

# Insurance tax

## Overview

- 1 The insurance tax assessment covers state and territory (state) revenue from duties levied on the premiums paid for a range of insurance products. Insurance tax is generally collected from insurance companies but passed onto consumers.
- 2 The category excludes revenue from insurance-based fire and emergency services levies, which are offset against emergency services expenses in the other expenses category.
- 3 The assessment recognises a state's capacity to raise insurance tax revenue is influenced by the following.
  - The total value of premiums paid to general insurers (known as gross earned premiums) for insured risks in each state — states with an above average share of taxable general insurance premiums will have greater revenue raising capacity.

## Actual state revenue

- 4 The first step in calculating assessed revenue is identifying actual state revenue.<sup>1</sup> Insurance tax accounted for 4% of total own-source revenue in 2022-23 (Table 1).<sup>2</sup>

**Table 1 Insurance tax revenue by state, 2022–23**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Insurance Tax (\$m)	2,196	1,875	1,409	965	613	132	61	69	7,321
Insurance Tax (\$pc)	266	279	262	340	334	230	131	275	278
<b>Proportion of total own-source revenue (%)</b>	<b>4.2</b>	<b>4.7</b>	<b>3.1</b>	<b>3.5</b>	<b>7.5</b>	<b>5.7</b>	<b>1.7</b>	<b>4.0</b>	<b>4.0</b>

## Structure of assessment

- 5 Table 2 shows the driver that influences each state's revenue raising capacity.

**Table 2 Structure of the insurance tax assessment**

Component	Driver	Influence measured by driver
Insurance tax	Value of premiums	States with a greater total value of taxable insurance premiums have greater revenue raising capacity.

<sup>1</sup> Adjusted budget calculations use ABS Government Financial Statistics data to determine actual state revenue. For further detail see the adjusted budget chapter.

<sup>2</sup> Tables in this chapters, unless otherwise stated, use 2022–23 data.

## Data

6 The data used in the assessment are outlined in Table 3.

**Table 3 Data used in the insurance tax assessment**

Source	Data	Updated
Australian Prudential Regulation Authority	Total premiums paid for general insurance in each state.	Annually

Note: The adjusted budget data sources are outlined in the adjusted budget chapter of the *Commission's Assessment Methodology*.

## Assessment method

7 The assessment calculates a state's capacity to raise insurance tax revenue as its proportion of the national value of premiums paid to general insurers (known as gross earned premiums).<sup>3</sup> Premiums relating to workers' compensation and insurance-based fire and emergency levies are excluded. Premiums paid to publicly owned insurers are also excluded.

8 Three adjustments are made to the total general insurance premiums data to remove premiums that are heavily policy influenced and to improve the comparability of the capacity measure across states.

- Workers' compensation premiums are removed as, while they are only taxed by one state, they represent a large proportion of total premiums across all states.<sup>4</sup> Including these premiums would misrepresent states' capacities to raise insurance tax.
- Compulsory third-party premiums are removed as they are significantly influenced by state policy choices, including whether schemes are publicly or privately underwritten.<sup>5</sup>
- Insurance-based fire and emergency services levies are removed, so as not to overstate the capacities of states that impose them. Revenue from these levies is not assessed in the insurance tax category and is instead offset against emergency services in the other expenses category.

9 Insurance duty is imposed on life insurance in 4 states. Revenue from life insurance duty is not easily removed from the category because this revenue is not reported consistently, but available data suggest it represents less than 5% of insurance tax revenue. Further, data on life insurance premiums are not included in the Commission's total premiums data and are not available by state. On practicality

<sup>3</sup> Due to changes in its reporting framework, the Australian Prudential Regulation Authority was unable to provide general insurance premiums data for the September quarter of 2023–24. The Commission, in consultation with states, decided to impute these data using September quarter proportion of taxable premiums in each state on average over the previous 5 years. More information is available in *New Issues for the 2025–26 GST Relativities*.

<sup>4</sup> Only Queensland imposes duty on workers' compensation.

<sup>5</sup> Privately underwritten compulsory third-party premiums are removed. Publicly underwritten compulsory third-party premiums are not included in the Australian Prudential Regulation Authority data.

grounds, the Commission leaves life insurance tax revenue in the category and assesses it using the general insurance premiums revenue base.

- 10 On practicality grounds, revenue from duty on workers' compensation and duty on compulsory third-party insurance (imposed by 4 states) is also left in the general insurance category and assessed using adjusted general insurance premiums revenue base. These revenues are not reported consistently, but available data suggest they are small relative to total insurance tax revenue.
- 11 Data on the revenue raised by states are sourced from the ABS Government Finance Statistics.
- 12 Data on the total premiums paid for general insurance in each state are sourced from the Australian Prudential Regulation Authority.<sup>6</sup>

## GST distribution in the 2025 Review

- 13 Table 4 shows the GST impact of the assessment in the 2025 Review.

**Table 4** GST impact of the insurance tax assessment, 2025–26

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Insurance Tax	-198	134	22	92	-120	38	24	9	318
<b>Total (\$m)</b>	<b>-198</b>	<b>134</b>	<b>22</b>	<b>92</b>	<b>-120</b>	<b>38</b>	<b>24</b>	<b>9</b>	<b>318</b>
<b>Total (\$pc)</b>	<b>-23</b>	<b>19</b>	<b>4</b>	<b>30</b>	<b>-63</b>	<b>65</b>	<b>50</b>	<b>34</b>	<b>11</b>

Note: Magnitude and direction of GST impact can change from year to year.

<sup>6</sup> The Australian Prudential Regulation Authority data cover general insurers in the private sector. They are insurers regulated by Australian Prudential Regulation Authority. The data does not include premiums for reinsurance or private health insurance, which are not liable for insurance tax in any state.