

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1560
ANSWERED ON:09.03.2007
SERVICE TAX ON INSURANCE POLICY
Mondal Shri Abu Ayes

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government has introduced service tax on the premium of Insurance;
- (b) if so, the detail of the taxes levied on different insurance policies;
- (c) whether the Government has planned to penetrate insurance policies into the large number of common people;
- (d) if so, the details of the proposals in this regard;
- (e) whether the Government has any plan to reduce the taxes on insurance policy to make insurance purchases affordable to the masses in rural areas; and
- (f) if so, action taken in this regard?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S.PALANIMANICKAM)

(a) and (b): Service tax is leviable @ 12% on services provided in relation to,-

(i) general insurance on the premium amount charged, and

(ii) life insurance on the amount of risk premium. Where risk premium is not separately indicated, 1% of the premium is charged as service tax.

(c) and (d): Number of measures have been taken to increase the reach of insurance policies including:

(i) Micro-insurance products to suit the needs of the poor and the rural people,

(ii) Crop insurance linked to rain / temperature / biomass index, and

(iii) Unit-linked products with a combination of risk cover and investment.

(e) and (f): The following insurance schemes are exempt from service tax, namely:

(i) Personal Accident and Social Security Hut Insurance Scheme,

(ii) Comprehensive Crop Insurance Scheme,

(iii) Cattle Insurance under Integrated Rural Development Programme,

(iv) Scheme for Insurance of Tribals,

(v) Agricultural Pumpset and Failed Well Insurance,

(vi) Jan Arogya Bima Policy,

(vii) Group Personal Accident Scheme provided by Government of Rajasthan,

(viii) National Agricultural Insurance Scheme,

(ix) Central Sector Scheme on Cattle Insurance,

(x) Universal Health Insurance Scheme,

(xi) Sheep Insurance Scheme.