**ALL INDIA INSURANCE EMPLOYEES’ ASSOCIATION**

**LIC BUILDING SECRETARIAT ROAD HYDERABAD 500 063**

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To

All the Zonal/Divisional/State/Regional Units

Dear Comrades,

We reproduce below the letter addressed by AIIEA to Shri Arun Jaitley, Finance Minister, Government of India requesting him to withdraw the service tax on Insurance Premium etc. The content of the letter is self-explanatory.

With greetings,

Comradely yours,



General Secretary

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January 22, 2016

**Shri Arun Jaitley,**

Hon’ble Minister for Finance,

Government of India,

**New Delhi**

Dear Sir,

**Issues relating to Life Insurance Industry**

We would like to bring some issues relating to the life insurance industry that needs consideration in the budget making exercise. We would also like to inform that these issues were raised by us earlier too through our letter of 29th May 2014.

The life insurance industry is going through a difficult period now. The decline in the household savings has been impacting the life insurance business. The industry is also in the process of adjusting to the new regulatory norms as decided by the IRDAI. The growth of the life insurance industry is crucial to national development. It is the only mode of saving that generates funds for long term investment in the economy. You have also been speaking about the need to further expand the insurance market and increase life insurance penetration.

We are of the opinion that the growth of the life insurance industry critically depends upon the growth in the household savings and the disposal incomes. Today life insurance industry also has to compete with the other modes of savings. We strongly feel that life insurance needs to be given a differential treatment compared to other modes of savings considering the fact that the funds mobilized here can be deployed in long term infrastructure requirements of the country. We, therefore, suggest the following measures to make life insurance attractive and competitive compared to other savings and request you to kindly consider the same:

1. Withdrawal of service tax on life insurance premium
2. Exclusive income tax rebate under Section 80 C
3. Extending the tax benefit for short duration policy contracts

The service tax on the risk portion of the life insurance premium is acting as a disincentive now. This is seen in the huge drop in the sale of single premium policies. We also feel it is unfair to levy a tax when a person takes a policy to cover the risk on his or her life to give a little sense of security to the family. Moreover the tax mobilized is very small compared to the total tax revenues generated by the government and withdrawal of this tax should not be difficult. We have the knowledge that a large number of policyholders have made representations for the withdrawal of service tax on life insurance premium. The Industry too has made such a suggestion. We understand that Shri Tapan Sen, General Secretary, CITU has also requested for withdrawal of this tax when he met you along with the leaders of the Central Trade Unions on 4th January 2016 to present the trade union views during the pre-budget consultations.

At present life insurance savings are clubbed with other modes of savings for the purpose of tax rebate under Section 80C. Considering the unique nature of the savings in life insurance, we feel it is necessary to treat the life insurance premium separately. We suggest an exclusive tax rebate in life insurance savings for at least an amount of Rs 2 lakhs.

The policies for a shorter duration are now treated on Exempt, Exempt and Tax basis. This is creating a situation where such savings are shifting towards physical assets. This is not beneficial either to the economy or the industry. Therefore, all life insurance policies irrespective of the duration of the contract must be given the benefit of EEE.

We request you to kindly consider the above suggestions. These measures will help the growth of the life insurance business and increase the insurance penetration and density. We hope for a favourable response to these issues from you.

Thanking you,

Yours faithfully,

Sd/-

General Secretary.