

Friday July 1, 2016

ACT households finally free of insurance stamp duties

The ACT has become the first state or territory to free its residents from insurance stamp duties after completing a five-year transition away from the notoriously inefficient taxes.

From today, the stamp duty applied by the ACT Government to insurance falls from 2 per cent to zero. It completes a process begun in 2012 when stamp duty was 10 per cent.

Insurance Council of Australia (ICA) CEO Rob Whelan said that without the removal of stamp duties, the average combined ACT home building, contents and motor insurance premium would be \$185 higher.

“Tax reform is never easy, and the ACT Government should be applauded for recognising that the benefits to households and businesses outweigh the challenges,” Mr Whelan said.

“Policyholders in every other jurisdiction pay an additional 9 to 11 per cent stamp duty on top of their base insurance premiums, as well as GST. Those combined taxes raise total premiums by about 20 per cent.”

Mr Whelan said insurance stamp duties had been consistently highlighted as inefficient, and contributing to the incidence of non-insurance and underinsurance.

“The ICA strongly urges other state and territory governments to follow the ACT’s example, which is supported by the recommendations of such reports as the Productivity Commission Inquiry into Natural Disaster Funding Arrangements and the Henry Tax Review,” he said.

“Modelling by Deloitte Access Economics last year calculated state and territory governments could reap an extra \$575 million over five years by replacing insurance stamp duties with a commensurate rise in more efficient taxes. This would be achieved by driving higher economic growth.”

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Background notes:

The average combined cost of ACT home building, contents and motor insurance in 2016 is \$1851. With a 10 per cent stamp duty applied, that cost would rise to \$2036.

Additional resources:

[Replacing inefficient insurance taxes could boost the national economy by half a billion dollars](#)