

## **Budget 2020: Life insurance sector expects higher 80C limit, additional tax deduction for pension plans**

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Union Budget India: In its list of expectations from the Union Budget 2020 that the Life Insurance Council has shared with Finance Minister Nirmala Sitharaman, the Council has proposed additional tax deductions of Rs 50,000 over and above the 80C limit on investments made in pension plans of life insurance companies in the line of National Pension System (NPS).

“For a pension plan issued by life insurance companies, an individual contribution to the pension fund is deductible under section 80CCC under the overall limit of section 80CCE of Rs 1,50,000. It is recommended that in order to reduce gap between taxation of pension policies issued by life insurance companies vis-à-vis NPS, the additional deduction of Rs 50,000 for premium paid (as available for NPS) should be extended to pension policies issued by Life Insurance Companies,” said S N Bhattacharya, Secretary, Life Insurance Council.

A consortium of 24 life insurance companies, Life Insurance Council functions together with participation of all the Life Insurers through several sub-committees towards development of the industry. The Council is the face of the Life Insurance Industry that connects the various stakeholders of the industry and leads the advocacy effort on the industry's behalf before the Regulator (IRDAI), Government of India and all other statutory bodies.

Apart from additional tax benefits for pension plans, the Council also wants either separate section to avail deductions on payment of life insurance premium or hike in 80C limit to accommodate additional deductions.

“Life insurance meets the twin needs of providing protection as well as long-term savings with the goal of meeting living needs. It is particularly needed in the absence of the Government's social security scheme that is present in many global economies. We request that Honorable Finance Minister Ms. Nirmala Sitharaman consider a separate deduction to be provided for premium paid on individual life policies. If no separate deduction is provided, the existing limit of Rs 1,50,000 (i.e. section 80C) should be enhanced from Rs 1,50,000 to Rs 3,00,000, since the existing limit of Rs 1,50,000 is too crowded with both short-term and long-term investment vying for its share,” said Bhattacharya.

Bajaj Allianz Life Insurance also expects additional tax benefits on pension products and hike in 80C limit.

“Collectively as an industry, we do see a lack of parity in the tax treatment of pension products of life insurance companies and pension products under National Pension Scheme (NPS). Both the products have similar objective of building long term savings for meeting retirement goals, hence, this disparity should be addressed by the government in the Union Budget 2020. Further, in order to enable customers to see life insurance beyond a tax saving tool and invest in it to fulfill their long term financials goals, the government should either consider a separate deduction section or enhance to limit under Section 80C of Income Tax Act, 1961, to Rs 3,00,000, since the current limit of INR 1,50,000 is too low to cater to all the contributions it covers,” said Tarun Chugh, MD & CEO, Bajaj Allianz Life.

Aditya Birla Sun Life Insurance, on the other hand, expects additional deductions of Rs 50,000 each over and above the 80C limit for first time life insurance buyers and on purchase of term plans.

“In the upcoming budget, we expect the government to focus on bringing more people under the ambit of Life Insurance, promote long-term savings and encourage capital formation. Introducing separate deduction of Rs 50,000 for first time life insurance buyers, as well as an additional benefit of Rs 50,000 for someone purchasing a pure protection (term) plan will enhance life insurance penetration. Another important move would be to encourage women to insure their lives and savings,” said Kamlesh Rao, MD & CEO, Aditya Birla Sun Life Insurance.

Rao also expects extra tax benefit for women policyholders and removal of the 10 times cap of sum assured over annual premium for full tax benefit on maturity.

“Extra tax benefit for women policyholders will be a significant step. Moreover, relaxation of section 10(10)(D), where minimum sum assured is required to be 10 times of annual premium will be a desirable move,” said Rao

Seeking parity with NPS and GST relief, Rao further said, “The budget should also bring about measures to bring parity between pension products offered by life insurers and NPS. Lowering rate of GST at 12 per cent (with input tax credit benefit) will be beneficial for both policyholders and companies. These measures will pave the growth path for the life insurance sector, besides increasing the security net of the nation’s people at a very low cost.”