

Split personal tax relief for premiums and EPF contributions

SUN 14 111 2001

PUTRAJAYA: The Life Insurance Association of Malaysia (LIAM) has proposed a number of significant suggestions in an effort to give Malaysians a better cover of safety when they retire.

LIAM has proposed that the combined personal tax relief for life insurance premiums and EPF contributions be split, with each having a relief of RM5,000.

At present, an individual can deduct RM5,000 a year for personal tax relief for life insurance premiums and for EPF contributions before being assessed for personal income tax.

LIAM said that the split in the personal tax relief is to encourage more people to take up life insurance policies as a means of long term savings and protection.

It has suggested that employees set aside up to 19% of their monthly salary (inclusive of the EPF contribution of 9%) for their future retirement. Currently, the total EPF contribution is 21% (9% from the employee and 12% from the employer).

According to LIAM, this can be achieved by increasing the current tax relief of RM1,000 for annuity policies purchased through EPF to

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RM5,000.

It should include all types of annuity plans purchased from any insurance company and not limited to the EPF scheme above.

The introduction of a one-time tax-deductible incentive of up to RM10,000 for working individuals to buy immediate annuities for their retiring parents at age 55 will promote filial piety.

The same benefit should also be given to those buying

an immediate annuity for themselves.

LIAM, which is the umbrella body for all the life insurance companies in the country, said at present only 31% of Malaysians are covered by life insurance.

"This figure is way below the rate of other developed markets such as Singapore, Taiwan, South Korea and Japan, where the percentage of the population with life insurance ranges from 70% to more than 160%."

LIAM added that the local insurance industry has achieved significant progress in its financial standing and professionalism in the last decade.

"There is a need to set benchmarks to accelerate its development towards international practices and performance standards," it said.

LIAM also proposed that the EPF annuity scheme be immediately reinstated and opened to all local and foreign life insurance companies so that industry players will compete in providing higher returns on investments to policyholders.

"This is also to ensure Malaysians are not deprived of an opportunity to have a steady monthly income in their years of retirement."

"Investment-linked policies" should be included under the category of 'approved funds' to further accelerate the growth of the capital market," it said.

It added that investment-linked funds have almost similar features as unit trusts and they provide an alternative to EPF contributors to use this facility for higher returns on their investments.