

PIAM seeks GST exemption under motor insurance de-tariffication

GST will be a hurdle to achieving the aims for motor insurance de-tariffication

by MARK RAO

MOTOR insurers want Goods and Services Tax (GST) exemption for claims under the risk-based insurance scheme that will replace the current tariff-based system by July 2017.

The General Insurance Associa-

tion of Malaysia (PIAM) said the GST, as well as uncertainties from the volatile currency situation, will be a hurdle to achieving the aims for motor insurance de-tariffication, which is to match the premium to risk for insurance buyers.

De-tariffication, in theory, would allow low-risk drivers to insure vehicles more cheaply compared to the present system.

PIAM chairman Antony Lee said the 6% GST immediately put an extra cost on motor claims and that

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the GST is not charged in other de-tariffed markets.

"PIAM is appealing that the GST be removed because other markets with motor de-tariffication do not use the tax," Lee told *The Malaysian Reserve* yesterday.

"The tax rate on motor claims in Malaysia means there is immediately a 6% rise in cost, which is difficult for the industry to not pass on the cost to the consumer."

The government introduced the first phase of de-tariffication last

June, but consumers will only see price changes when the second phase kicks in during July 2017.

Lee said insurers are also facing problems in coming up with new pricing under the de-tariffed regime because of the weak ringgit, which has pushed up the price for imported motor parts.

Lee said the GST and the ringgit are significant causes for concern for motor insurers ahead of Phase 2.

De-tariffication in other countries