveyancing duties over a 10 to 20 year period and abolishing duty on general and life insurance products. See Government Response to the ACT Taxation Review (May 2012)

[6] At the time of writing, the NSW is engaged on a community consultation process on reform of the system of fire levies on insurance. See NSW government "*Funding our Emergency Services: Discussion Paper*" (July 2012).

relations has also been a brake on reform of even a modest sort – such as the abolition of insurance stamp duties (which have the largest dead weight costs of all State taxes) at a relatively insignificant cost to all the States of $3.5 billion. It is respectfully suggested that a clear demonstration to the Australian community of the purpose and ongoing relevance of Commonwealth/State discussions would see all levels of government commit to the abolition of all taxes on insurance by 2015 as a first step towards a longer term goal of State tax restructuring.

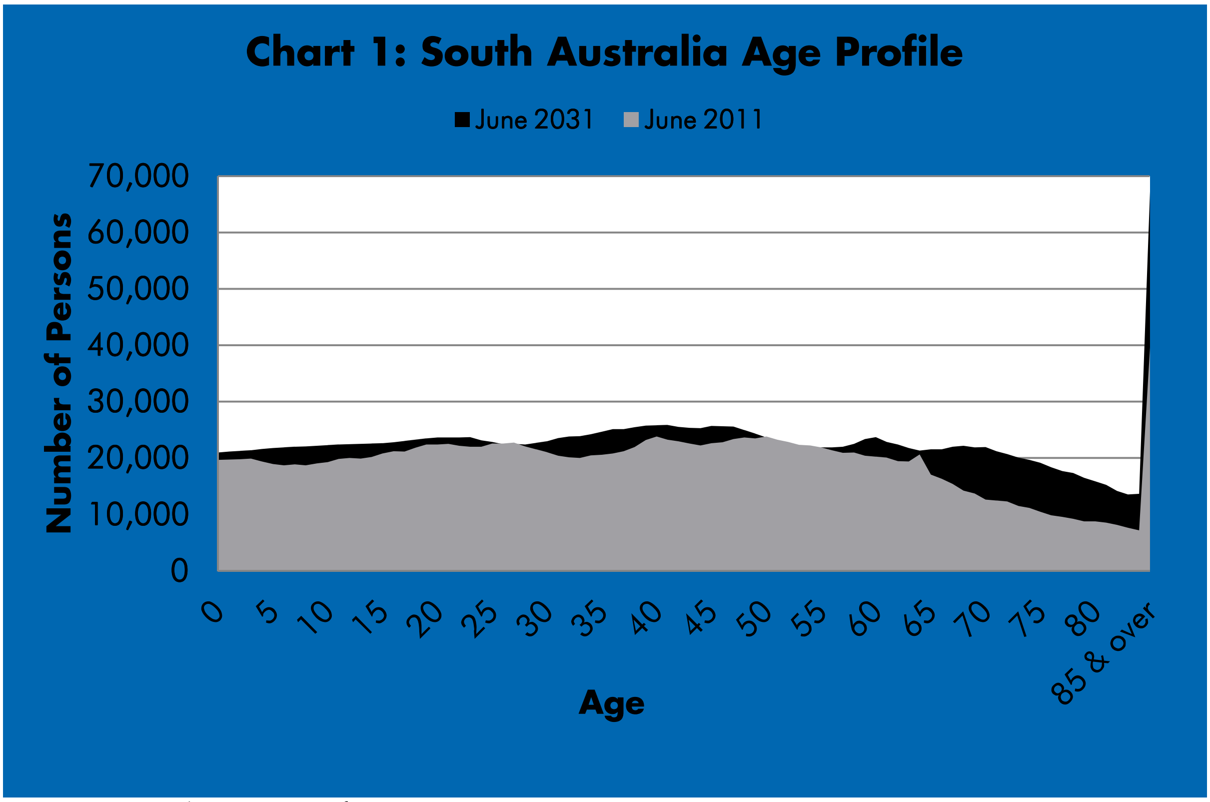
The ICA believes that with impending demographic change and current economic conditions, the case for State tax reform is more manifest and more urgent. In particular, the ageing of the Australian population and the resultant need for the States to secure reliable and non distortionary funding for the future outlays of social services for the aged emphasises the urgency of the challenge. This ICA submission will look to add to the case for State tax reform through an examination of the unique conditions facing South Australia in the near term. The ICA submission will then add to the stock of analysis on the options for State tax reform funded in a revenue neutral fashion. The submission will conclude with opportunities for reform in the short to medium term and the role South Australia can play in effecting long term State tax reform.

THE CHALLENGES FACING SOUTH AUSTRALIA

The Ageing and Shrinking of the South Australian Population

At June 2011, the resident population of South Australia was estimated at 1.6 million, the equivalent of 7.3% of the Australian population. At this time, the median age of the South Australian community was 39.5 years compared with a national average of 37.3 years. Projecting forward, the Australian Bureau of Statistics estimate that by 2031, the population of South Australia will be around 2 million persons or 6.8% of the Australian population. At the same time, the median age of the South Australian population will be 41 years, compared to the Australian median of 39 years. In short, the population of South Australia, relative to other jurisdictions, is ageing and shrinking in size.

