

2001

**THE LEGISLATIVE ASSEMBLY FOR THE
AUSTRALIAN CAPITAL TERRITORY**

INSURANCE LEVY LEGISLATION REPEAL BILL 2001

EXPLANATORY MEMORANDUM

Circulated by the authority of the Chief Minister

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Insurance Levy Legislation Repeal Bill 2001

Summary

The *Insurance Levy Act 1998* (the Act) imposes an insurance levy on insurance companies.

The liability of an insurer reflects its share of the ACT insurance market, and takes into account many classes of insurance policies (such as property, building and contents, personal property, and motor vehicle insurance), which are weighted according to risk, in the context of the need for the potential use of emergency services, particularly the fire brigade.

The insurance levy is levied on insurers and is apportioned to each insurer on the ratio of the assessable premiums levied by the insurer to the total assessable premiums levied by all insurers in the ACT in the previous financial year. The levy is assessed annually and payable quarterly. The total collection from the levy is set legislatively at \$10m.

The insurance levy was introduced to assist in the funding of fire and other emergency services. The Government announced in the 2000-01 Budget that the insurance levy will cease to apply after 30 June 2001 due to the improved budgetary position of the ACT.

The Bill provides legislation to abolish the insurance levy so that it ceases to apply from 1 July 2001. The Bill amends, where appropriate and finally repeals the Act.

Essentially, the Bill ensures that the insurance levy is not imposed for the 2001-2002 financial year and thereafter. It achieves this result in stages:

- on 1 May 2001 it removes the requirement for the Commissioner to issue an advance assessment;
- on 30 June 2001:
 - ◆ it removes the requirement for an insurer to make an advance payment;
 - ◆ it removes the requirement for the Commissioner to calculate and issue assessments of the annual levy;
 - ◆ it removes the requirement for insurers or property owners to provide returns in respect of the 2001-2002 and subsequent financial years;
- on 1 September 2001 it amends the definition of "premium" under section 175 of the *Duties Act 1999* so that it no longer includes amounts levied under the Act. The definition is used for the purpose of levying stamp duty on insurance premiums;
- on 1 July 2002 it repeals:
 - ◆ the *Insurance Levy Regulations* as they will have no application; and
 - ◆ the remaining provisions of the Act to allow time for any payments required, to be made.

Details of the Insurance Levy Legislation Repeal Bill 2001

PART I – PRELIMINARY

Formal Clauses

Clause 1, the short title of the Act.

Clause 2, provides for the relevant commencement dates of the Act.

- **Clause 2(1)** provides that the commencement date for **Clauses 1, 2 and 3** is the day this Act is notified in the gazette.
- **Clause 2(2)** provides that **Clauses 4 and 5** commence on 1 July 2001.
- **Clause 2(3)** provides that the amendments set out in Schedule 1 commence on the dates mentioned at the end of the amendment.

Clause 3, provides for the amendments set out in **Schedule 1**.

Item 1 Schedule 1 amends the definition of “premium” under section 175 of the *Duties Act 1999* on 1 September 2001. This removes the reference to the *Insurance Levy Act 1998* so that the insurance levy is not included in the definition of “premium”.

Item 2 Schedule 1 omits section 6(1) and (2) of the *Insurance Levy Act 1998* on 30 June 2001. This removes the requirement for a general insurer to pay an advance payment.

Item 3 Schedule 1 omits section 6(3) of the *Insurance Levy Act 1998* on 1 May 2001. This removes the requirement for the Commissioner for ACT Revenue to issue an assessment for the advance payment.

Item 4 Schedule 1 omits section 6(4) of the *Insurance Levy Act 1998* on 30 June 2001. This removes the provision that an advance payment is due and payable by four instalments.

Item 5 Schedule 1 omits section 7 of the *Insurance Levy Act 1998* on 30 June 2001. This removes the requirement for the Commissioner for ACT Revenue to issue an assessment of the annual levy on or before 30 November each year.

Item 6 Schedule 1 omits section 10 of the *Insurance Levy Act 1998* on 30 June 2001. This removes the requirement for general insurers to provide annual returns.

Item 7 Schedule 1 omits section 14 of the *Insurance Levy Act 1998* on 30 June 2001. This removes the requirement for property owners to provide returns where a policy is taken out with a foreign insurer.

Clause 4 repeals the *Insurance Levy Act 1998* on 1 July 2002.

Clause 5 repeals the *Insurance Levy Regulations* on 1 July 2002.



Revenue/Cost Implications

\$10M will be forgone for 1 July 2001 – 30 June 2002 and each subsequent year. This has already been removed from budget estimates.

Details of the Bill are attached.

