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BUDGET IDEAS:
GENERAL INSURANCE

Rakesh Jain

Give tax sop to home insurance, reduce GST rate on insurance products

FINANCE MINISTER ARUN JAITLEY will present the Union Budget on February 1 and the right steps could provide a boost to the under-penetrated non-life insurance market which is currently around 1% of GDP against global average of 2.8%

Health insurance

Considering the importance of protecting an individual's capital in case of emergencies, accidents and rising medical costs, the FM may consider enhancing deduction limits in the I-T Act. For instance, in case of health insurance policies, the taxpayer is entitled to a deduction of ₹25,000 (₹30,000 for senior citizens) which was last changed in Finance Act 2015, considering the current inflation in healthcare cost there is a further need to increase the deduction limit.

Rashtriya Swasthya Bima Yojana

We feel that the financial inclusion initiative taken up by Rashtriya Swasthya Bima Yojana (RSBY) should aim at increasing the scope of the cover by including more sections of the society. The scheme should aim at increasing the overall cover provided to the customers and the sum insured should be raised to at least ₹1 lakh per family, thereby enhancing the levels of protection. Additionally, critical care and OPD care should be an inherent part of the scheme. As an additional advantage to senior citizens, the sum insured for this category should be increased to more than ₹1 lakh.

ILLUSTRATION: SHYAM

Home insurance

Given the thrust placed by the current government on affordable housing, it is time the government mulls a tax relief on home insurance on the lines of Section 80D exemption. Natural calamities have been shattering the lives of not just rural households, but even urban landscapes. Tax savings would act as a motivation to purchase home insurance and avoid losing the biggest asset and even a source of livelihood.

The thrust on home insurance will ease the burden of granting monetary relief from the exchequer when major calamities like floods, hurricanes, etc., strike. This move will not just enhance the penetration of home insurance but also lead to reduction in overall premium for an individual. It will benefit both the government and the home owner if the property is insured.

Farmer's assets

Considering the stress on rural economy as a result of crop failure due to inept weather conditions, crop insurance cover in the form of Pradhan Mantri Fasal Bima Yojana (FMFBY) has been offering some protection and relief to the struggling farmers. There is a further need to cover farmer's assets, households, cattle, etc.

It is worth quoting the 'Transformative Agenda for The Indian Insurance Industry and its Policy Framework', report that says, "A 1% rise in insurance penetration translates into 13% reduction in uninsured losses—an increased investment equivalent of 2% of national GDP and a 22% reduction in taxpayer's contribution."

While we laud the efforts of the government in successfully implementing the singular tax regime of GST, there is a need to moderate the rate of GST for insurance products in a country that is averse to taking insurance cover. The current tax rates of 18% levied on retail products like personal accident, home insurance, health insurance—which is steeper than what was applicable during the pre-GST period—should be moderated for enhancing insurance penetration. If positive incentives are offered in the Budget, the general insurance industry would be able to steer the insurance penetration much faster and undertake higher burden of economic contingencies.

The writer is CEO, Reliance General Insurance