

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4069
ANSWERED ON:03.12.2010
REMOVAL OF SERVICE TAX
Reddy Shri K. Jayasurya Prakash

Will the Minister of FINANCE be pleased to state:

- (a) whether any representation relating to charging of service tax on fund management charges has been received from insurers;
- (b) if so, the details thereof and the action taken so far; and
- (c) the views of the concerned industry and the experts in this regard?

Answer

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

(a) & (b) : Yes, Sir. A representation was received from the insurers, in July 2009 seeking review of provisions relating to levy of service tax so that it is levied only on the specific fund management charge. This representation was examined and suitable amendment was made through Finance Act, 2010 to prescribe that the gross amount charged by the insurer shall be equal to the amount fixed by the Insurance Regulatory and Development Authority as fund management charges for Unit Linked Insurance Plan or the actual amount charged from the policy holder, whichever is higher.

(c): Insurers have urged that consequent upon IRDA directives, it may be clarified that the cap on fund management charges is 135 basis points (1.35% of) the fund value of schemes irrespective of their maturity period.