

COMMONWEALTH GRANTS COMMISSION (CGC) 2010 REVIEW

COMMISSION POSITION PAPER 2008/08

INSURANCE TAX

NEW SOUTH WALES TREASURY COMMENTS

FEBRUARY 2009

The Commission intends to assess the Insurance tax category as one category including revenues from general and life insurance and Compulsory Third Party (CTP) insurance.

The commission proposes to assess capacity using total insurance premiums excluding premium revenue from forms of insurance not normally taxed by States. New South Wales notes this proposed assessment method.

New South Wales Treasury notes the broad proposal in the CGC Position Paper Insurance Tax for the 2010 Review.

The Commission proposes assessing revenue capacity using total insurance premiums less premiums for employers' liability insurance, and reinsurance, and fire insurance levies – all of which are generally not taxed or included in other revenue categories.

This method does not represent a significant departure from the previous method implemented after the 2004 Update.

Following a request from a number of States and territories, CGC reviewed whether a separate assessment should be made for CTP insurance based on the lower tax rates applied to CTP insurance premiums compared to general and life insurance. CGC analysis, however, indicated the separation of CTP to be immaterial. New South Wales notes the Commission intends to assess CTP and general and life insurances together on materiality grounds.