To: Shri Ravneet Singh Khurana  
Deputy Commissioner (GST)  
CBEC, Ministry of Finance  
Directorate General of Goods & Service Tax  
NACEN, Centre of Excellence, 3rd Floor  
Tower 3 & 4, NBCC Plaza, Pushp Vihar  
Sector -5, Saket  
New Delhi- 110017

Date: 19 April 2017

Subject: Recommendations for Insurance Providers under GST

Dear Deputy Commissioner,

The Global Federation of Insurance Associations ("GFIA") is a representative association comprising 41 regional and national insurance and reinsurance associations that constitutes 87 percent of global insurance and reinsurance premiums.

GFIA commends the efforts of the Indian Government for its progress on the GST.

As follow-up to the meeting with you on April 8 which was attended by BMR & Associates LLP and representatives of the USIBC and Life Insurance Council, we have attached our revised recommendations and clarifications which have been updated to reflect those discussions.

GFIA remains a committed partner in your continued efforts for India's economic progress forward and are grateful for your leadership.

Thanking you,

Yours sincerely,

Peggy McFarland  
Chair of the GFIA Taxation working group  
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1. **Zero-rating of GST for services provided by insurance companies**

   The Integrated Goods and Services Tax Bill, 2017 (the ‘IGST Bill’) defines ‘Zero-rated supply’ in section 16 to mean:

   - export of goods or services or both; or
   - Supply of goods and services or both to a Special Economic Zone developer or a Special Economic Zone Unit.

   GFIA notes that the IGST Law contemplates only the above supplies to be zero-rated. However, given that insurance products provide significant economic benefits to India, GFIA recommends that the benefit of zero-rating should be extended to insurance services, including reinsurance. Note, in the remainder of this document, references to “insurance” also include “reinsurance”.

   This is because insurance is a social-economic instrument that is particularly relevant and important in India where:

   - State sponsored social security and health benefits are limited, compared to developed countries.
   - Household savings are low and risk protection through insurance protects against poverty in the event of a loss.
   - Increasingly frequent natural catastrophes present major challenges to all levels of government that need to respond to them. A more inclusive insurance industry can lead to quicker economic recovery from natural disasters in affected areas.

   The insurance sector is increasingly a critical source of financing for infrastructure, with investments growing each year. This is in part due to the long-term of these investments, which mirrors the long-term nature of the industry’s liabilities. Likewise, the increased management of risk within critical industries has led to lower preventable losses and has protected an increasing number of Indian workers. GFIA is concerned that, if the GST leads to unnecessarily higher insurance costs, it could cause unintended harm to the economy by discouraging business and individuals from protecting themselves. Then, when loss events do occur, more of the burden would fall on the Indian government as the guarantor of last resort.

   Accordingly, GFIA requests that the ‘zero-rated supply’ should be extended to include supplies made by insurance companies.

2. **Alternatively, insurance services should attract a merit rate of GST (12%) & exemption for micro-insurance**

   In the event that a zero-rating for these services is not considered feasible by the Government, GFIA recommends that:

   - These services are taxed at the lowest rate possible. For example, the ‘Report on the Revenue Neutral Rate and Structure of Rates for GST dated December 4, 2015, suggests a merit rate of 12% for insurance services.
   - To ensure that there is no inverted duty structure, insurance auxiliary services (ie, commission agent services) and reinsurance services that constitute core input services, should also be assessed at the lower rate of 12%.

   Accordingly, it is urged that insurance services, given its deep socio-economic relevance, merits a rate of 12%.
Finally, micro-insurance policies (for example, life insurance with a life cover up to INR 50,000) are currently exempt from service tax.

Given that micro-insurance policies provide insurance coverage for Indian citizens of lower income brackets, GFIA strongly recommends that micro-insurance, rural insurance and the PMJJY scheme continue to be exempt under the GST regime.

3. Centralised assessment for insurance companies

The Central Goods and Services Tax Bill, 2017 (the "CGST Bill"), requires registration in each state where a business or fixed establishment makes a taxable supply of goods/services. This would be particularly onerous for insurers, since they currently operate in a regime of centralised registration and a single agency for administration.

While the CGST Bill mandates seeking of registration in each state where the supply is effected from, GFIA strongly recommends that a central assessment mechanism should be incorporated for the administration of at least the central levies i.e. CGST and IGST.

Accordingly, in this regard, it is recommended that the Government invoke section 148 of the CGST Bill which categorically provides that the Government upon recommendations of the Council, and subject to conditions notify certain classes of registered persons with regard to registration, furnishing of return, payment of tax and administration of such persons.

It is urged that insurance companies be afforded the mechanism of centralised assessment for ease of tax administration.

4. Place of provision of insurance services to be place of issuance of the policies

An insurance policy is not a one-step process and various offices/branches are involved in the complete process [i.e. with the policy being issued by the head office, and know your client (KYC) compliance norms being carried out by the branch where the customer is located].

Given that the policies are typically issued by the head office, the appropriate stamp duty is paid on policies issued by the Insurance Companies in the State of issuance of the policies, i.e., the State of the head office.

It may be further appreciated that policy of insurance in essence is a promise to indemnify the insured in case of any untoward incident and the head office which issues such a policy is essentially making the promise, which in turn constitutes the supply of insurance services.

In light of the above, given that all the policies are issued from the head office, we understand that the insurance companies could undertake centralized billing of policies from the head office across India, as the head office qualifies to be the ‘location of supplier of service’. Such mechanism of billing from the head office would not lead to loss of revenue to any state, given that GST is a destination based tax and IGST would be paid to the account of the respective state of the policy holder.

It is requested that it be clarified that the place of issuance of policies is the place of location of the supplier, as such issuance of policy is equated to provision of insurance services.

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1 PMJJY (Pradhan Mantri Jeevan Jyoti Yojana) refers to the Prime Minister’s Social Security scheme which provides life and accident insurance.
5. **Place of provision of key insurance related services received by insurance companies**

- In respect of core input services such as insurance auxiliary services, reinsurance services, and advertisement services, we understand that the ‘location of recipient of service’ is the head office which is centrally providing the insurance services and is also contractually receiving such insurance auxiliary services which are essential to provision of insurance services per se.

- *It is requested that it be categorically clarified that place of receipt of key input services be the such place of central issuance of policies, which is most directly linked to the receipt of such services.*

6. **Communication address be considered the location of individual customer**

- In terms of 12(13) (b) of the IGST Law, the place of supply of insurance services, when provided to an individual/retail customer, is the location of the customer as per the records of the supplier of services.

- An insurance company typically obtains permanent address, communication address from the customers.

- Given that there may exist multiple addresses of the individual customer, the insurance companies would determine the place of supply of insurance in respect of an individual customer based on the communication address. We request for the above understanding to be affirmed.

- It is requested that it be categorically clarified that the communication address of an individual/retail customer is the location of the customer as per the records of the supplier of services.

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**About GFIA**

Through its 41 member associations, the Global Federation of Insurance Associations (GFIA) represents the interests of insurers and reinsurers in 60 countries. These companies account for around 87% of total insurance premiums worldwide. The GFIA is incorporated in Switzerland and its secretariat is based in Brussels.