

11 November 2008

NSW Mini-Budget = More Tax Pain for General Insurance Policyholders

The NSW 2008-09 Mini-Budget released today by the NSW Government has delivered yet another **unnecessary, inefficient** and **ill-conceived** tax to be paid by general insurance policyholders.

“In a classic case of cost-shifting, the Rees Government has handed down a Budget whereby the cost of running the State Emergency Service will be picked up by general insurance consumers at an additional estimated cost of \$10.00 per policyholder.” CEO of the Insurance Council of Australia, Ms Kerrie Kelly said today.

The introduction of this tax, which is on the same basis as the current Fire Services Levy in NSW, is totally contrary to the recommendations of the NSW Independent Pricing & Regulatory Tribunal (IPART) Final Report into State Taxation, which found:

“Insurance duty [through fire services contribution] is a highly inefficient tax that creates disincentives for appropriate insurance.....Its removal should be a priority.”

“Instead of taking advice from the IPART Review, which the current NSW Government established, the NSW Treasurer has chosen to introduce another *highly inefficient tax* to plug the NSW Budget black hole.” Ms Kelly said.

The NSW Government has made the decision to impose an additional tax only on people who purchase insurance to protect their assets. It is a new tax that is an unfair encumbrance to insurance policyholders – a burden not equally distributed in the NSW community who all use emergency services.

“Independent research undertaken by the Australian National University confirms the correlation between insurance taxes and the incidence of non insurance. Taken together, the combined effects of taxes on insurance can add over 40% to the cost of a residential premium and over 60% to the cost of a commercial premium in NSW.”

At no time was the general insurance industry consulted by the NSW Government on this Budget measure.

This is despite the Insurance Council meeting with the Emergency Services Minister, Tony Kelly as recently as 2 October 2008, to discuss the finding of the IPART Review to remove the Fire Services Levy.

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