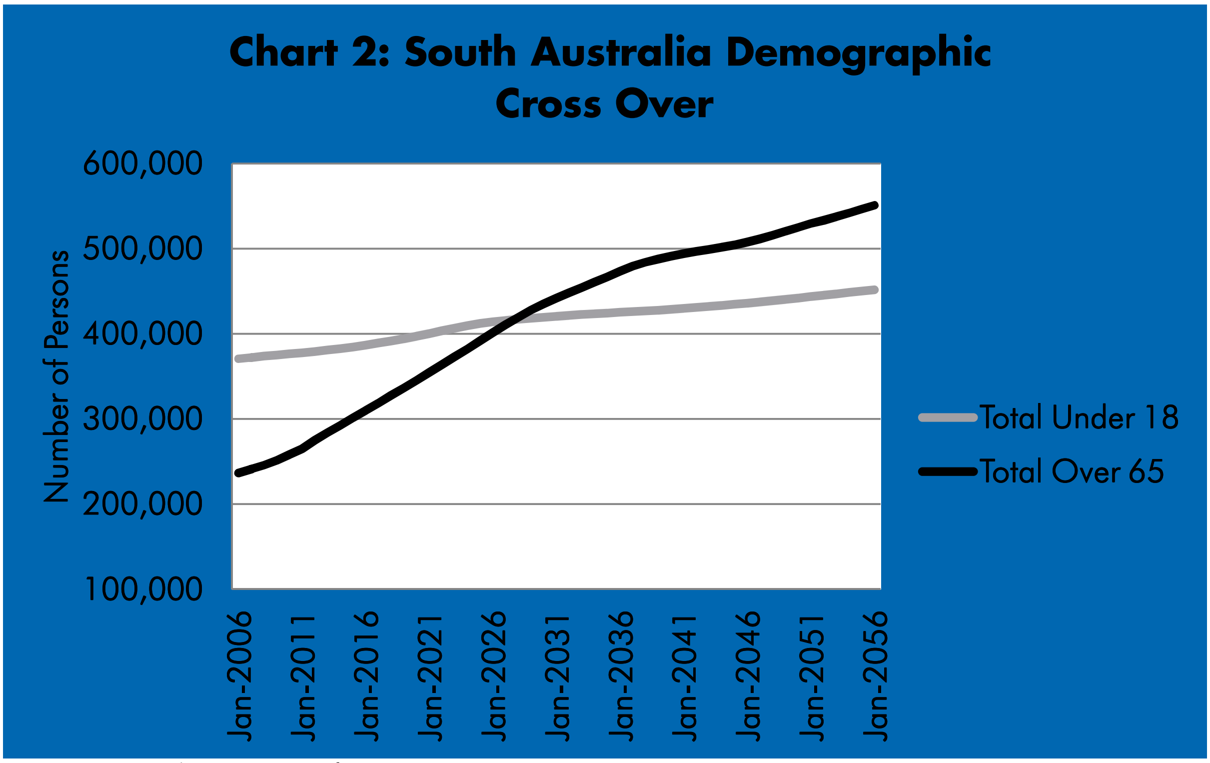
The extent to which the South Australian population is ageing is demonstrated in the charts below. Chart 1 articulates the age profile of South Australia today and compares it to 2031.



Source: Australian Bureau of Statistics

As the Chart demonstrates, the population of South Australia is expected to age significantly over the next twenty years to the extent that the SA age dependency ratio (ie the population aged over 65 as a ratio of the total population) is expected to increase from 16% today to 23% in 2031.

More fundamentally however, is the rapid rate at which, due to the combination of declining population shares and an ageing population, the South Australian community is ageing vis a vis the Australian community and internationally.



Source: Australian Bureau of Statistics

Chart 2 tracks the expected growth in the population of under 18 year olds in South Australia against the expected growth in over 65's. As the Chart demonstrates, the demographic "cross over" point where the over 65 year old population is forecast to be larger than the under 18 year old population is relatively near in the year 2028. In contrast, the equivalent demographic "crossover" point for Australia as a whole is expected to be 2043 while the same "crossover" point in the United States is forecast to be 2056.

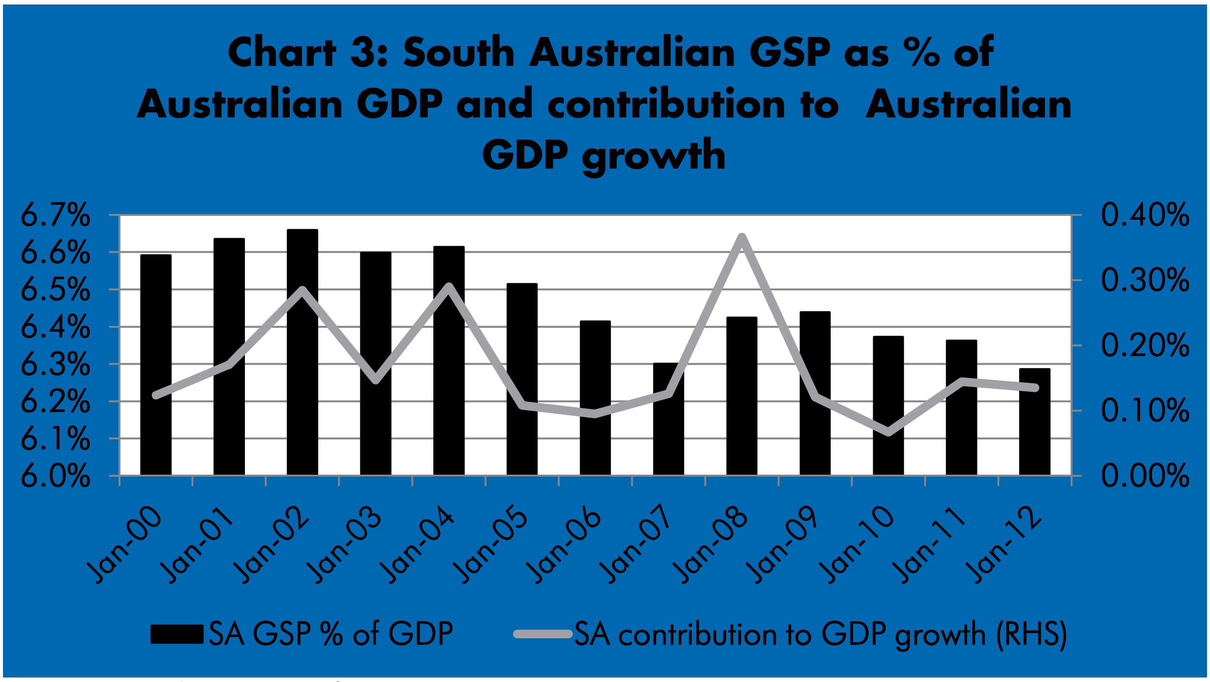
The ageing and shrinking of the South Australian population is expected to place considerable strain on the long term funding of community and social services in South Australia especially for health related services. Although outlays in schooling education can be expected to reduce as the SA school age population declines, the extent of ageing in South Australia is expected to outweigh any such reductions.

Over the medium to longer term, irrespective of the government of the day, the South Australian community will face the need to secure ongoing and stable sources of revenue to fund its ageing community. In this regard, the earlier the adjustment away from volatile transaction taxes to stable sources of revenue such as payroll and land, the better the long term financial stability for the State.

A Shrinking Share of National Income & Commonwealth Grant Dependency

In 1990, South Australian Gross State Product (GSP) amounted to $54 billion, or around 7.4% of total national GDP. In 2012, while South Australian GSP grew to $91.2 billion, as a share of national output, the South Australian economy declined to 6.3%. Expressed in another way, had South Australia maintained its share of the national economy between 1990 and 2012, nominal South Australian GSP would be $1 billion larger today.

