

Parliament of the Commonwealth of Australia

AUSTRALIAN SENATE

ECONOMICS LEGISLATION COMMITTEE

**CONSIDERATION OF LEGISLATION
REFERRED TO THE COMMITTEE**

*A New Tax System (Indirect Tax and Consequential
Amendments) Bill 1999 and A New Tax System (Indirect
Tax and Consequential Amendments) Bill (No.2) 1999*

December 1999

Commonwealth of Australia

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REPORT

Background to the inquiry

1.1 The Government introduced **A New Tax System (Indirect Tax and Consequential Amendments) Bill 1999** and **A New Tax System (Indirect Tax and Consequential Amendments) Bill (No.2) 1999** into the House of Representatives on 21 October 1999. Following a report by the Selection of Bills Committee, the Senate referred the Bills to this Committee on 30 November 1999 for examination and report by 7 December 1999.¹

1.2 In its report the Selection of Bills Committee requested that the Committee consider the following:

- Insurance provisions as they relate to the GST.

1.3 The Committee received one submission to the inquiry, submitted by the Insurance Council of Australia.

1.4 The Committee conducted a public hearing on the Bills in Canberra on 6 December 1999. At that hearing, the Committee received evidence from representatives of the Insurance Council of Australia, the Department of the Treasury and the Australian Taxation Office. A list of witnesses who gave evidence at the hearing appears in Appendix 1, and the full transcript of the hearing is available at the Internet address of <http://www.aph.gov.au/hansard>.

1.5 The Committee particularly thanks the representatives of the Insurance Council of Australia, the Department of the Treasury and Australian Taxation Office who made themselves available for the Committee's public hearing at short notice. The Committee found the witnesses' explanations of the amendments contained in the Bills to be comprehensive and helpful.

Issues raised in evidence

1.6 The Insurance Council of Australia (ICA) advised the Committee that it strongly supports the amendments in the Bills. The Council explained that the proposed insurance amendments have developed following lengthy discussions with the Government.

1.7 The main amendments considered by the Committee:

- remove stamp duty from the GST base when calculating the GST on an insurance premium; and
- introduce the "Decreasing Adjustment Method" (DAM). This method offsets the GST liability of a business (the insured) against the entitlement to an input tax credit of an insurance company (the insurer).

1.8 The amendments ensure that insurance is treated like any other input cost. The practical effect of the amendments is that GST will be payable on insurance premiums but not on claims.

¹ Selection of Bills Committee Report No. 20 of 1999, dated 30 November 1999

1.9 According to the ICA, the amendments simplify insurance claims for registered businesses.

1.10 Government officials advised the Committee that the amendments are revenue neutral and will reduce the compliance costs for businesses. Representatives tabled a number of examples explaining how the new provisions will work and these are at Appendix 3.

Recommendation

1.11 The Committee recommends that the Senate pass the Bill.

Senator the Hon. Brian Gibson
Chairman

LABOR SENATORS' MINORITY REPORT

Labor Senators reserve their position on this legislation.

Senator Shayne Murphy
Deputy Chair

Senator Stephen Conroy

Appendix 1

List of Witnesses

Insurance Council of Australia

Mr Phillip Maguire

Mr Peter Anderson

Mr Peter Barnes

Mr Trevor Jack

Government Officials – Treasury and Australian Taxation Office

Mr Bruce Quigley

Mr Matthew Bambrick

Mr Paul McCullough

Mr Blair Comley

Appendix 2

Illustration of effect of amendments provided by the Insurance Council of Australia

Appendix 3

Set of examples from the ATO showing a comparison between the current legislation and the amendments

Appendix 4

**Set of slides presented by Mr Comley to the
Insurance Council of Australia**