

## Senate Economics Legislation Committee

### ANSWERS TO QUESTIONS ON NOTICE

#### Treasury Portfolio

Additional Estimates

2016 - 2017

**Division/Agency:** Australian Prudential Regulation Authority

**Question No:** 322

**Topic:** Impact of State Taxes on Insurance Premiums

**Reference:** Hansard page 37 (02 March 2017)

**Senator:** Macdonald, Ian

#### Question:

Senator IAN MACDONALD: I have a question relating to insurance. I was questioning some officials yesterday about insurance in non-metropolitan Queensland. Can you indicate to me what role and what impact state taxes and, particularly in the North, laws relating to strata title have on insurance premiums? Is that something I can reasonably ask you? You would probably know the state taxes, at least.

Mr Summerhayes: I think it would be better if I came back to you with some specifics on that. Just so that I understand exactly what you are looking for—

Senator IAN MACDONALD: My understanding is that the states—and I can really talk only about my own state of Queensland—impose stamp duty on insurance premiums that adds to the cost. I am just wondering whether you have details on that and whether you could make them available.

Mr Summerhayes: The states do, and they do across a range of different insurance—general insurance, life insurance—so you are interested across the board.

Senator IAN MACDONALD: Yes, across the board.

Mr Summerhayes: I am happy to provide that information.

[...]

Senator IAN MACDONALD: Actually, my question was, do you have that information, or can you get it?

Mr Summerhayes: If we do, I would be happy to provide it—I suspect maybe not on the strata issue, but I would be very happy to point you in the direction where that information could be found.

#### Answer:

The main tax collected by State and Territory governments on insurance premiums is stamp duty, with the exception being the Australian Capital Territory which does not collect stamp duty on insurance premiums. In the past some jurisdictions also collected an emergency services levy (ESL) on domestic property insurance premiums. These levies have largely been removed and with the removal by the New South Wales government of its ESL with effect 1 July 2017 this type of state tax will no longer be collected.

Stamp duty is typically in the range of 9 to 11 per cent of property insurance premiums with rates and the basis on which they are applied varying by jurisdiction. The Australian Prudential Regulation Authority (APRA) does not collect data which identifies the stamp duty collected on insurance premiums by individual State and Territory governments. These are administered by the Treasury departments in each jurisdiction and we recommend that questions on the rates of tax/levies and the basis on which they are applied are best directed to those departments.

Strata title laws also vary between individual State and Territory governments and APRA does not have information on the impact of these laws on insurance. We recommend that the relevant departments in each jurisdiction are best placed to explain any impact of their strata title legislation on insurance premiums.