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LIAM: New tax relief to boost insurance industry

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PETALING JAYA (Oct 7, 2011): The Life Insurance Association of Malaysia (LIAM) believes that the new tax relief of up to RM3,000 on contribution to a Private Retirement Scheme and insurance annuity for 10 years will augur well for the industry.

Describing the 2012 Budget as a "budget for the rakyat", it said such an incentive is a good start by the government in recognising the need for suitable retirement planning.

"The introduction of the Private Retirement Scheme will ensure that people who retire will be able to live without over-relying on their Employees Provident Fund savings. As statistics have shown, the life span of average Malaysians are getting longer, thus astute retirement planning at an early age would be a step in the right direction," LIAM said in a statement today.

However, the association noted that the tax relief of RM6,000 on life insurance premiums paid by individuals is still combined with the statutory EPF contribution, and hoped that a separate RM6,000 tax relief for insurance premium will be realised in the near future.

"The tax relief of RM3,000 accorded to insurance annuity shows that the government recognises the importance of insurance annuity, as lump sum has been proven to be an ineffective way for retirement planning, exhausting too early while not addressing longevity risk.

"(But,) while the tax exemption on investment income of Private Retirement Fund is given, so as not to erode the accumulation of the fund, it's unfortunate that the same is not accorded to insurance annuity," said LIAM.

The current 8% tax on investment income of annuity fund would result in lower annuity amount and LIAM is hoping that the government would consider the removal of such taxation.

Meanwhile, LIAM welcomes the announcement of the increase in the retirement age from 58 years to 60 years for the public sector.

"It is hoped that the private sector would follow suit as employees would be able to accumulate more savings for their golden years," it added.

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