Parliamentary Budget Office

Policy costing

Removing GST from Insurance Premiums		
Person/party requesting the costing:	Senator Malcolm Roberts, Pauline Hanson’s One Nation	
Date costing completed:	7 March 2025	
Expiry date of the costing:	Release of the next economic and fiscal outlook report	
Status at time of request:	Submitted outside the caretaker period	
	☐ Confidential	☒ Not confidential
Summary of proposal: The proposal would make all insurance premiums currently subject to the Goods and Services Tax (GST) GST-free from 1 July 2026. It would exclude life insurance which is currently input-taxed. The Commonwealth would compensate states and territories for any decrease in GST revenue.		

Overview

The proposal would be expected to decrease the fiscal balance by around $6.0 billion and decrease the underlying cash balance by around $5.7 billion over the 2024-25 Budget forward estimates period (see Table 1). This impact reflects a decrease in revenue and a minor decrease in expenses. The fiscal balance impact differs from the underlying cash balance impact due to the timing differences between when GST liabilities are recognised and when they are collected.

The proposal would be expected to have an impact beyond the 2024-25 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2034-35 is provided at Attachment A.

The proposal makes most insurance GST-free (such as car, and home and contents) while continuing to allow insurance companies to claim input-tax credits. This would bring the GST tax treatment in line with health insurance which is already GST-free. Life insurance would remain as input-taxed (that is, premiums do not attract GST and input-tax credits are not able to be claimed). This maintains consistency in the tax treatment between life insurance and superannuation funds which are both input-taxed financial supplies.

The proposal would be expected to decrease the consumer price index (CPI) in the implementation calendar year. This would have flow-on effects to budget items that are indexed by the CPI including lower excise duties collected offset by lower government expenses due to reduced indexation including the age pension and disability support pension.

The financial implications of the proposal are uncertain as the amount of insurance premiums collected each year and associated foregone GST revenue is sensitive to assumptions around elasticity of demand and trends around insurance consumption by consumers.

Table 1: Removing GST from Insurance Premiums – Financial implications ($m)[(a)(b)]

	2024-25	2025-26	2026-27	2027-28	**Total to 2027-28**
Fiscal balance	-	-	-3,044.4	-2,970.3	**-6,014.7**
Underlying cash balance	-	-	-2,914.4	-2,820.3	**-5,734.7**

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.
(b) PDI impacts are not included in the totals.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- All price impacts from the GST changes are passed through the production chain immediately and are fully passed onto final consumers.
  - Removing GST would lead to an approximate 9% decrease in prices.
- There would be a behavioural response to the commencement of the exemption, with consumers increasing their consumption of insurance by approximately 4%.
  - The change in demand is based on Tooth (2015) which indicates a 1% increase in state taxes reduces demand for house insurance by 0.6%.
  - It is further weighted by the proportion of insurance purchased that is not compulsory (80%). Demand for compulsory insurance (20%), such as compulsory vehicle insurance, would be inelastic and unchanged.
- Because insurance is a component of the CPI, the price reduction from removing GST would reduce the CPI. This would decrease various revenues and expenses indexed to the CPI.
  - Insurance accounts for around 1.4% of the CPI basket of goods.
  - The CPI would be lower by around 0.1% in 2026-27.
- There would be a small one-off departmental cost for the Australian Taxation Office (ATO) to change Business Activity Statement (BAS) forms at the start of the proposal.
- The ATO and Commonwealth Grants Commission (CGC) would need to determine the actual forgone GST each year to allow the Commonwealth to correctly compensate states and territories.
  - The PBO has assumed that any costs related to this would be absorbed by the ATO and CGC.

Methodology

The financial implications of making insurance GST-free were estimated by altering the consumption profile to reflect the change in the PBO's projections in its *Build your own budget* tool (2024-25 MYEFO edition).[1] A small uplift was applied to insurance consumption to account for consumption changes since the 2015-16 Household Expenditure Survey (HES).

The percentage change in CPI equals the percentage change in prices multiplied by the percentage of the CPI basket related to insurance as outlined in *Key assumptions*. The impact of this change on revenue and expenses indexed to CPI was determined using *Build your own budget*.

Financial implications were rounded consistent with the PBO's rounding rules.[2]

Data sources

Australian Bureau of Statistics (2025) *Annual weight update of the CPI and Living Cost Indexes*, accessed 28 February 2025.

Australian Bureau of Statistics (2024) *Australian System of National Accounts, 2023-24 financial year Table 42*, accessed 28 February 2025.

Australian Bureau of Statistics (2017) *Household Expenditure Survey, Australia: Summary of Results, 2015-16 financial year*, accessed 28 February 2025.

Australian Competition and Consumer Commission (2019) *High premiums leading to rise in uninsured homes in northern Australia*, accessed 19 February 2025.

The Department of the Treasury provided economic parameters as at 2024-25 MYEFO.

The PBO used a version of *Build your own budget* modified specifically for this response.

