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Malaysia: 2012 Budget to boost annuity and retirement protection schemes

The Life Insurance Association of Malaysia (LIAM) believes that the 2012 national Budget's new tax relief of up to MYR3,000 (US\$950) on contributions to private retirement schemes and insurance annuities will augur well for the industry.

The association says that the tax incentive, to be granted for 10 years, is a good start by the government in recognising the need for suitable retirement planning. "As statistics have shown, the life span of average Malaysians is getting longer, thus astute retirement planning at an early age would be a step in the right direction," LIAM says in a statement on the 2012 Budget which was unveiled on 7 October.

However, the association also notes that the tax relief of MYR6,000 on life insurance premiums paid by individuals is still combined with the statutory Employee Provident Fund contribution. The insurance body has been lobbying for a separate MYR6,000 tax relief for insurance premiums for some time.

The association also notes that the prevailing 8% tax on the investment income of annuity funds has been maintained and hopes that the government would consider the removal of the tax.

LIAM welcomes the government's announcement of an increase in the retirement age from 58 years to 60 years for the civil servants. "It is hoped that the private sector would follow suit as employees would then be able to accumulate more savings for their golden years," it says.