

Re: Levy of Goods and service tax (GST) on LIC policies

1. Tax rates

GST on LIC policies is being charged as under:

S. No.	Type of Plans	GST Charged on	GST Rate
1	Term and Health Plans	Premium	18%
2	ULIP Plans and ULIP Type Plans	Charges	18%
3	NB Premium (including Single premium) of Life, Pension plans and First Year Premium of Annuity Plans except plans mentioned in S.No. 1 & 2.	Premium	4.50% *
4	Renewal Premium of Life, Pension and Annuity Plans except plans mentioned in S.No. 1 & 2	Premium	2.25% **
5	Single Premium of Annuity Plans	Premium	1.80%***

* Rule 32(4), Chapter IV of CGST Rules 2017 determines 25% of premium charged in first year to be the value of supply. Accordingly 18% GST is charged on 25% value of premium.

** Rule 32(4), Chapter IV of CGST Rules 2017 determines 12.5% of premium charged in subsequent years to be the value of supply. Accordingly 18% GST is charged on 12.5% value of premium.

*** Rule 32(4), Chapter IV of CGST Rules 2017 determines 10% of single premium Annuity policies premium to be the value of supply. Accordingly 18% GST is charged on 10% value of premium in single premium Annuity policies .

2. GST on Interest Charged for Delayed Premium i.e. late fees

GST is applicable @ 18% on interest charges on delayed receipt of premium except the interest charges on delayed receipt of premium on exempt policies.

3. Cheque Dishonor Charges

GST is applicable on CDA Charges including postage@ 18% rate

4. Following exemptions are available in GST as decided by GST council (Notification No. 12/2017 dated 28 June 2017)

- i) Services of life insurance business provided by way of annuity under the NPS regulated by PFRDA
- ii) Services provided by IRDAI to insurers under IRDAI
- iii) Services of life insurance business provided under following schemes:
 - a) Janashree BimaYojana(JBY)
 - b) Aam Aadmi BimaYojana(AABY)
 - c) Life micro-insurance product as approved by the Insurance Regulatory and Development Authority, having maximum amount of cover of Two lakh rupees;
 - d) Varishtha Pension BimaYojana
 - e) Pradhan Mantri JeevanJyoti BimaYojana
 - f) Pradhan Mantri JanDhan Yojana
 - g) Pradhan Mantri Vaya VanadanYojana
 - h) Any other insurance scheme of State Government as may be notified by Government of India on recommendation of GSTC.

5. GST on charges recovered from policyholders:

- a) GST is applicable on charges paid by policyholders as alteration fee / quotation fee/ duplicate policy preparation charges as applicable.
- b) GST is applicable on charges recovered for granting a written acknowledgement for receipt of notice of assignment/ registering cancellation or change of nomination.