

16 May, 2002

Mr Murray Edwards
Secretary
Board of Taxation
The Treasury
Langton Crescent
CANBERRA ACT 2600

Dear Sir

Tax Value Method

The Insurance Council of Australia (ICA) is the representative body of the general insurance industry in Australia. ICA members account for over 90 per cent of total premium income written by private sector general insurers.

ICA members, both insurance and reinsurance companies, are a significant part of the financial services system. Recently published statistics from the Australian Prudential Regulation Authority (APRA) show that the private sector insurance industry generates direct premium revenue of \$17.8 billion per annum and has assets of \$63.5 billion. The industry employs about 25,000 people.

ICA members issue some 37.7 million insurance policies annually and deal with 4 million claims each year.

On 6 May 2002 the Board released detailed information on the proposed Tax Value Method (TVM) and requested input from interested parties on these proposals.

ICA has had the opportunity to review the submission to the Board jointly prepared by the Business Council of Australia and the Corporate Tax Association and fully endorses the submissions made in that document.

In particular, for the reasons outlined in the joint BCA/CTA submission, we came to the following conclusions:

- Whilst there is a need for fundamental review and amendment to the current system of taxation, TVM by itself is not the solution.

- Whilst the development and evaluation of TVM has revealed potential for improvements in specific areas of taxation, the ICA would submit that the TVM project should now be discontinued and the work done to date incorporated into a broader exercise aimed at addressing some of the fundamental issues with the current system of taxation.

ICA acknowledges and supports the very open and consultative process by which the TVM has been developed and evaluation and would strongly support that similar projects in the future continue with this model.

Yours sincerely

Peter Anderson
Manager Regulation, Finance & Taxation