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## States urged to take stamp duty off the fiscal envelope to meet revenue challenge

The Insurance Council of Australia (ICA) says replacing inefficient insurance stamp duties can help state and territory governments raise extra funds while remaining within the existing fiscal envelope.

It follows the release of modelling by KPMG that showed replacing property stamp duties with a broad-based land tax could boost the NSW economy by \$5 billion a year.

ICA CEO Rob Whelan said that just as stamp duties on home purchases were highly inefficient, insurance stamp duties also held back economic growth.

“The Federal Government says the states and territories must raise more revenue themselves or find ways to operate within the current fiscal envelope,” Mr Whelan said.

“Switching to more efficient, less distortionary taxes is the obvious way to do this without increasing the overall tax burden.”

Mr Whelan said insurance policies were subject to both stamp duty and the GST, raising premiums by about 20 per cent.

“Modelling released by the ICA last November found removing stamp duties from insurance premiums, and replacing them with a commensurate rise in land tax, could reap state and territory governments an extra half a billion dollars over five years,” he said.

“The NSW Government has since announced it will axe its Emergency Services Levy from insurance in favour of a property-based charge, a move that will save the average policyholder \$250 off their premiums each year.

“It’s time to complete the job, and allow both the governments and citizens to reap the economic rewards.”

Mr Whelan said that by pushing up the cost of insurance by 9 to 11 per cent, stamp duties discouraged households and businesses from taking out adequate cover.

“Analysis by Sapere Research has found abolishing state and territory taxes on insurance would enable Australians to protect their homes and household assets to the tune of an extra \$36 billion,” he said.

“As Prime Minister Malcolm Turnbull himself has noted, in a country where natural disasters are so prevalent, insurance should be encouraged rather than taxed.

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“Treasurer Scott Morrison and Assistant Treasurer Kelly O’Dwyer have both observed that insurance taxes are among the least efficient in the country. Many reports on tax reform and productivity – from the Productivity Commission to the Henry Tax Review - make the same point.”

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ADDITIONAL RESOURCES:

Insured households to win from NSW Government scrapping the Emergency Services Levy  
[http://www.insurancecouncil.com.au/media\\_release/plain/343](http://www.insurancecouncil.com.au/media_release/plain/343)

Replacing inefficient insurance taxes could boost the national economy by half a billion dollars

[http://www.insurancecouncil.com.au/media\\_release/plain/335](http://www.insurancecouncil.com.au/media_release/plain/335)

\$36 billion reasons to axe state insurance taxes

[http://www.insurancecouncil.com.au/media\\_release/plain/323](http://www.insurancecouncil.com.au/media_release/plain/323)