

Increased Fire Service Tax on Insurance Policies

The Government has completed a consultation process to merge the urban and rural firefighting services to create Fire and Emergency New Zealand (FENZ) and will increase the Fire Service Levy, with effect from the 1 July 2017.

The changes are being made because the Government recognises that firefighting services now respond to a wide range of emergencies, including medical callouts, flooding, hazardous substance spills and road accidents. You can find out more at www.firelevy.co.nz

The Fire Service Levy is a statutory charge, which is added to the insurance premiums for personal and commercial property, motor vehicles, contract works and other insurance policies, these are now:

Residential Home & Personal Contents	
Current 2016/2017 Levies	New 2017/18 Levies
Home levies are capped at \$76.00 per residential dwelling	Home levies increases to \$106.00 per residential dwelling
Personal Contents levies are capped at \$15.20 per personal property	Personal Contents levies increases to \$21.20 per personal property
Motor Vehicles (less than 3.5 tonnes)	
Current 2016/2017 Levies	New 2017/18 Levies
\$6.08 (flat rate per vehicle)	\$8.45 (new flat rate per vehicle)

As an insurance buyer, how will these changes affect you?

The cost of merging the urban and rural firefighting services has been reported by Internal Affairs Minister Peter Dunne to be \$303 million, \$263 million of which will be funded through an increased tax on insurance policies.

To achieve the required funding the Government has announced a 40% increase for the tax on insurance policies, the Fire Service Levy, effecting policies from 1 July 2017. Generally, that means households will pay an annual Fire Service Levy of \$127, an extra \$36 tax per year. Business owners will also be affected by these changes and an average SME with \$1mil worth of assets is likely to pay an extra \$300 tax per year. For examples of the cost impact this may have please refer to our cost implication examples on page 2.

Are there any other changes in the future?

The recent changes and future changes have been enacted under the Fire and Emergency New Zealand Act 2017 and transitional regulations. The Act states that the way the tax on insurance policies is calculated will change by December 2018 and the tax will apply to more insurance policies and property types. The financial impact of these future changes will not be known until 2018, once the new regulations have been prepared.

How are we helping you?

We are concerned that these changes will incur extra costs for our clients in the form of a higher tax on their insurance policies and therefore we will be monitoring the announcements and keeping you informed. If you have any questions about these changes please contact us.

Cost Implication Examples

MOTOR VEHICLES (more than 3.5 tonnes)

CURRENT 2016/17 LEVY	NEW 2017/18 LEVY	DIFFERENCE
7.6c per \$100 insured	10.6c per \$100 insured	An increase of 3.0c per \$100 insured




Example:
\$50,000 truck
New levy = \$53
(previously \$38)

MOTOR VEHICLES (less than 3.5 tonnes)

CURRENT 2016/17 LEVY	NEW 2017/18 LEVY	DIFFERENCE
\$6.08 flat rate	\$8.45 flat rate	An increase of \$2.37 per vehicle per annum




RESIDENTIAL

CURRENT 2016/17 LEVY	NEW 2017/18 LEVY	DIFFERENCE
7.6c per \$100 insured	10.6c per \$100 insured	An increase of 3.0c per \$100 insured

Insured amount capped at: \$100,000 residential buildings \$20,000 contents




Maximum levy payable per house is \$76 and \$15.20 for personal property Maximum levy payable per house is \$106 and \$21.20 for personal property

NON RESIDENTIAL

CURRENT 2016/17 LEVY	NEW 2017/18 LEVY	DIFFERENCE
7.6c per \$100 insured uncapped	10.6c per \$100 insured uncapped	An increase of 3.0c per \$100 insured




Example:
An additional \$3,000 per annum for those with insurance of \$10 million

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