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07 Reduce GST on insurance products from 18% to 5%

The goods and services tax (GST) has simplified the cascading tax structure and reduced tax rates for a host of products and services, thereby reducing the burden on end consumers. However, the tax bracket on financial services has been hiked from the initial 15% to 18%. This has made life insurance products costlier, especially pure protection and endowment plans.

India has one of the highest protection gaps in Asia, with an abysmally low life insurance penetration of 3-4%. In the absence of a comprehensive social security mechanism, insurance provides the first layer of financial security to an individual or family. It is, therefore, imperative to exempt insurance products or subject them to 5% GST. Ideally, pure protection life insurance and health insurance should be considered as "essential" services and completely exempt from tax.

ASHISH KUMAR SRIVASTAVA
MD & CEO, PNB METLIFE INDIA INSURANCE

09 Hike tax-free limit for medical allowance

There has been a marked increase in the incidence of communicable and lifestyle diseases in India, driven by unhealthy eating habits and lifestyles. To make matters worse, there has been a steady rise in medical inflation, which is currently growing at 18-20% per annum. So, the medical expenses of the average household can easily exceed the medical allowance limit of ₹15,000 per year. Health insurance policies normally don't cover expenses like consultation fees, medicines and diagnostics, and individuals have to shell the extra amount out of their own pocket. Companies usually cap the medical allowance at the tax free limit of ₹15,000. If this limit is revised upwards, companies will also be encouraged to hike the allowance.

SANDEEP PATEL
CEO & MD, CIGNA TTK HEALTH INSURANCE

08 Reduce LTCG holding period for REITs

Real estate investment trusts (REITs) can increase the depth of the real estate market by offering a new asset class for investors as well as provide a credible exit route for existing investors and developers. They have the potential to enhance the supply of commercial real estate–an enabler for the employment ecosystem. But though REITs have received regulatory approval, this potent instrument of change in the real estate industry has been held back.

Despite being like debt instruments which offer close to stated returns, REITs carry an inherent element of risk which makes them similar to equity investments. The risk profile of REITs is somewhere between those of debt instruments and equity.

The budget needs to cut down the long term capital gains holding period for REITs from three years to one year. This would bring the investment opportunity at par with equity investments and would make REITs more palatable to investors.

SHISHIR BAIJAL
CHAIRMAN & MANAGING DIRECTOR, KNIGHT FRANK INDIA

10 Make home insurance mandatory and offer tax deduction on premium

The memory of the Mumbai floods is still fresh in the minds of the city's residents. While the trauma was unavoidable, a home insurance policy could have saved many from financial stress. To make home insurance pervasive, there needs to be a concerted effort from all stakeholders including the government. The government should make home insurance compulsory and incentivise home buyers by providing income tax benefit for the premium paid towards a policy. This will not only ensure protection against financial loss for customers, but will also aid in deepening insurance penetration in the country.

K.G. KRISHNAMOORTHY RAO
MD AND CEO, FUTURE GENERALI INDIA INSURANCE

11 Introduce individual retirement account

Instead of compelling investors to keep track of multiple schemes and sections to make the most of the existing exemptions under 80C, the government should introduce a separate Individual Retirement Account (IRA). It should allow a certain percentage of income to be tax free as long as it is allocated to the IRA and not withdrawn for a lock-in period of 20-30 years. The investor should be free to choose any asset class to invest in and reallocate at will.

VIKAS GUPTA
CEO & CHIEF INVESTMENT STRATEGIST, OMNISCIENCE CAPITAL

12 Include low-risk hybrid funds under Section 80C

Many investors invest in FDs to reap taxation benefits under Section 80C. But due to the falling interest rates, they are looking for options that promise better returns, relatively lower risk and the same tax advantage. For conservative or first time investors, the best alternative is hybrid funds.

Hybrid funds are designed to generate good returns through investment in equities, while protecting the downside and smoothening volatility through investment in debt. For low-risk investors, hybrid funds offer higher returns compared to traditional options and are less volatile than equity oriented funds. Hence, the 80C tax exemption benefit should be extended to this category, with a lock in of 3 years like ELSS.

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