Tooth R (2015) *Analysis of demand for home and contents insurance*, accessed 19 February 2025.

[1] The version used internally for this costing has been adjusted to produce more comprehensive results, and any figures generated using the version currently on the PBO's website may not be the same.

[2] https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules

Attachment A – Removing GST from Insurance Premiums – Financial implications

Table A1: Removing GST from Insurance Premiums – Fiscal balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Revenue													
Tax revenue													
GST	-	-	*-3,110.0*	*-3,220.0*	*-3,360.0*	*-3,510.0*	*-3,670.0*	*-3,830.0*	*-4,000.0*	*-4,180.0*	*-4,360.0*	***-6,330.0***	***-33,240.0***
Indexed revenue: Fuel and alcohol excise	-	-	*-24.9*	*-45.7*	*-47.2*	*-48.6*	*-51.0*	*-51.5*	*-53.1*	*-54.7*	*-56.4*	***-70.6***	***-433.1***
Total – revenue	**-**	**-**	**-3,134.9**	**-3,265.7**	**-3,407.2**	**-3,558.6**	**-3,721.0**	**-3,881.5**	**-4,053.1**	**-4,234.7**	**-4,416.4**	-6,400.6	-33,673.1
Expenses													
Indexed grants and subsidies	-	-	-	*27.4*	*27.7*	*28.6*	*29.7*	*30.4*	*31.3*	*32.3*	*33.4*	***27.4***	***240.8***
Indexed other administered programs	-	-	*91.0*	*268.0*	*281.0*	*291.0*	*301.0*	*311.0*	*320.0*	*330.0*	*341.0*	***359.0***	***2,534.0***
Departmental													
ATO	-	-	*-0.5*	-	-	-	-	-	-	-	-	***-0.5***	***-0.5***
Total – expenses	**-**	**-**	**90.5**	**295.4**	**308.7**	**319.6**	**330.7**	**341.4**	**351.3**	**362.3**	**374.4**	385.9	2,774.3
Total (excluding PDI)	**-**	**-**	**-3,044.4**	**-2,970.3**	**-3,098.5**	**-3,239.0**	**-3,390.3**	**-3,540.1**	**-3,701.8**	**-3,872.4**	**-4,042.0**	-6,014.7	-30,898.8

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

\- Indicates nil.

Table A2: Removing GST from Insurance Premiums – Underlying cash balance ($m)[(a)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Receipts													
Tax receipts													
GST	-	-	*-2,980.0*	*-3,070.0*	*-3,210.0*	*-3,350.0*	*-3,500.0*	*-3,660.0*	*-3,820.0*	*-3,990.0*	*-4,170.0*	***-6,050.0***	***-31,750.0***
Indexed revenue: Fuel and alcohol excise	-	-	*-24.9*	*-45.7*	*-47.2*	*-48.6*	*-51.0*	*-51.5*	*-53.1*	*-54.7*	*-56.4*	***-70.6***	***-433.1***
Total – receipts	**-**	**-**	**-3,004.9**	**-3,115.7**	**-3,257.2**	**-3,398.6**	**-3,551.0**	**-3,711.5**	**-3,873.1**	**-4,044.7**	**-4,226.4**	**-6,120.6**	**-32,183.1**
Payments													
Indexed grants and subsidies	-	-	-	*27.4*	*27.7*	*28.6*	*29.7*	*30.4*	*31.3*	*32.3*	*33.4*	***27.4***	***240.8***
Indexed other administered programs	-	-	*91.0*	*268.0*	*281.0*	*291.0*	*301.0*	*311.0*	*320.0*	*330.0*	*341.0*	***359.0***	***2,534.0***
Departmental													
ATO	-	-	*-0.5*	-	-	-	-	-	-	-	-	***-0.5***	***-0.5***
Total – payments	**-**	**-**	**90.5**	**295.4**	**308.7**	**319.6**	**330.7**	**341.4**	**351.3**	**362.3**	**374.4**	**385.9**	**2,774.3**
Total (excluding PDI)	**-**	**-**	**-2,914.4**	**-2,820.3**	**-2,948.5**	**-3,079.0**	**-3,220.3**	**-3,370.1**	**-3,521.8**	**-3,682.4**	**-3,852.0**	**-5,734.7**	**-29,408.8**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

Table A3: Removing GST from Insurance Premiums – Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances ($m)[(a)(b)]

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	**Total to 2027-28**	**Total to 2034-35**
Fiscal balance	-	-	*-70.0*	*-200.0*	*-340.0*	*-490.0*	*-660.0*	*-840.0*	*-1,030.0*	*-1,250.0*	*-1,480.0*	***-270.0***	***-6,360.0***
Underlying cash balance	-	-	*-50.0*	*-170.0*	*-300.0*	*-450.0*	*-610.0*	*-790.0*	*-990.0*	*-1,190.0*	*-1,420.0*	***-220.0***	***-5,970.0***

(a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the tables above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary[3].

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

\- Indicates nil.

[3] https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_budget_office/online_budget_glossary