

Insurers: Tax removal will boost retirement planning

Posted on 28 September 2012 - 10:59pm

Last updated on 29 September 2012 - 07:30am

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LIAM president Vincent Kwo

PETALING JAYA (Sept 28, 2012): The government's proposed removal of an 8% investment income tax on deferred annuity will be a major boost in retirement planning for the rakyat, said the Life Insurance Association of Malaysia (LIAM).

Its president Vincent Kwo said with this tax incentive, policyholders will now enjoy better returns on their retirement savings, in addition to the RM3,000 personal tax relief they can claim on their deferred annuity announced in last year's budget.

"This tax relief will spur the development of retirement planning for the rakyat. As our country moves towards a high-income nation with an ageing society, there is a dire need for suitable tax efficient retirement products to enable the rakyat to maintain a comfortable lifestyle in their golden years. Hence, the unique feature of deferred annuity will provide a regular income after retirement as well as death benefits," Kwo said in a statement today.

"We believe the 15 life insurance companies (in the country) will take this opportunity to distribute deferred annuity to the rakyat from all walks of life, including those in the underserved areas," he added.

LIAM also welcomes the government's introduction of a multitude of insurance schemes.

Earlier, in his Budget 2013 speech, Prime Minister Datuk Seri Najib Abdul Razak announced that the government is proposing a group insurance scheme of RM5,000 for petty traders.

For the first year, the government will subsidise the scheme of up to RM16 million per year for the 1.5 million petty traders. This is to cover for their death and incapacitation benefits.

LIAM also lauds the government's hindsight in placing high importance on the virtues of having life insurance for the armed forces personnel, students and farmers.

It said the tax incentives for deferred annuity and the introduction of new group insurance schemes will transform the insurance industry to be a major contributor to the economic development of Malaysia.

"LIAM is confident that with greater awareness of insurance among the rakyat, the current percentage of population with life insurance at 43% will reach 75% by 2020 as targeted in the Economic Transformation Programme," said Kwo.

In a separate statement, Manulife Insurance Bhd deputy CEO George Chew said the 8% removal of investment income tax on deferred annuity will encourage more Malaysians to kick

start their retirement planning and build sufficient funds for their golden years.

It is also encouraged at the government's plan to introduce insurance scheme for hawkers, small business owners and fisherman.

"We are acutely aware of how a majority of Malaysians are under-insured and under-protected. These programs are a great start to educating Malaysians that insurance protection is important in ensuring quality of life and well-being of every citizen. We applaud the government's efforts in advocating protection for the rakyat," added Chew.