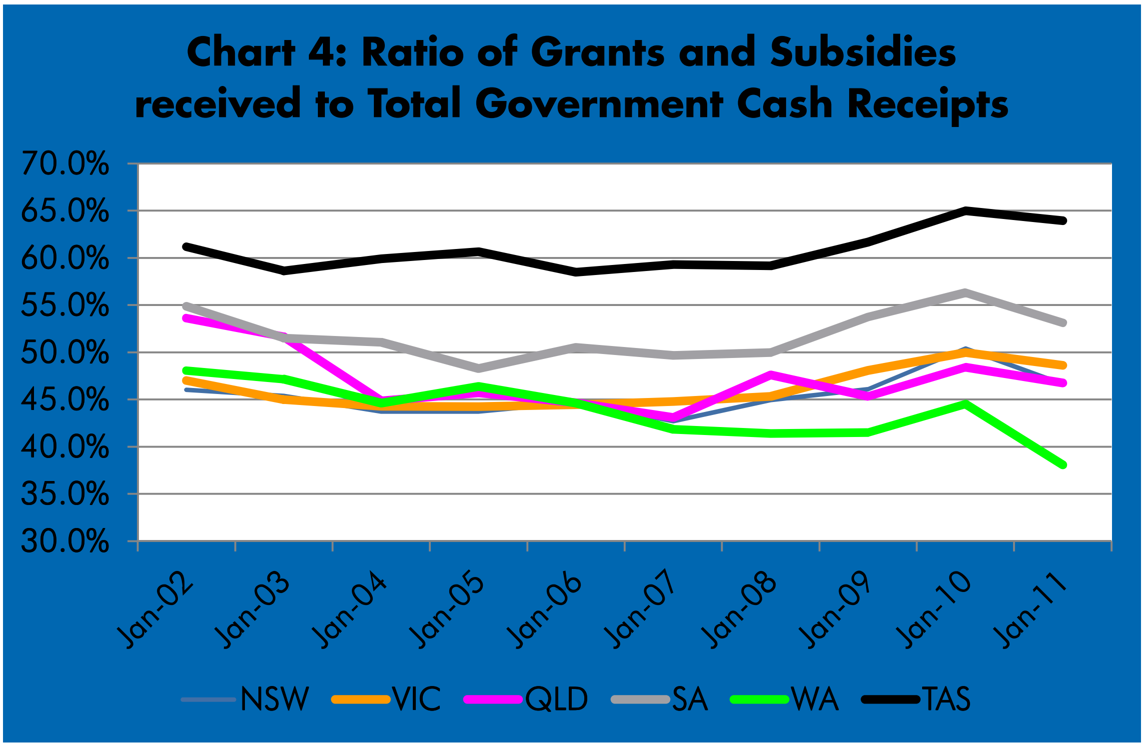
Chart 3 plots South Australian Gross State Product as a share of total national GDP and the contribution to growth the South Australian economy makes to national growth since 2000.



Source: Australian Bureau of Statistics

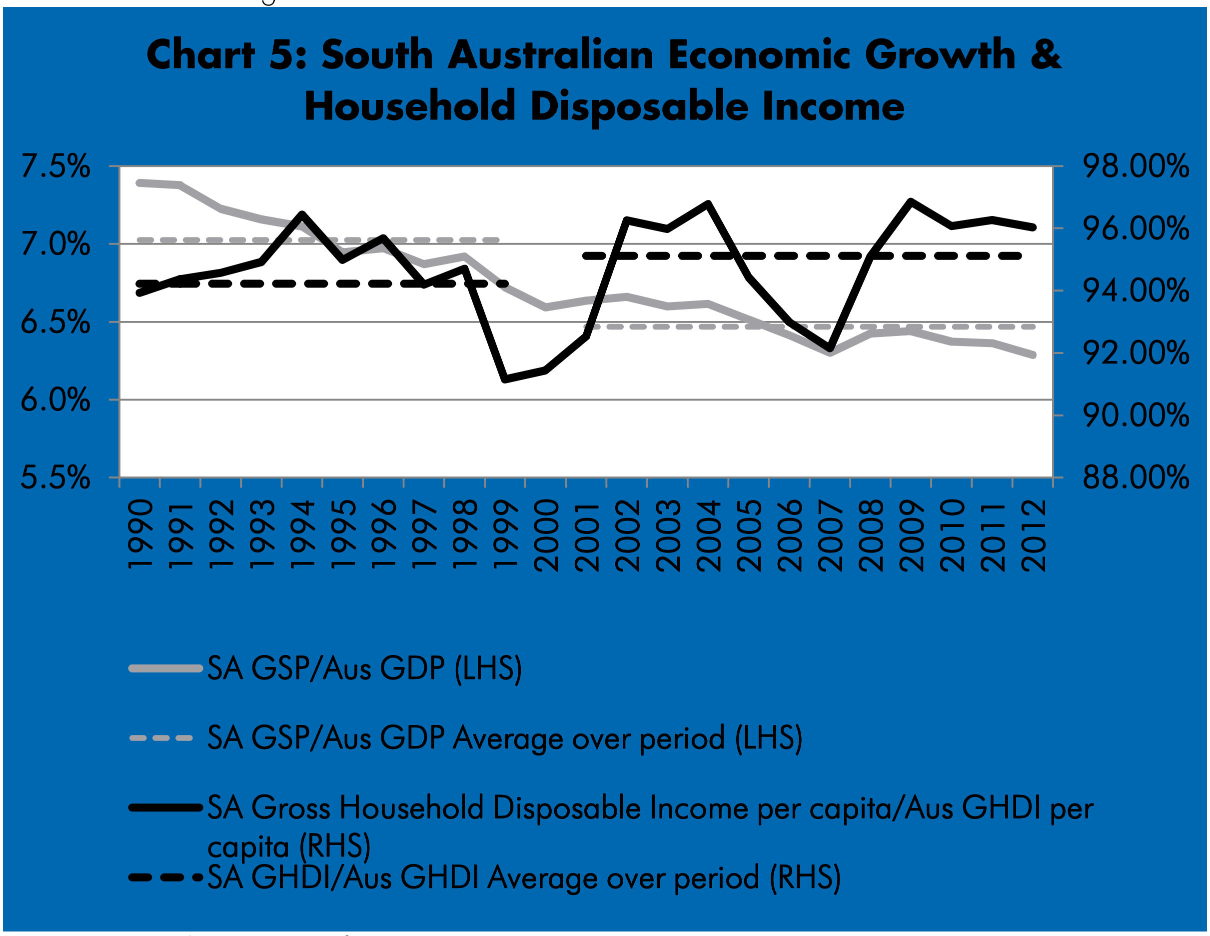
As is clear from the Chart above, both as a share of national output and as a contributor to growth, the South Australian economy has been in steady decline. This declining output places additional strains on the South Australian government's ability to "trade" its way out of future fiscal stress through growth.

