

SUMMARY OF THE ACTIVITIES OF LIFE COMMITTEE



**Mr. Hashim Sadiq Ali
(Chairman)**



**Mr. M. Furqan Uddin
(Vice-Chairman)**



Mr. Haseeb Kasbati



Mr. Asim Khan



Mr. Muhammad Amjad



Mr. Noman Muhammad



Mr. Shan Rabbani



**Mr. Zain Ibrahim
(EC Observer)**



**Mr. N.A. Usmani
(Secretary General)**



**Mr. Nabeel W. Sabir
(Deputy Secretary General)**

- Sindh Finance Act 2019 has included the services of Insurance Agents in Second Schedule of the Sindh Sales Tax on Services Act 2011, thereby making the services of insurance agents and brokers subject to sales tax. Further via a notification No. SRB-3-4/21/2019 dated July 1st, 2019 the said services have been made subject to tax at the reduced rate of 5%.

IAP through its letter dated 24th July 2019 requested the SRB to withdraw the imposition since insurance penetration in Pakistan at 0.95% is one of the lowest in the world. An important reason for this minuscule penetration is lack of

developed delivery channels in Pakistan, including a widespread lack of access to technology. Under these circumstances, about 200,000 Insurance Agents in the insurance industry play a vital role in helping to increase the insurance penetration. Most of these agents are lower middle-class individuals supplementing their incomes with meager insurance commissions who are already subject to Income tax @ 8% and 12 %. Imposition of sales tax on their commission has made this activity unviable for them. It may also be noted that the services of Insurance Agents are exempt from imposition of sales tax in all other provincial tax codes.

- For the continued imposition of sales tax in Punjab on life and health insurance from November 2018, and after exhausting all available administrative options, with looming uncertainty and accounts being qualified for sales tax liability by auditors the Life and Family Takaful companies together with a health underwriting company jointly filed a Writ Petition No. 55421/2019 in the Honourable Lahore High Court in September 2019.

In November 2019 the Life, Family Takaful companies and a health underwriting company also filed a Constitutional Petition No. D7677 of 2019 in the Honourable Sindh High Court against sales tax imposition on life insurance from 1st July 2019 onwards. The matter remains under Honourable Lahore High Court's and Honourable Sindh High Court's review.

- As regard Provincial Sales Tax on Life and Health Insurance the petitions filed by Life insurers in Lahore and Sindh High Court played a key role in convincing the provincial tax authorities to start a discussion with insurance companies, a committee was formed with members from SRB, PRA and BRA who discussed the sales tax on life and health insurance with the industry. Unfortunately the COVID-19 outbreak disrupted the discussions without reaching an acceptable taxation mechanism. The IAP has requested the tax authorities to resume discussions online, as this report goes into printing the sales tax status on life and health insurance is as follows

Sindh

- Health insurance sales tax exemption extended for another year till 30th June 2021
- Life insurance sales tax remains effective from 1st July 2019

Punjab

- Both Life and Health insurance (group and individual) remains taxable from November 2018, the PRA has only granted a brief COVID-19 relief to these products of exemption for the period 2nd April 2020 to 30th June 2020.
- With the Chairman SECP meeting of 30th January 2020 whereby IFRS-17 implementation by both life and non-life sectors in Pakistan were discussed with the industry representatives and subsequently the SECP requested a detailed plan and timelines for achievement of each goalpost/target from individual insurers.

The Life Committee in February 2020 formed a IFRS -17 working group with two senior representatives from each company representing financial and actuarial departments, the Committee felt that although IFRS-17 working group exists at ICAP the need to form a dedicated working group at IAP exists to explore challenges and solutions purely from the insurance company's perspective. The first meeting of the group was held in June 2020 and further discussions are expected to continue this year.

- Subsequent to the formation of a Life IFRS-17 Committee and following the discussion with

Chairman SECP on IFRS-17 adoption at the 30th January 2020 meeting the Life Committee also started evaluating the possibility of hiring an industry wide consultant to help in the implementation process. In this regard the

Committee met a leading accounting firm in early June 2020 to evaluate their service offering and industry engagement possibility. More meetings with other firms are expected this year.