

August 28, 2012

Victorian Government consigns unfair fire services levy to the history books

The Insurance Council of Australia today welcomed the announcement of sweeping reforms to the funding of Victoria's fire services and the abolition of the state's fire services levy.

The announcement by the Victorian Government heralds the replacement of the current levy on insurance premiums with a property-based charge to fund Victoria's fire services from July 1, 2013. Legislation is expected in State Parliament this week.

Insurance Council CEO Rob Whelan said the general insurance industry applauded the Victorian Government's announcement.

He said the new funding model would remove an inefficient and inequitable levy on insurance premiums, replacing it with a fairer system for all Victorians.

"The Victorian Government is to be congratulated on its implementation of a key recommendation of the 2009 Bushfire Royal Commission," Mr Whelan said.

"It is time for the funding of Victoria's fire services to be shared across the community in a fair and transparent manner through a property-based charge, rather than it being paid only by those who choose to insure their properties.

"This announcement removes a key disincentive for property owners to adequately insure their homes and businesses. It is also in line with the recommendations of the Henry Tax Review to abolish all state taxes on insurance premiums."

At present the fire services levy typically adds about 20 per cent to the base premium of the average Victorian metropolitan home and contents policy, and 35 per cent to regional household policies.

Mr Whelan welcomed the appointment of Professor Allan Fels as the independent Fire Service Levy Monitor to oversee the transition to the property-based levy.

"The insurance industry supports the disclosure and transparency of information and looks forward to working with Prof. Fels and Victorian agencies during the FSL transition period, while also noting that insurance companies are still required to collect the current levy until the new system is in place on July 1 next year," Mr Whelan said.

"Like the fire services levies in Queensland, South Australia, Western Australia and the ACT, the Victorian levy has finally been consigned to the history books and we can now move forward with a tax regime fit for the 21st century.

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“This leaves just one mainland state relying on a levy on insurance policies to pay for its emergency services, and the ICA is pleased the New South Wales Government is examining ways its levy can be replaced with a fairer funding model.”