

News Date	15-01-2018
Portal	Moneycontrol
Media Type	Website
Publication Type	English Web Portal
Page No.	NA
Language	English
Edition	National

Jan 15, 2018 02:12 PM IST | Source: Moneycontrol.com

Insurance sector urges Finance Minister to reconsider GST rates in Budget 2018

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Ashish Kumar Srivastava

The implementation of the Goods and Services Tax (GST) was lauded by the citizenry as it successfully streamlined a host of indirect taxes, under one umbrella.

GST was not merely limited to reducing the tax rates for a host of products; it also simplified the cascading tax structure of the economy, allowing for a more seamless flow of credit. Therefore, it served as a successful initiative to reduce the burden on the end consumer.

With the incidence of GST, the tax bracket for financial services has been hiked to 18% from the initial 15%. This has resulted in an increase in the price of life insurance products, especially the pure protection and endowment plans.



Prior to this development, our policyholders would typically pay service tax on the risk element of the premium, while the investment aspect remained out of the tax horizon.

Moreover since life insurance service for employees is a restricted item for input tax credit, retail consumers/policyholders and businesses fail to claim input credit.

India has one of the highest protection-gap in Asia with life insurance penetration abysmally low at around 3%-4% in the country.

The prevalent demand for an elaborate social security mechanism remains unfulfilled and therefore, insurance plays a critical role in providing the first layer of financial security to an individual or family.

To this end, it is vital to provide social security benefits of insurance at affordable premiums, since it is critical for protecting individuals and families.

We urge the concerned authorities to consider pure protection life and health insurance as an “essential” service and therefore give these either complete exemption from tax or subject them to low single-digit tax only.

With the onset of GST, the industry has also observed certain administrative challenges for the insurance sector. The implementation of the reform has led to inflated compliance cost.