A further implication of the relative stagnancy in the South Australian economy is the need for the South Australian community to support its current living standards via grants from the Commonwealth. As the Chart below clearly indicates, other than Tasmania, South Australia is the most grant dependent State or Territory with almost one half of State receipts being in the form of grants and subsidies from the Commonwealth.



Source: Commonwealth Grants Commission

The dependence of grants and subsidies for the maintenance of living standards in South Australia can be demonstrated through Chart 5 below.



Source: Australian Bureau of Statistics

Chart 5 outlines the extent to which grants serve to cushion South Australian living standards despite weak economic growth. As the chart highlights, despite the share of South Australian GDP to national GDP ratio falling from an average of 7.0% in the decade to June 2000, to 6.5% between 2000 and today, average household disposable income per capita as a ratio of the national equivalent has *increased* from 94% to 95% over the period.

The extent of grant dependency clearly has implications for South Australia's fiscal sovereignty [7] as well as broader Commonwealth/State financial relations. Although the GST Distribution Review Committee found the Commonwealth Grants Commission to be working well, tensions between the States are likely to remain over the distribution of general grants, especially those arising from collections of the GST. Moreover, it can reasonably be expected that such tensions will exacerbate over time, especially as GST proceeds adjust to structural changes in savings habits and an ageing population. Although remedies such as adjusting the GST (whether it be by increasing the rate or broadening the base) remain open for discussion/debate, the ICA contends that such discussions often retreat into predictability and distract from the more immediate opportunities available in State tax reform.

In the case of South Australia, notwithstanding the importance that Commonwealth grants are to the State, the ICA contends that, like all State governments, South Australia has available to it tax bases that are in many ways as suitable and as efficient as the GST, and that policy makers would be well placed to maximise opportunities from such tax bases in the transition period prior to any change in GST arrangements. Moreover, the ICA submits that in recent times, discussions on Commonwealth/State financial relations have been glacial, if not intractable, and that this state of affairs has circumscribed meaningful and achievable reform in the short term. For example, the abolition of stamp duties on insurance at a modest cost of $3.5 billion has regrettably been bypassed by decision makers in the Commonwealth and States as negotiations on the GST and its "carve up" have come to dominate policy. Although the ICA acknowledges that the longterm structure of both the taxation system and also Commonwealth/State relations are in need of repair, the ICA respectfully suggests that such long term objectives should not distract from short term achievable goals (such as the abolition of State stamp duties on insurance). Arguably, this aspect of the discussion on taxation reform and Commonwealth/State financial relations is the most disappointing as predictable refrains and responses from decision makers at both the Commonwealth and State level restrict the scope for plans/reforms that can be mutually supported in the short, medium and longer term.

Future Long Term Funding Obligations – the National Disability Insurance Scheme (NDIS) & the Gonski School Reforms

Over and above the demographic challenge to South Australian government finances presented by the ageing of the population, South Australian finances are also expected to be strained as a result of national objectives in disability services and schools. In particular, the sanguine medium term fiscal outlook for the Commonwealth[8] presents a risk to the South Australian government that national objectives for the NDIS and Gonski may be increasingly transferred to the States. Further, the long term nature of these objectives means that State fiscal settings will necessarily have to be restructured to accommodate such national initiatives.

[7] Fiscal sovereignty can be expressed as vertical fiscal imbalance or the extent to which jurisdictional outlays match jurisdictional revenues.

[8] See the Hon. Wayne Swan MP, Deputy Prime Minister & Treasurer, Transcript of Press Conference, 20th December, 2012 available at www.ministers.treasurer.gov.au

According to the Productivity Commission[9], total all jurisdictions funding for disabilities in South Australia amounted to $387.6 million[10] of which the South Australian government contributed $286.4 million or some 74% of total outlays. By contrast, the Victorian government commits some 83% of all government outlays for disability services and NSW contributes some 81%. On a per capita basis, South Australia committed $1,500 per person aged 5 to 64 with a disability compared to $2000 in NSW and $2,300 in Victoria. If South Australia was to meet the Victorian disabled per capita benchmark, South Australia would be required to inject an extra $100 million in disability outlays. Further, and as the 2012/13 Mid Year Budget Review highlights, the Fair Work Equal Remuneration Order covering workers in the Social and Community Services Sector will add further to cost pressures in the community and disability support sectors in South Australia, rising from $5.8 million in 2012/13 to $132 million by 2021/22.[11]

