

EXPLANATORY STATEMENT

Life Insurance Supervisory Levy Imposition Determination 2019

This determination relates to a levy imposed on life insurance entities by the *Life Insurance Supervisory Levy Imposition Act 1998* (the Act).

This determination commences on 1 July 2019 and relates to the 2019-20 financial year. The *Life Insurance Supervisory Levy Imposition Determination 2018* is repealed upon commencement of this determination. Consistent with section 7 of the *Acts Interpretation Act 1901*, any obligation or liability incurred in previous financial years remains valid.

Subsection 7(3) of the Act requires the Treasurer, by legislative instrument, to determine:

- the maximum restricted levy amount for each financial year;
- the minimum restricted levy amount for each financial year;
- the restricted levy percentage for each financial year;
- the unrestricted levy percentage for each financial year; and
- how a life insurance company's levy base is to be worked out.

This determination provides that the restricted component of the 2019-20 levy will be calculated at 0.01348 per cent of assets held by the entity, subject to a minimum of \$15,000 and a maximum of \$1,110,000. The unrestricted component of the 2019-20 levy will be calculated at 0.003148 per cent of assets held by the entity.

Although this determination does not specifically reference friendly societies, they are leviable bodies as they are registered under the *Life Insurance Act 1995* and consequently fall under the definition of 'life insurance company' in the *Financial Institutions Supervisory Levies Collection Act 1998*. As subsection 16C(1) of the *Life Insurance Act 1995* notes, item 11 of Schedule 8 to the *Financial Sector Reform (Amendments and Transitional Provisions) Act 1999* provided that friendly societies existing then are taken to be registered under the *Life Insurance Act 1995*.

This determination incorporates matters from the *Financial Sector (Collection of Data) (reporting standard) determination No. 53 of 2013*. The instrument is a disallowable legislative instrument, and is available on the Federal Register of Legislation.

The finance sector has been consulted on the 2019-20 supervisory levies through a Treasury and Australian Prudential Regulation Authority (APRA) discussion paper released on the Treasury website on 4 June 2019. The paper discusses potential impacts of the levies on each industry sector and institution regulated by APRA. Six submissions were received during the consultation process, none of which related specifically to the methodology for this levy.

The Office of Best Practice Regulation has previously advised that a Regulatory Impact Statement is not required as supervisory levies are considered *machinery-of-government* in nature.

This determination is a legislative instrument for the purposes of the *Legislation Act 2003*.

A statement of compatibility with human rights for the purposes of Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011* is set out in [Attachment 1](#).

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Life Insurance Supervisory Levy Imposition Determination 2019

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

This determination relates to a levy imposed on life insurance entities by the *Life Insurance Supervisory Levy Imposition Act 1998*.

Subsection 7(3) requires the Treasurer to determine:

- the maximum restricted levy amount for each financial year;
- the minimum restricted levy amount for each financial year;
- the restricted levy percentage for each financial year;
- the unrestricted levy percentage for each financial year; and
- how a life insurance company's levy base is to be worked out.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.