

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF REVENUE
LOK SABHA
UNSTARRED QUESTION NO.3305

TO BE ANSWERED ON MONDAY, DECEMBER 16, 2024

GST EXEMPTION ON INSURANCE PREMIUM FOR SENIOR CITIZENS

**3305. SHRI VIJAYAKUMAR ALIAS VIJAY VASANTH:
SHRI MANICKAM TAGORE B:**

Will the Minister of FINANCE वित्त मंत्री be pleased to state:

- (a) the details of the GST Council's stance on taxing health and life insurance premiums;
- (b) the impact of the proposed rate rejig on over 100 items on consumers and businesses;
- (c) the estimated revenue loss from exempting term-life insurance and senior citizens' health insurance from GST;
- (d) the manner in which the Government would compensate for the potential revenue loss;
- (e) whether the GST rate on health insurance is reduced or exempted for certain categories like senior citizens;
- (f) the manner in which the proposed tax tweaks on wristwatches and shoes affects domestic manufacturers;
- (g) the time by which the GST Council's decisions are likely to be implemented;
- (h) the timeline for submitting the Group of Ministers' reports;
- (i) the basis on which the additional revenue of Rs. 22,000 crore is allocated; and
- (j) whether the Government would reconsider the GST rates on food items like parotta etc. considering manufacturers concerns?

ANSWER

MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI PANKAJ CHAUDHARY)

(a): GST rates and exemptions are prescribed on the recommendations of GST Council, which is a Constitutional body comprising of representatives from States/UTs and Centre.

At present, GST on health insurance services is levied at standard rate, i.e., 18 per cent. Specific health insurance schemes catering to the needs of differently abled and economically weaker sections of the society, such as Rashtriya Swasthya Bima Yojana (RSBY), Universal Health Insurance Scheme, Jan Arogya Bima Policy, Niramaya Health Insurance Scheme are exempt from GST.

GST on life insurance services is also levied at standard rate, i.e. 18 per cent.

Rule 32(4) of the CGST Rules, 2017 provides for the valuation to be adopted in the case of life insurance business. The premium paid in life insurance policies represents two portions – risk coverage and savings. GST is only on the risk portion of the premium and not on the savings portion, as detailed below:

Circumstance	Valuation of taxable service
Policies where amount of investment/ saving is intimated to policyholder at the time of supply of service	Gross premium charged reduced by amount allocated for investment/ saving as intimated
Term life insurance policies (with only risk element)	Full value
Single premium annuity policies other than above	10% of single premium charged (Effective rate becomes 1.8%)
In all other cases	25% of the premium in first year (Effective rate is 4.5%) and 12.5% of the premium in subsequent years (Effective rate is 2.25%)

Life insurance services provided under specific schemes such as Varishtha Pension Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Jan Dhan Yojana, Pradhan Mantri Vaya Vandana Yojana, etc are exempt from GST.

Furthermore, all the fully government sponsored insurance schemes, such as Ayushman Bharat PM-JAY, are also exempt from GST.

The issue of GST on life and health insurance was placed before the GST Council in its 54th Meeting held on 09th September, 2024 at New Delhi. After detailed deliberations, the GST Council recommended to constitute a Group of Ministers (GoM) to holistically look into the issues pertaining to GST on life insurance and health insurance. Accordingly, a Group of Ministers (GoM) on Life and Health Insurance was constituted under the Chairmanship of Sh. Samrat Chaudhary, Hon'ble Deputy CM, Bihar. The GoM on Life and Health Insurance has not yet submitted its report to the GST Council.

(b): The GST Council in its 45th Meeting held on 17th September, 2021 had constituted a Group of Ministers (GoM) on Rate Rationalization. The GoM on Rate Rationalization has not yet submitted its report to the GST Council.

(c): Revenue loss depends on the GST rate reduction or exemption. In absence of any recommendation for reduced rate or exemption, no estimate can be made for the revenue loss.

(d): Does not arise in view of reply to (c) above.

(e): Details provided in reply to part (a) above.

(f): Does not arise in view of reply to (b) above.

(g): Does not arise in view of reply to (a) and (b) above.

(h): In the 54th GST Council Meeting held on 09th September, 2024, the Council had asked the GoM on Life and Health Insurance to submit the report by end of October 2024.

In the 47th GST Council Meeting held on 28th June, 2022, the GoM on Rate Rationalization had sought extension of three months for completing deliberations on remaining Terms of Reference and submission of final report.

(i): Does not arise in view of reply to (b) above.

(j): GST rates are prescribed on the recommendations of GST Council, which is a Constitutional body comprising of representatives from States/UTs and Centre. No such recommendation of the GST Council has been received.