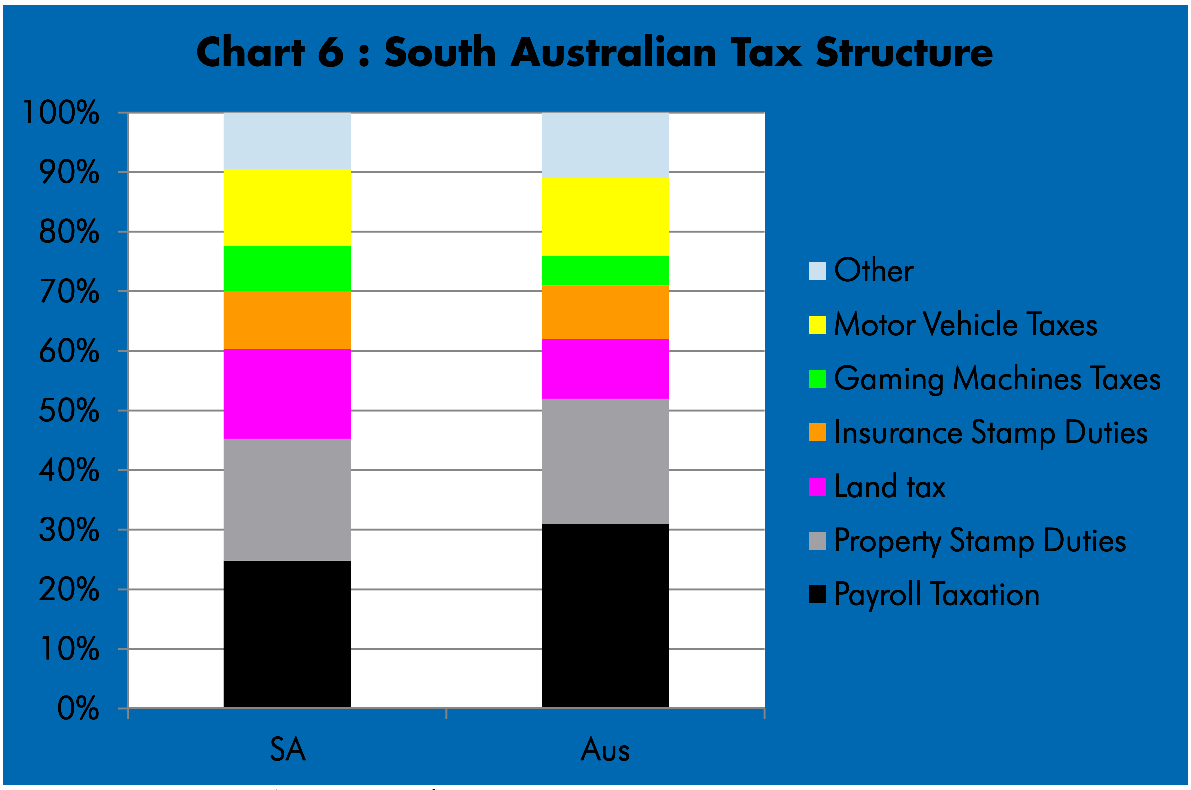
In the 2012/13 budget, the South Australian government announced funding augmentation for disability services in South Australia of $101.6 million over four years.[12] The South Australian announcement was a precursor to South Australia's inclusion as part of the launch sites for the proposed National Disability Insurance Scheme from 1 July 2013. South Australia will participate in the NDIS trials as part of a children cohort model (aged from 0 to 14) which is expected to assist some 4,800 children. [13]

Over the medium to longer term, the above suggests that the South Australian government can expect funding obligations as part of its commitment to disability services including its participation in the National Disability Insurance Scheme to add to its fiscal pressures. Further, although the future funding arrangements for schools as part of the Gonski review have not been settled as yet, the ICA notes that the Gonski review could potentially add to fiscal stress in South Australia given that the per full time equivalent school student at $12,252 is less than the national average of $12,827.

THE STRUCTURE OF THE SOUTH AUSTRALIAN TAXATION SYSTEM

The structure of the South Australian taxation system is presented in the chart below. As the chart demonstrates, taxes on payroll and stamp duties on property conveyances together make up close to 50% of South Australia's taxation revenue.

[9] Productivity Commission "*Report on Government Services 2012*"
[10] In 2010/11 dollars
[11] See 2012/13 Mid Year Budget Review 2012/13 at page 31.
[12] See Budget Paper No 6, South Australia 2012/13 Budget at page 18.
[13] See Council of Australian Government's Communique, 7th December 2012 and www.ndis.gov.au



Source: Australian Bureau of Statistics

Comparing South Australia to Australia indicates that although the shares attributable to transaction taxes (such as stamp duties on insurance and property conveyances) are broadly consistent with the rest of the country, taxation revenue drawn from taxes on payroll is less than the national average, while taxes on land are overweighted.

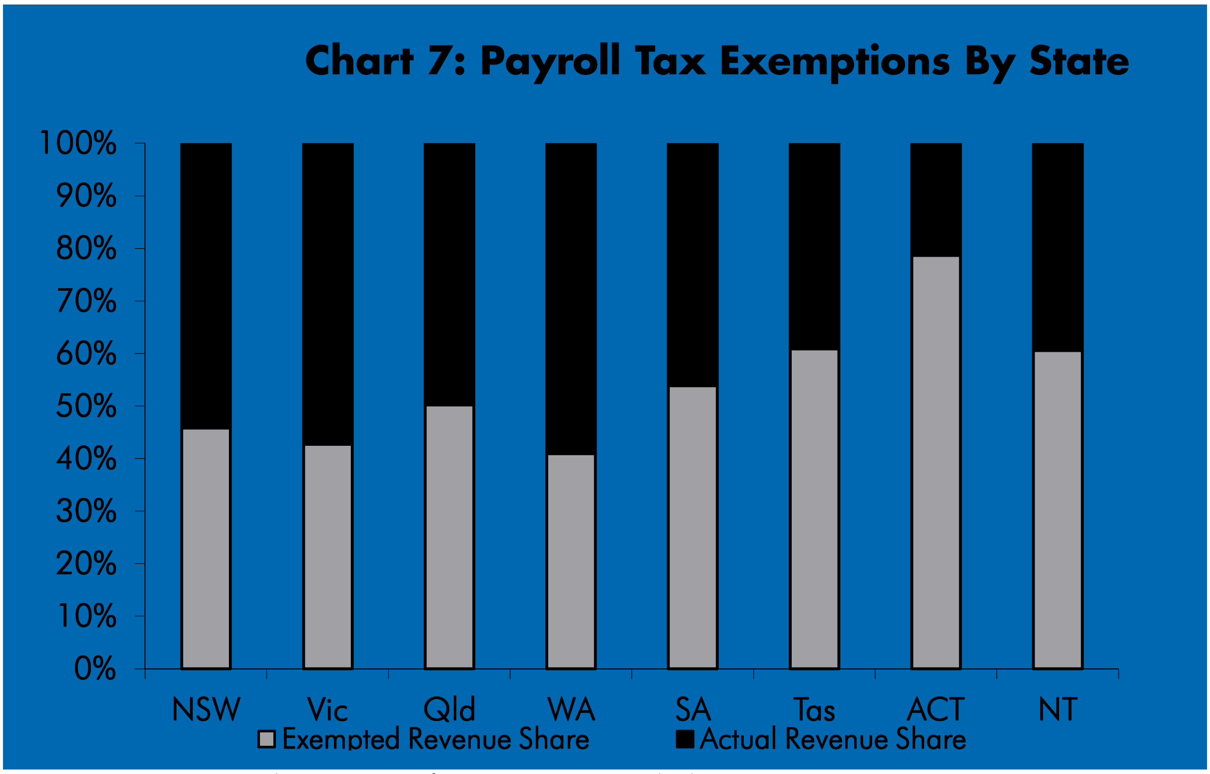
As the Henry Tax Review and other similar reviews have reported, when considering the economic efficiency of a given tax it is important to look beyond the legal entity obligated to pay the tax to focus rather on the *incidence* of where the tax will eventually fall. As all taxes distort behaviour in some form, it is the relative efficiency of a tax vis a vis comparable revenue raising techniques that needs to be calibrated.

