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Insurance sector seeks GST cuts in budget

A STAFF REPORTER

Calcutta: The insurance industry has sought some reliefs in the budget such as the lowering of GST rates on insurance and the revision of tax exemption on health insurance premium.

They also want tax relief for annuities and the introduction of tax savings retirement security bonds.

The industry pointed out to four data points — India's insurance penetration has marginally declined to 3.7 per cent in 2023-24 from 4 per cent in 2022-23 and country's medical inflation is estimated at around 14 per cent.

Besides, National Health Accounts estimates out-of--pocket expenditure at around 44.1 per cent of household health expenditure and the World Economic Forum estimates retirement savings gap of India at $85.4 trillion by 2050.

Insurance regulator IRDAI has initiated discussions with the companies on the optimal GST rates and the majority of the industry is in favour of a reduction from 18 per cent to 12 per cent.

There is also a call for a revision of tax exemption on health insurance premium, available under the old tax regime, under section 80D of the Income Tax Act. It has been 10 years after the limit was raised from ₹15,000 to ₹25,000 in the union budget of 2015.

EXTRA COVER

- Penetration down to 3.7% last fiscal from 4% in 2022-23
- Medical inflation up 14%
- Call to reduce GST rates to 12% from 18%

Industry body Ficci has proposed doubling the deduction of health insurance premium under section 80D to ₹50,000 along with an increase in the preventive health check-up to ₹20,000 from ₹5,000.

It has also proposed allowing employers a separate annual deduction of ₹10,000 per employee for sponsoring health check ups over and above current medical reimbursement limits.

"Lowering GST or allowing full tax deductions under section 80D could make insurance more accessible, particularly for the 'missing middle', while encouraging financial resilience. Exploring a regulatory framework for hospitals could help address rising medical inflation and promote consistent pricing and service standards, ensuring fair access to healthcare," said Tapan Singhel, MD and CEO, Bajaj Allianz General Insurance.

The life insurance industry is hopeful that the additional deduction of ₹50,000 available on NPS (New Pension Scheme) investments would be extended to annuities.

"With the retirement savings gap projected to reach $85 trillion by 2050, simplifying or removing taxes on annuities and pension products will encourage greater participation in retirement planning," said Jude Gomes, MD and CEO, Ageas Federal Life Insurance.

"A zero rating for schemes sich as PMJJBY and smaller policies of (upto ₹2 lakh sum assured) and annuity products for NPS subscribers will expand access to insurance. Introduction of long term retirement security bonds that combine insurance and guaranteed returns will encourage long term savings with tax-free maturity benefits," he said.