

June 3, 2014

Queensland Budget's mitigation commitment welcome but bad taxes remain

The Insurance Council of Australia (ICA) today welcomed the Queensland Government's \$51 million Budget commitment for disaster mitigation and resilience projects, but noted stamp duties on insurance products would remain a powerful disincentive to Queenslanders properly insuring their properties.

"The insurance industry congratulates the Queensland Government for continuing to recognise the importance of resilience and mitigation measures to help protect vulnerable regions," Mr Whelan said.

"Investing in resilience and permanent mitigation helps protect at-risk communities for many generations, preventing or reducing emotional, physical and financial distress and devastation.

"A fortunate flow-on effect from the completion of mitigation projects is, in many cases, a significant reduction in insurance premiums for those properties at the greatest risk.

"For instance, in the past year, property owners in Charleville have benefitted from premium relief where mitigation works have been completed."

However, Mr Whelan said the insurance industry noted the Budget did not offer relief for consumers and businesses from stamp duties on insurance products, currently standing at 9 per cent.

He said various inquiries had recommended the abolition of stamp duties because they were a disincentive for property owners and consumers to be properly insured. Some types of insurance are compulsory in Queensland, such as strata, and consideration should be given to exempting these from stamp duties as an interim step towards total stamp duty removal.

However, only the ACT Government had committed to the phasing out of taxes on insurance products, today announcing a drop from 6 per cent to 4 per cent and abolition of insurance duties by July 1, 2016.

Mr Whelan said: "Queensland, which in 2012 increased its stamp duties on household insurance products by 1.5 percentage points to 9 per cent, expects to reap \$840 million from these taxes in 2014-15, and will collect \$3.7 billion in the four years to 2017-18.

"Given the strong focus of the Queensland and federal governments on the cost of insurance, a reduction in stamp duty would have appropriately complemented the Queensland Government's work on resilience infrastructure and further improve affordability.

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“The ICA hopes the findings of the Federal Government’s Financial System Inquiry will provide an appropriate framework for these unfair and inequitable taxes to be removed and provide hip pocket relief to Australian households and businesses.”

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