For example, taxes on payroll and land are deemed efficient to the extent that the distortion (or welfare losses) from the imposition of these taxes are low. That is to say, any changes to the behaviour of economic agents (such as the withdrawal of labour or capital or changes in consumption patterns) are likely to be less in the cases of land and payroll than would be the case if the same amount of revenue was raised through a different means.[14] In the case of a land tax, the immobility of the land ensures that the incidence of the tax falls on the landowner, thereby ensuring that the land use is managed to its optimal extent. Similarly, in the case of payroll tax, although the legal entity responsible for the payment of the tax is the employer, the incidence of the tax will fall on labour either in the form of higher prices (where suppliers are price makers) or as a lower return for their labour (where suppliers are price takers). In this regard, a payroll tax displays similar characteristics to a broadly based goods and services tax.

[14] For example, increases in income taxes change the relative benefits of work versus non work and thereby may result in lower workforce participation. Similarly, the imposition of a tax on the transaction of selling a home impedes housing stock turnover and impedes labour mobility.

In contrast, transaction taxes, such as stamp duties on property and insurance, carry large dead weight costs such as in the case of residential property wherein they restrict stock turnover which in turn results in the over consumption of some forms of property type and the under consumption of others. Stamp duties on property also punish households that are required to adjust housing preferences frequently (for example, due to work or family reasons). In the case of taxes on insurance, imposts such as stamp duty drive a wedge between the actuarial price of risk transfer and the market price, thereby reducing the prudentially (and socially appropriate) consumption of insurance.

A further feature of current State taxation regimes is the extent to which otherwise efficient taxes are distorted through the availability of exemptions. For example, one factor driving the lower proportion of payroll taxes in South Australia is the extent to which the payroll tax base has been compromised with exemptions largely on the basis of employer size. In the case of South Australia, over half of the available payroll tax revenue base is lost through exemptions – one of the highest proportions in the Commonwealth. Moreover, in the case of South Australia, if the payroll tax base had been left untouched from 1971 with the applicable rate of the time at 2.5%, then payroll tax revenues in South Australia are estimated to be some $90 million more today. [15]



Source: Australian Bureau of Statistics & ICA calculations

Notwithstanding the above, by crimping the growth in its payroll tax threshold, South Australia has been witnessing a broadening of its payroll tax base as seen in Chart 8, which maps actual historical payroll tax thresholds against a notionally wage inflation indexed threshold[16]. The "wedge" or gap between the two thresholds represents the extent to which wage inflation acts to broaden the payroll tax base through "creep". In that regard, in much the same way as bracket creep acts to improve Federal income tax collections, wage inflation serves to broaden the payroll tax base. As a result, State

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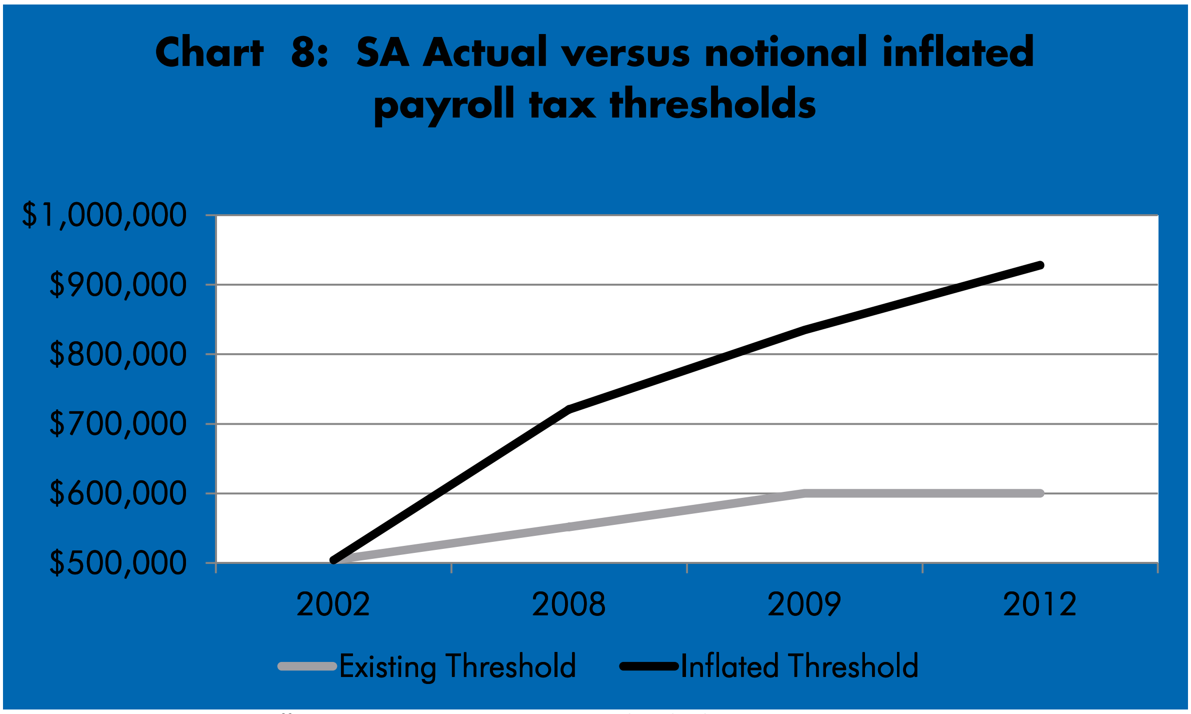
[15] Payroll tax was handed to the States as a "growth tax" in 1971. At the time, the applicable payroll tax rate was 2.5%. Actual SA payroll tax revenues amounted to $951 million in 2010/11.

[16] The SA payroll tax thresholds have been inflated by SA average weekly ordinary time earnings.

governments would be well served to resist calls for increasing payroll tax thresholds in order to protect and broaden their payroll tax bases.

