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Hopes on exclusive tax exemptions for life, health cover

Diverse developments fuel plethora of expectations in this sector

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Even as diverse views are being floated on the adverse impact of the demonetisation on the economic growth, the insurance sector is pinning hopes on a booster dose for itself in the ensuing Union Budget 2017-18.

The sector, both life and non-life segment, is also on the threshold of potential changes such as listing of the public sector insurers, expected traction on Foreign Direct Investment (FDI) and market entry of foreign as well as domestic reinsurers.

Not surprisingly, these diverse developments have fuelled a plethora of expectations from the Budget. Both industry and customers are now looking for positive filip for insurance.

There are multiple factors in the Budget that affect the insurance industry," Manoj Kumar Jain, Managing Director, Shriram Life Insurance Company Ltd told *BusinessLine*.

What is required for insurance is demand creation. "Separate alloca-

tion within Sec 80C for life insurance as a long term investment category can help in this regard," Jain says.

A similar view is also echoed by other experts. "In order to help Indian households create a portfolio for their long-term needs, it is recommended that the Budget should create a separate limit for the deductibility of life insurance premium under 80C, which should be over and above the existing limit," says Rajesh Sud, Executive Vice-Chairman & Managing Director, Max Life Insurance.

Any prospective revenue loss due to this additional limit will get amply compensated by tax revenue from new entities/individuals expected to come under the income tax scanner post demonetisation.

Another demand is to bring parity in all retirement products and to provide a bouquet of social security products to senior citizens and to extend the additional exemption limit of ₹50,000 under the New Pension Scheme (NPS) to

life insurance products as well.

GST role

The Good and Services Tax (GST) is another factor that needs to be kept in mind, reminds Manoj Kumar Jain. "Service tax or GST to be fully exempted for the sum assured less than ₹5 lakh and also the commission earnings from this segment to be exempt," he demands.

If GST rolled out, its implementation will cost insurers. As per the industry estimates, it could be in the range of ₹75 lakh to ₹2 crore for insurer.

This will help in financial inclusion segments like group insurance products for micro finance customers. In line with the current focus on customer-friendly insurance products, retail products with less than ₹5 lakhs sum assured should also be exempt from tax.

This will help in designing products with affordable premiums for customers from the financial inclusion segment.

Non-life insurers

The expectations of non-life insurers mainly centered on sops for health cover among others.

As of now, tax exemption is avail-

able only in the year of payment.

"To encourage people to insure themselves for longer period, tax exemption should be available each year based on number of years covered. Alternatively, tax exemption can be multiplied by number of years of coverage," suggests Ashish Mehrotra, MD&CEO- Max Bupa Health Insurance.

For specialised health insurance companies, period of carry forward of business loss and depreciation should be extended to at least 12 years.

A "welcome" move would be to remove the 15 per cent service tax on health insurance premium and further increase the deduction limit under section 80D for individuals and families from ₹25,000 to ₹50,000.

Tax benefits will help boost penetration of health insurance as well as help nurture a culture of preventive healthcare in India.

Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance, recommends mandatory health cover for government employees.

"An index-based home insurance scheme depending on the exposure of natural catastrophes of different States/regions should also

be looked at," he adds.

Travel insurance

Antony Jacob, CEO, Apollo Munich Health Insurance, is hoping for launch of a universal health insurance scheme by the Government as a non-taxable service. "There is a rapid rise in the number of Indians travelling and we hope the Government considers including travel insurance premium under The Income Tax Act Section 80D for rebate purposes," he says.

While these demands will surely mean a lot to industry as well customers, it remains to be seen how the government will respond to them in the Budget.

Wishlist

- Wider exemptions for life cover
- Mandatory health cover for govt employees
- Index-based home insurance sheme
- Universal health insurance scheme
- IT rebate for premium of travel insurance