

[Budget 2023: Income tax sops for health, life insurance policyholders; GST cut, what insurance industry wants](#)



Amid high inflation and rising medical costs, the common man is expecting a host of insurance related reliefs from this Budget. Insurance industry is also supporting such benefits for a common man as it will also help in industry's growth. From higher deductions for health insurance premiums to a separate tax deduction section for life insurance, here is the insurance sector wish list for Budget 2023.

Finance Minister Nirmala Sitharaman will present Union Budget 2023 on February 1, 2023. Insurance related expenses form a good part of individual taxpayer's household budget. Amid high inflation and rising medical costs, the common man is expecting a host of insurance related reliefs from this Budget. Insurance industry is also supporting such benefits for a common man as it will also help in industry's growth. From higher deductions for health insurance premiums to a separate tax deduction section for life insurance, here is the insurance sector wish list for Budget 2023.

#### Increase in tax exemption limit under section 80D

At present, individuals under the age of 60 can claim deductions for paying health insurance premiums for themselves, their spouse, dependent children, or parents under section 80D of the Income-tax Act, 1961. The limit under section 80D has been set at Rs 25,000 per financial year for self, spouse, and dependent children when the taxpayers are below the age of 60. An additional or separate deduction for parents' insurance is also available under this section to the extent of Rs 25,000 if parents are below the age of 60 years, and Rs 50,000 if they are aged above 60 years. For senior citizen parents or those who are above the age of 60 and below the age of 80, the deduction limit can go up to Rs 50,000.

For senior citizen taxpayers, the limit under section 80D is Rs 50,000 for claiming deductions for health insurance premiums. If both the taxpayer and parents are aged more than 60 years, for whom the medical covers have been taken, the maximum deduction that can be availed under section 80D is Rs 1 lakh.

However, with time medical treatment cost have risen significantly and people need higher health insurance covers to have adequate financial protection, and they have to pay higher premium which is beyond the current deduction limit.

"The existing limits of Rs 25,000 for individuals (including spouses and dependent children) should be raised for promoting increased sum insured and better coverages. Similarly, the limits for parents should also be increased in line with the current premium cost," Tijo Joseph, CFO & Head - Operations, Anand Rathi Insurance Brokers told ET Wealth.

"Increasing the limit to claim tax deductions under section 80D will enhance affordability and encourage more people to opt for health insurance for their family and elderly parents," Krishnan Ramachandran, MD, and CEO at Niva Bupa Health Insurance told ET Wealth.

Senior citizens want Budget 2023 to hike income tax deductions, free 60 plus from ITR filing burden

Separate section for life insurance premium

An individual policyholder can claim deductions of up to Rs 1.5 lakh under section 80C of the Income-tax Act. Investments for life insurance premiums and Unit Linked Insurance Plans (ULIP) are also eligible for deduction along with certain other instruments under section 80C. Section 80CCC of the Income-tax Act allows an individual to deduction of payments towards annuity or pension plans. The deduction limits available under section 80CCC are clubbed together with section 80C to determine the total deduction limit available.

At present, section 80C allows deductions on various investments such as Public Provident Fund (PPF), five-year time deposit, life insurance premiums, ELSS mutual funds, and repayments on home loans among many others.

Despite the rising prices and inflation, the maximum limit is only Rs 1.5 lakh which has remained the same for the last nine years. There should be a separate section for life insurance premium deduction similar to section 80D to increase penetration of life insurance, said experts. "We expect Budget 2023 to consider creating a separate section for a tax deduction on premiums paid towards life insurance. This will enable effective segregation of customer's funds into long-term and short-term kitties," Subhrajit Mukhopadhyay, executive director, of Edelweiss Tokio Life Insurance told ET Wealth.

Rationalise deductions available to pension plans:

At present, there is a separate deduction for a contribution of up to Rs 50,000 to the National Pension System (NPS) under section 80CCD(1B). "Pension or annuity plans (section 80CCC) by life insurance companies do not have a separate limit as they are covered under the broad Section 80C limit of Rs 1.5 lakh. If this deduction under Section 80CCD is also made available for premiums paid towards pension or annuity plans launched by life insurance companies, then it will help in boosting pension penetration," Parimal Heda, Chief Investment Officer, Digit Insurance told ET Wealth.

Inflation up by 46% since 2014, section 80C limit hiked by 0%: How much should Budget 2023 increase it?

GST for health insurance to be brought down to 5% from current 18%

To improve health insurance penetration in India, the Insurance Regulatory and Development Authority of India (Irdai) has launched various initiatives in the last few years. However, there is a huge protection gap in the country, said experts. "Considering the social aspects around health insurance

and term insurance and government's focus around it, a reduction in Goods and Services Tax (GST) can help in reducing the cost of insurance and boost insurance penetration," said Heda.

"A large segment of our population lacks any kind of health insurance protection, one thing that will help in increasing the uptake of health insurance amongst the masses is a reduction in GST. A reduction from the current 18 per cent to 5 per cent will go a long way in increasing health insurance penetration," said Tapan Singhel, MD & CEO, of Bajaj Allianz General Insurance.

New income tax benefit for car insurance, home insurance

Currently, deduction under section 80C is available for life insurance premium and a deduction under section 80D is available for health insurance premiums. "No such deduction for premium is available in case of travel insurance, home insurance or personal accident insurance policy. Deduction for insurance premium will encourage people to secure their assets like car, home, etc. and avail personal accident cover. This will aid in financial protection and secure the policyholder from any financial losses that may arise due to unforeseen events," ASSOCHAM stated in its pre-budget memorandum.

"Home insurance is an often overlooked yet important product which needs a massive boost through tax benefits, said experts. So the premiums paid for home insurance should also be eligible for tax deductions, Sarbvir Singh, CEO of Policybazaar.com told ET Wealth.

"Premium paid for home insurance against the risk of various disasters should be given as a tax incentive by way of deduction under Chapter VI A to promote home insurance," said Rakesh Jain, CEO, Reliance General Insurance.