Media release

The Hon Ted Baillieu MP
Premier
Minister for the Arts

The Hon Peter Ryan MP
Deputy Premier
Minister for Police and Emergency Services
Minister for Bushfire Response
Minister for Regional and Rural Development

The Hon Kim Wells MP
Treasurer

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Coalition to introduce fairer system to fund Victoria's fire services

- **New property-based levy to take effect from July 2013**
- **Reform to reduce costs for households and businesses**

The Victorian Coalition Government has today unveiled the details of a new model to fund Victoria's fire services as part of the most significant state-based tax reform in decades.

Under the changes, the inequitable insurance-based fire services levy will be abolished from 1 July 2013 and Victoria will move to a fairer, more transparent property-based levy.

Premier Ted Baillieu said the Coalition Government's reform would save households and businesses across the state more than $100 million a year.

"We have listened and acted on the concerns of the many Victorians who said the fire services levy was unfair and inequitable," Mr Baillieu said.

"These changes will ensure everyone contributes a fair share to the fire services, not just those who adequately insure their properties.

"The reform will abolish the unfair 'tax-on-tax' which sees GST and stamp duty charged on the current fire services levy. The reform also introduces a $20 million concession scheme for pensioners and veterans," Mr Baillieu said.

Deputy Premier Peter Ryan said it had taken a Coalition Government to abolish the fire services levy in line with recommendation 64 from the Bushfires Royal Commission.

"The Coalition made a promise to Victorians before the last election that we would abolish the flawed insurance-based fire services levy," Mr Ryan said.

"We have worked hard to get the model right and today we are proud to deliver on that promise.

"Under the current system only those who insure their properties make a contribution to funding the state's fire services.

"The insurance-based model increases the cost of insurance and acts as a disincentive to insure, leaving people vulnerable in the event of natural disasters like Black Saturday.

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“Primary producers disadvantaged by the insurance-based fire services levy will also be better off as a result of this reform,” Mr Ryan said.

Treasurer Kim Wells said the move to a property-based levy was the most significant state-based tax reform in decades.

Design of the new property-based levy

Under the new model, the property-based levy will be applied to all land and buildings including non-rateable property and property owned by local councils.

The levy will consist of:

- **a fixed component** - $100 for residential properties and $200 for commercial, industrial, farming and vacant properties; and
- **a variable component** - calculated as a percentage of the capital improved value of a property. A different percentage, set at Budget time, will apply to the Country Fire Authority (CFA) and Metropolitan Fire District (MFD) areas according to the budgetary needs of each service.

Under the new model there will be no cross-subsidy between metropolitan and country fire services.

The levy collected within the MFD area will be used to fund the Metropolitan Fire Brigade (MFB) while the levy collected outside of the metropolitan area will be used to fund the CFA.

The State Government will continue to make its existing statutory contribution to funding the state’s fire services.

The levy will be collected through council rates notices and overseen by the State Revenue Office.

Mr Wells said the Coalition Government would continue to consult with the community in the lead up to the implementation of the new levy.

“An expert panel will be formed to focus on key implementation issues. The panel will consult with businesses, local government and other community stakeholders ahead of the transition and provide advice to government,” Mr Wells said.

Coalition to abolish unfair tax-on-tax

Mr Wells said households and businesses were big winners from today’s landmark reform.

“By abolishing the unfair tax-on-tax in the current system, we will lower the cost of insurance considerably and save households and businesses across the state more than $100 million a year,” Mr Wells said.

“Households will pay about $60 million less under the new scheme, while businesses will see savings of about $45 million.”

Following the introduction of the property-based levy, the average contribution of a household in a CFA area to fire services is expected to reduce from an estimated average of $260 in 2011-12 (the last full year of the old system) to $140 in 2013-14.

Similarly, a household in the MFB area will reduce from an estimated average of $195 in 2011-12 to $145 in 2013-14.

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Concession scheme

In line with the Bushfires Royal Commission's recommendations, the Coalition Government will also invest $20 million in a concession scheme for pensioners and veterans.

"Property owners who receive a rates concession will be eligible for a $50 concession on the property levy," Mr Wells said.

"This is a big win for pensioners who currently receive no concession under the insurance-based levy.

"Councils will also list the levy on rates notices so property owners can pay the new levy in the same manner as their rates, including through quarterly instalment payments."

New consumer protection powers

Mr Wells said the Coalition Government would establish an independent Fire Services Levy Monitor to oversee the transition to a new property-based levy.

"I am pleased to announce that Professor Allan Fels will be appointed as the state's Fire Services Levy Monitor to ensure insurers genuinely pass on savings to their customers," Mr Wells said.

"Legislation will be introduced in coming weeks to establish the monitor as an independent statutory appointment with the resources and powers to protect consumers.

"New, stronger consumer protection laws will be passed during the transition to protect consumers against price exploitation and misleading and deceptive conduct," Mr Wells said.

As well as directly enforcing the new legislation and monitoring prices set by the insurance industry during the transition period, the Monitor will have the power to refer complaints to other bodies such as the Financial Services Ombudsman.

The Monitor will be appointed for a term of two years.

For more information about today's announcement, visit www.dtf.vic.gov.au/firelevy

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