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56th GST Council Meeting | Impact on Insurance Sector

The 56th GST Council Meeting has introduced landmark reforms in the insurance sector with a focus on making insurance more affordable and accessible to all citizens. Aligning with its vision of a citizen-centric approach to improve the quality of life, the Council has exempted individual life and health insurance policies, including term life, ULIP, endowment policies, and reinsurance thereof, from GST effective 22nd September 2025. This exemption is expected to enhance insurance coverage across the country.

Previously, insurers charged GST at 18% on premium collections while availing input tax credit (ITC) on goods and services procured, adjusting this credit against their output GST liability. However, for supplies made on or after 22nd September 2025, i.e., from when the exemption takes effect, ITC will have to be reversed in accordance with the provisions of the CGST Act, 2017. Consequently, from 22nd September 2025 onwards, insurance companies will no longer be able to claim ITC on inputs related to exempted supplies and will need to expense the input GST accordingly.

Thus, while the exemption is expected to lower costs for the end consumers, they may still bear the impact of GST on inputs incurred by insurers, as companies will no longer be able to claim ITC on these inputs, and this cost will be factored into the overall pricing.

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