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Title: Need to withdraw service tax on all life insurance premiums.

SHRI T.G. VENKATESH BABU (CHENNAI NORTH): As announced in the 2015 budget, service taxes on all life insurance premium were increased from 01.06.2015.

Levying of service taxes on insurance premiums including premiums paid for risk cover had deterred the people from opting for Life Insurance policies. This move is not investor-friendly and will hit hard the morale of saving which is already showing signs of decline. The gross domestic savings as percentage of GDP for 2013-14 has declined to 30.7% as against 31.9% in 2012-13. The Service Tax acts as a disincentive to savings which is not in tune with this Govt's declared policy.

Service taxes will affect LIC very badly, since its market share is 83% with 30 crore policy holders. It has been contributing to the development of our economy right from the beginning. It has contributed

Rs. 7,04,151 Cr. to the 11th five year plan from 2007 to 2012. In the last 3 years of the 12th Plan alone, its share was Rs. 7,52,663 Cr. It proposes to spend Rs. 1,50,000 Cr. for Railways. In 2014 alone, it had spent Rs. 34,857.81 Cr. for public sector infrastructure development.

LIC is forced to exempt collection of service tax on its popular plans like endowment and money back. LIC, as a result, may face a bit of resource crunch which may not help it to augment its infra-investment initiatives. Due to the imposition of service tax, the contribution by LIC for public sector undertakings has gone down to 1.6% from 1.7%. The levying of service tax proved to be counterproductive and has boomeranged. The policy holders of LIC, who constitute 1/4 of our population fear reduction in bonus and other benefits. They are also fears that the Government may not hold back its temptation to increase the service tax in future.

The service tax on life insurance premiums for 2013-14 was a meagre Rs. 6504, which is 4.3% only on the total collection of Rs. 1,50,9741/-. This is a negligible amount that can be withdrawn.

Hence, I submit that service tax on insurance premiums may be withdrawn, alongwith the tax moderation effort to be undertaken by the Government in the ensuing budget.