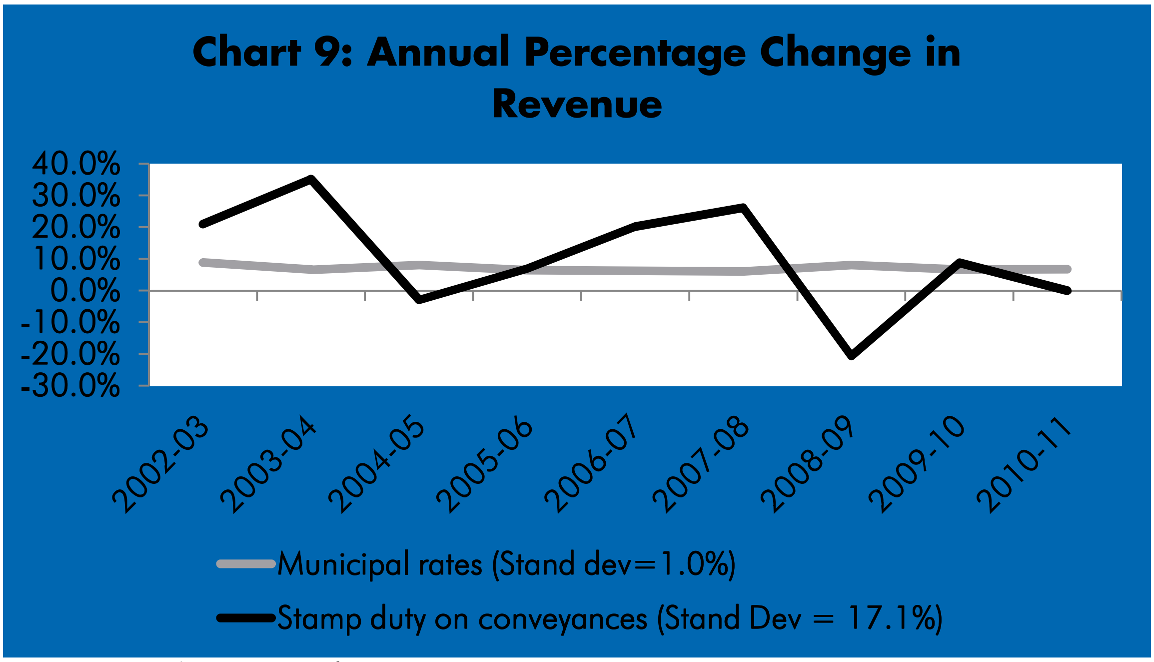


Source: SA Revenue Office, ABS & Insurance Council calculations

The claim for payroll relief rests on the flawed belief that reducing payroll taxes will generate employment. However, as suggested above, the extent to which payroll tax exemptions discourage capital accumulation & firm expansion, they serve to hand brake economic growth through the diversion of resources into lower value enterprises. Moreover, with ongoing fiscal obligations, reductions in payroll taxes are accommodated by increasing the relative proportion/weight of more welfare destroying taxes such as stamp duties.

A further factor in support of the "good" taxes such payroll and land [17] is that these taxes also display the best characteristics in terms of stability and sustainability. As highlighted previously, the rapidly ageing South Australian community poses long term funding challenges for South Australia. In addition, expected future obligations arising from State commitments in the National Disability Insurance Scheme (NDIS) and the Gonski school reforms, will add to the need for longer run sustainable funding paths. This makes tax bases such as land and payroll, with their relative stability attractive for policy makers. Chart 8 demonstrates this point by tracking the volatility in State property conveyancing stamp duties against volatility in municipal rates, a proxy for a broad based property tax without exemptions. [18]

[17] If designed in the absence of exemptions.
[18] Municipal rates are broadly based and are levied on all properties including the principal place of residence. State land taxes exempt the principal place of residence.



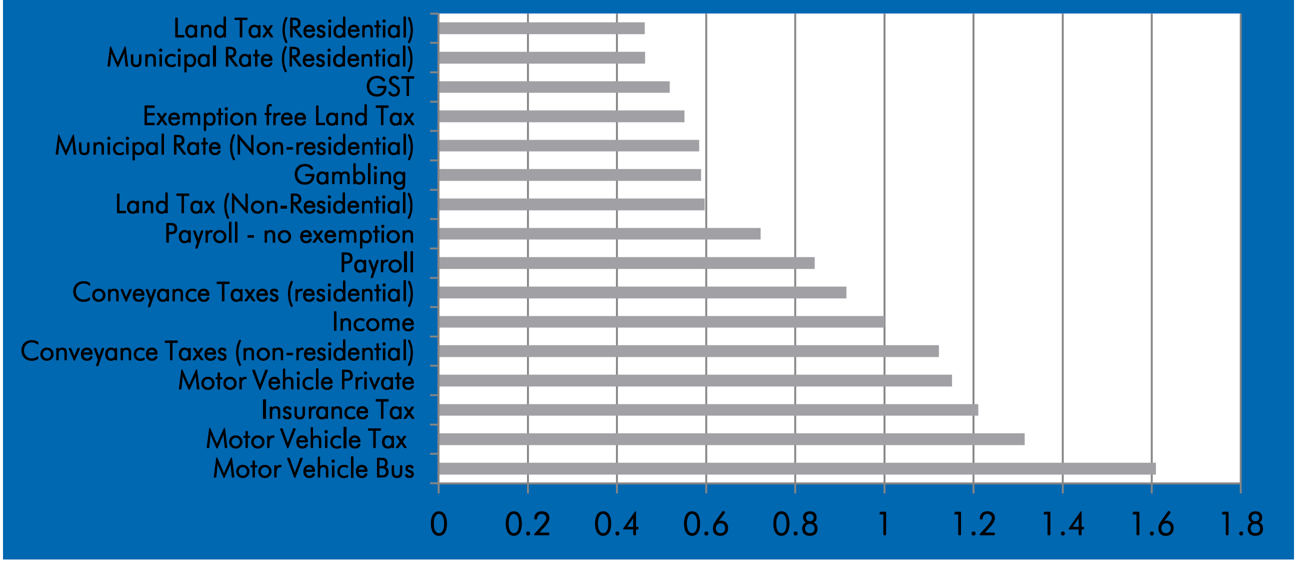
Source: Australian Bureau of Statistics

The Relative Efficiency of South Australian State Taxes

As suggested previously, all taxes distort behaviour to some extent. Taxes on labour distort the decision to work and/or the numbers of hours worked. Taxes on capital distort decisions on investment (including where and for what) and taxes on transactions (such as stamp duties) serve to alter purchasing decisions. Modelling for the effects of taxes is possible using general equilibrium (GE) analysis which seeks to estimate the relative efficiencies of a given suite of taxes by ranking their welfare losses for each dollar of revenue they generate. The general equilibrium analysis also allows policy analysts to gauge what would be the improvement to economic welfare from adjusting tax structures for any given level of revenue. In other words, GE analysis permits policy makers to take into account the economic "upside" of changes to the taxation mix without compromising overall revenues.

