

Our Reference: T0401241/ T0401221

Mr N Laurie
The Clerk of the Parliament
Parliament House
George Street
BRISBANE QLD 4000

Dear Mr Laurie

Thank you for your letters of 17 and 21 June 2004 enclosing petitions numbered 325-04 and 331-04 tabled in the Queensland Legislative Assembly regarding rising insurance costs, insurance duty and goods and services tax (GST) on insurance premiums.

The Queensland Government has no control over the imposition of GST as this tax is administered by the Australian Government. Consequently, the Queensland Government cannot provide a rebate for GST imposed on insurance premiums.

Under national tax reform, GST increased some prices and resulted in other prices falling. Queensland has not increased insurance duty rates. The introduction of GST by the Australian Government has therefore increased the amount on which duty is charged because premiums have been increased by insurers by the addition of an amount to cover their GST liability. However, this increase is no different from changes in duty due to other price fluctuations such as rises and falls in property values or price increases to cover additional costs incurred by the supplier. This outcome is consistent with the long standing scheme of duty legislation and is not the result of any action by the Queensland Government. It is also consistent with the way in which the GST has been developed by the Australian Government.

All States must raise revenue, through limited means available to them, to finance services required by the Community. Insurance duty is an important component of Queensland taxes collected which helps fund essential services such as police, hospitals and schools. Queenslanders pay one of the lowest rates of insurance duty in Australia. Queensland's current general insurance duty rate of 8.5% is lower than that imposed in Victoria, the Northern Territory and the Australian Capital Territory (10%) and South Australia (11%).

Despite Queensland's low insurance duty rate, this Government recently announced as part of the 2004-2005 Budget a reduction in the general insurance duty rate from 8.5% to 7.5% to address some of the issues relating to increasing insurance costs. This measure will take effect from 1 August 2004 and will particularly benefit policyholders of building and contents cover, including pensioners.

Queenslanders, including pensioners, also benefit from lower State taxes and cheaper fuel in comparison with other States and Territories. Queenslanders, on average, pay at least \$442 less tax each year than people in other states. When the tax reforms announced in the 2004-05 Budget (which also include the abolition of credit card duty and debits tax) commence, Queenslanders will pay even less tax.

The Queensland Government is concerned about the welfare of all Queenslanders, including the difficulties facing pensioners. Thank you for bringing the concerns of the petitioners to my attention, I trust this information is of assistance.

Yours sincerely

TERRY MACKENROTH