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Budget 2024-25: Insurers hope for tax reliefs, provisions for uncertainties

The introduction of a separate tax deduction limit for life insurance, waiving taxes on proceeds of pension and annuity products, and reconsidering the 18 per cent Goods and Services Tax (GST) charged on health insurance policies are some of the reliefs the Indian insurers expect from the Union Budget 2024.

The interim Budget will be presented on February 1. The full Budget will be presented after the formation of the new government.

In the last few years, life insurers have been requesting a separate tax deduction limit for the term insurance as the existing Section 80 C is already filled with other allowable expenses.

"We have been asking the government to introduce a separate tax deduction limit for life insurance for the last 5 to 6 years but nothing has happened. The reason is that the current Section 80 C is too cluttered where a person can claim deductions up to Rs 1.5 lakh for Public Provident Fund (PPF), Sukanya Samriddhi Scheme, ELSS, tax saving fixed deposits, school fees, principal sum of a home loan, including life insurance," said Vighnesh Shahane, MD & CEO of Ageas Federal Life Insurance.

Life insurance companies suggest the government waive taxes on proceeds of pension or annuity products which will ensure a level playing field with the National Pension System (NPS) and encourage people to invest in these plans.
"Investing in pension and annuity products is crucial for income after retirement. Making taxes simpler or removing them for these products will encourage more people to invest in these important financial protections. The current Rs 50,000 tax exemption for NPS under Section 80CCD (1B) should also apply to pension and annuity plans to encourage more people to use them," noted Satishwar B, MD & CEO, Aegon Life Insurance.

"Reducing the GST on term life insurance and adopting a 'zero rating' approach for certain types of essential insurance policies such as Pradhan Mantri Jeevan Jyoti Bima Yojana, particularly those providing coverage for smaller amounts (up to Rs 2 lakh), would undoubtedly enhance accessibility and affordability of insurance for a wider population," said Aatur Thakkar, Co-founder and Director at Alliance Insurance Brokers.

For the last few years, the insurers have also proposed an increase in the limit of tax deduction under 80D of the Income Tax Act. Under this section, a person can claim a deduction of up to Rs 25,000 for health insurance premiums and expenses incurred towards medical expenses. According to experts, increasing the deduction limit for medical insurance to Rs 50,000 for individuals from the existing Rs 25,000 and raising it to Rs 75,000 from Rs 50,000 for elderly people will help cover the surge in healthcare expenses.

“The insurance sector is advising for an increase in the deduction limit for medical insurance premiums under Section 80D. Additionally, with reference to the new tax system, the government should expand Section 80D deduction for health insurance premiums, to guarantee that everyone benefits equally from healthcare tax breaks,” Thakkar added.
Meanwhile, the general insurers are expecting some rationalisation in GST rates for health insurance to boost the health insurance penetration in the country. “In line with the IRDAI’s vision of ‘Insurance for All by 2047’, there is a need to reconsider the GST rate of 18 per cent on health insurance policies in the upcoming Union Budget, thereby improving the affordability for our citizens,” said Ritesh Kumar, MD & CEO, HDFC ERGO General Insurance.

“In India, about 7 per cent of the population, which is about 10 crore people, fall below the poverty line because they can’t afford health expenses. To bring 10 crore people above the poverty line will cost about 1.2 per cent of the (Gross Domestic Product) GDP. Hence, I feel we must look at a universal health scheme for our citizens,” said Tapan Singhel, MD & CEO, Bajaj Allianz General Insurance. He also highlighted the importance of being prepared for uncertainties like the pandemic and climate-related disasters.