To assist the Economic & Finance Committee of the SA Parliament, the ICA commissioned Deloitte Access Economics (DAE) to rank South Australia's taxes according to their relative efficiency. The results of this analysis are demonstrated below.

Chart 10. South Australian Tax Rankings



Source: Access Economics (2013)

The DAE rankings rank the efficiency of SA State taxes against Commonwealth taxes such as income tax and the GST, with the most efficient tax (land) at the top and the most inefficient tax (taxes on business motor vehicles) at the bottom. As the chart demonstrates, taxes on insurance and motor vehicles are much more inefficient than taxes on income with payroll taxes being more efficient than taxes on income. The efficiency rankings also highlight the efficiency of GST collections, however the rankings for the GST are comparable to land taxes which has implications for the suggestion that the GST should be extended to fund removal of inefficient State taxes.

The DAE analysis also looks to model the efficiency improvements from improving the bases of a given range of State taxes. For example, while current payroll tax arrangements are more efficient than say, both insurance and conveyancing duties, removing the exemptions from payroll taxes (described in the Chart as a Payroll – no exemption tax) would improve efficiency even further. Similarly, an exemption free land tax exhibits similar efficiencies as municipal rates and is considerably more efficient than both income taxes and stamp duties, whether on property or insurance.

The implications of this analysis is that actions that adjust the mix of South Australian taxes can improve economic welfare through the removal of dead weight costs leading to a concomitant "upside" in revenues. This underlines the value of individual State jurisdictions taking action to remove inefficient taxes (such as has been seen in Victoria and the ACT) and further, emphasises that reliance on Commonwealth revenues (if drawn from income taxes) can detract from welfare if and when such revenues replace taxes from efficient bases (such as from land or payroll). Further, given already expressed concerns on Commonwealth dependency for revenues (or fiscal vertical imbalance) the economic gains of replacing efficient State taxes for greater shares of Commonwealth taxes needs to be examined more thoroughly.

The GE modelling underpinning the tax efficiency rankings can also be used to estimate the gains from a tax mix switch. Intuitively, for the equivalent revenue needs, if a jurisdiction were to alter their tax arrangements away from inefficient taxes towards more efficient taxes, the gains in economic welfare translate to a "dividend" boost to overall revenue. To this end, DAE have estimated the gains to South Australia from a number of tax reform scenarios/options. All simulations have been prepared on the basis of revenue neutrality – that is to say, the overall fiscal take remains unchanged. The DAE options are presented below.

TABLE 1:			
	Value of Reform Package ($m)	GE Revenue Dividend ($m)	GE Revenue Dividend per dollar of reform ($m)
Abolition of insurance stamp duties for an increase in existing payroll tax	371	18.75	0.05
Abolition of insurance stamp duties for an exemption free payroll tax	371	28.81	0.08
Abolition of conveyancing duties for an increase in land taxes	1,111	121.96	0.11
Abolition of conveyancing duties for an exemption free increase in land taxes combined with the removal of insurance duties and other inefficient taxes for an exemption free payroll tax	1,482	167.81	0.11
Abolition of all State transaction taxes for an increase in the GST	1,482	171.64	0.12
Abolition of all State transaction taxes for an exemption free increase in the GST	1,482	212.54	0.14
Source: Deloitte Access Economics 2013			

A number of aspects of the above analysis are worth highlighting. Firstly, the analysis confirms that the removal of transaction taxes for the less mobile State taxes of land and payroll, generate economic gains to South Australia and with that a revenue boost. This suggests that there are clear benefits to South Australia for engaging in tax reform independently of what reform processes are underway at a national level. The second point is that a reform package that abolishes SA transaction taxes (namely conveyancing duties and stamp duties) for a mix of improved land and payroll taxes (i.e without exemptions) results in a revenue "dividend" per cost of reform broadly equivalent to such a package being funded by an increase in the GST. This observation has implications for Commonwealth/State Financial relations in so far as both State payroll and land taxes do not suffer from either concerns over vertical fiscal imbalance (VFI) or the distributional issues associated with GST collections. In short, the DAE analysis raises the broader point that State tax reform is within reach of policy makers and that although State tax reform would benefit from Commonwealth/State cooperation, such processes should not serve to retard ambition for State tax reform.

CONCLUSION & RECOMMENDATION

The ICA contends that the unique economic and demographic challenges faced by South Australia, and in particular, the rapid ageing of the South Australian community vis a vis the rest of the Australian community presents a set of circumstances that mandate a need for structural taxation reform. The need for long term, secure, and efficient tax bases to support social objectives arising from an ageing society necessitates that South Australia commence a path away from taxes on transactions such as stamp duties and towards those taxes that provide more secure sources of income and also are less distortionary and welfare destroying. In short, South Australia would be well placed to draw on the established body of reports and recommendation on State taxes, particularly those contained in the Review of Australia's Future Tax System and follow the lead of States such as the ACT and Victoria that have taken large steps to improve their tax structures.

Notwithstanding the above, the ICA is highly cognisant that State tax reform is on the agenda of policy makers and that discussions at the Commonwealth and State level are attempting to progress reform. In that regard, the ICA notes that the South Australian Treasurer, together with his counterpart from NSW, has been charged with the responsibility to advance State tax reform as part of the COAG process. This process offers up the potential to achieve substantial change, however, regrettably discussions so far have been modest in scope thereby limiting the potential for more fundamental change from the reform process. South Australia would be well placed to maximise the opportunity presented by its leadership of the COAG State tax reform project to develop a fundamental State tax reform plan.

The ICA respectfully contends that policy makers could embrace State tax reform in a more insistent way by adopting a phased/staged approach to reform that is achievable and goal driven. For example, the ICA submits that the abolition of State duties on insurance is clearly achievable by 2015 given the relatively smalls amounts of revenue involved ($3.5 billion across all States) and the fact that across all reports and analysis, it is universally accepted that taxes on insurance are amongst the most inefficient of all taxes. Furthermore, as the experience of the ACT and Victoria has proven, abolishing insurance taxes (i.e duties in the ACT and fire levies in Victoria) is imminently achievable and supported by stakeholders and the broader community.