

CLIENT ALERT

NEW ZEALAND FIRE SERVICE LEVY INCREASED BY 40%

Late last week the New Zealand government signed off an increase in fire service levy (FSL), a tax charged on insurance policyholders, of almost 40%. This increase will impact all businesses that have material damage insurance policies that attract FSL from 1 July 2017.

IMPACT OF THE INCREASE

- The rate of FSL will increase to 10.6c per \$100 insured from 1 July 2017 from the current rate of 7.6c per \$100 insured.
- For motor vehicles less than 3.5 tonne the levy increases from \$6.08 to \$8.45.
- The actual cost is likely to be more when inflationary pressures are taken in to account when declaring the cost of replacing insured assets.

This 39.5% increase in FSL is triggered by the Fire Service Act 1974 being superseded by the Fire and Emergency New Zealand (FENZ) Bill. The FENZ Bill is currently progressing through Parliament and is due to come into force by 1 July 2017.

One purpose of the FENZ Bill is to combine the urban and rural fire brigades. The cost of merging the urban and rural fire brigades has been reported by Minister Peter Dunne to be \$303 million. Levy payers are to fund \$263 million of this through FSL being charged on their property, motor, contract works and home and contents insurance policies. The FSL increase has been triggered by the merger costs along with the ongoing funding of the rural fire brigade.

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FURTHER CHANGES STILL TO COME

The FENZ Bill proposes to empower the Fire Service with increased auditing powers and to introduce increased penalties for late payment. They will also be able to introduce penalties for anything deemed to be an anti-avoidance arrangement from January 2019.

Another purpose of the FENZ Bill is to rewrite FSL rules to the detriment of many policyholders. From 1 January 2019 the FSL will be charged on a much greater amount than under current legislation, including:

- All property policies, not just policies that insure fire.
- The sum insured, not the indemnity value.
- Significantly reducing the list of excluded property for the purposes of FSL.

WORKING TOWARDS A SOLUTION

Marsh continues to work on behalf of our clients and provides feedback to FENZ to ensure that a modern, fit for purpose fire and emergency organisation is available to serve the community and is funded properly. The Department of Internal Affairs are currently seeking submissions on the new levy regulations as part of the reforms of the fire services sector and this can be found at dia.govt.nz/Fire-Services-Transition. The closing date for submissions is 19 April 2017.