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Raise tax deduction limit: Non-life insurers

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Ahead of the Union Budget 2021-22, which is less than a fortnight away, non-life insurers have suggested that the government increase the tax deduction limit under Section 80D of the Income-Tax (I-T) Act. This, they said, would provide fresh impetus to people to buy a comprehensive health cover. They have also sought tax benefit to those opting for home insurance under 80C of the I-T Act.

Under Section 80D, one can get tax deduction of up to ₹25,000 for health insurance premiums for individuals below 60 years, and up to ₹50,000 for individuals above 60 years. One can claim tax deduction of up to ₹25,000 for premium paid towards health insurance of their parents. In case parents are senior citizens, the tax deduction that can be claimed is up to ₹50,000.

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"We have seen how the Covid-19 pandemic changed the dynamics of the health care industry in the past few months. An increase in limit for 80D, as well as increasing the limit for senior citizens, will encourage more people to buy comprehensive health insurance," said Rakesh Jain, executive director and chief executive officer (CEO), Reliance General Insurance Company.

Anamika Roy Rashtrawar, managing director (MD) and CEO, IFFCO Tokio General Insurance Company, said, "The entire premium paid for individual health insurance should be tax exempted from total income of the individual under Section 80D of the I-T Act."

Awareness about health insurance in India has improved since the pandemic. This is reflected in the health insurance premium figures. While much of the initial euphoria has died down with fear around Covid subsiding, experts believe the awareness about retail health will help sustain the demand for health products in the near future.

"On the direct tax front for individuals, I feel the government should provide tax exemption to those opting for home insurance. This will provide them the much-needed motivation, especially in the light of increasing natural calamities. This may be done by providing a separate limit over and above the 80C threshold," said Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance.

Home insurance policy provides coverage to a house and its contents against physical damage due to unavoidable perils, man-made calamities, such as riots, terrorist activities, as well as against natural disasters.

"Home insurance is still highly under-penetrated in India. People still do not feel the need to protect their assets against natural calamities like floods, cyclones, etc. Adding a tax benefit to home insurance under Section 80C will motivate people to insure their valuable home," said Jain.

The insurance industry is also in favour of increasing the foreign direct investment (FDI) limit in the sector. Currently, foreign companies can own up to 49 per cent stake in an Indian insurance company without permission from the government or any other regulator — the so-called direct route. But any increase in the FDI limit will warrant a change in the laws.

According to the Insurance Laws (Amendment) Act, 2015, an Indian insurance company has to be 'Indian-owned and controlled'. This gives the Indian partner the right to appoint a majority of the directors or control the management of a company. Hence, the government will have to reconsider the rule on Indian ownership and control if it raises the foreign investment ceiling — without that, an investor is unlikely to raise its stake in a company beyond 50 per cent.

"...100 per cent FDI in the insurance sector will also energise the sector," added Jain.

Another long-standing demand of the insurance industry has been a reduction in the indirect tax rate that is charged on insurance premiums. "To take advantage of the increased awareness about health insurance due to the ongoing pandemic and boost penetration, we feel the goods and services tax on all kinds of health insurance should be nil," said Rashtrawar.