



Impact of Goods and Service Tax on India's Health Insurance

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Abstract:

The implementation of the Goods and Services Tax (GST) in India has significantly impacted various sectors, including health insurance. Under the GST regime, health insurance premiums attract an 18% tax rate, increasing the overall cost for policyholders compared to the previous service tax of 15%. This rise in taxation has made health insurance less affordable, particularly for the middle and lower-income groups, potentially affecting insurance penetration in the country. Despite the increased cost burden on consumers, the streamlined tax structure under GST has simplified compliance for insurers by reducing multiple indirect taxes. The input tax credit (ITC) mechanism has also provided some relief to insurance companies by allowing them to offset taxes paid on inputs. However, since ITC benefits are not passed on to consumers, affordability remains a challenge.

Overall, while GST has brought transparency and uniformity in taxation, its impact on health insurance affordability and accessibility remains a concern. Policymakers may need to reconsider tax rates or introduce exemptions to encourage higher insurance adoption, ensuring better financial protection for citizens against medical expenses.

Keywords: GST, Health Insurance, Policyholders

Introduction:

Ever since the Goods and Services Tax (GST) Bill was passed in Parliament, there has been widespread confusion and speculation in the market about how its introduction is affecting each of us. After the implementation of GST on July 1, 2017, there has been a major tax impact on all economic and financial sectors. But, do you know what is GST and how it affects the health insurance?

So, what is GST?

Tax, which has replaced various types of indirect taxes in India. The Goods and Services Tax Act came into effect on 29 March 2017. The Act came into force on 1 July 2017; The GST Act in India is a comprehensive, multi-tiered, destination-based tax levied on every value addition. In

other words, GST is an indirect tax levied on the supply of goods and services. This Act has replaced various indirect taxes as that existed earlier in India. GST is one of the indirect taxes across the country.

In GST system, tax is levied at every stage of sale. In case of same state sale, Central GST and State GST are levied. IGST is levied on inter-state sales. There are four tax slabs under GST which are 5%, 12%, 18% and 28% and Health insurance is an essential financial tool that provides protection against rising medical expenses. Before GST, health insurance premiums were taxed at 15% under the service tax regime. However, with the implementation of GST, the tax rate increased to 18%, leading to a rise in premium costs for

policyholders. This change has affected both individuals and the insurance industry, making it important to understand the overall impact of GST on health insurance in India.

Objective Of The Study

The study based on the following objectives:

1. To study the impact of GST on Health Insurance
2. To understand the concept of goods and services tax
3. To examine the impact of GST on policyholder's purchase policies.
4. To study tax structure implied before the introduction of GST on Insurance Sector.

Methodology of the Study:

Study data has been collected through secondary sources like publications and books and websites and government reports to analyze this study. Data is also taken from various journals.

Review of Literature:

(Vasanthagopal, 2011) has led to Waste of GST value compared to VAT.

Anitha, K. (2013). A study on measurement of service quality and its impact on customer satisfaction in banking and insurance sector.

Bhagabat Barik, (2014) A general study of life insurance sector in India has been done Life insurance is not just an investment but a protective tool. The basic idea of life insurance is to protect human against calamities and financial compensation at the time of death. Insurance is the fastest growing industry in the country.

(Kumar, 2014) It is worth noting that GST is implemented in more than 150 countries worldwide and the value of GST is directly reflected in the economy of the countries where GST is implemented in a positive

manner.

Milandeep Kour, Kajal Chaudhary, Surjan Singh, Baljinder Kaur (2016) It highlighted the impact of GST after implementation, differences between GST and current indirect taxes and what will be the challenges and benefits of GST.

Sunil Dhawan (2017) has done a study on "GST impact: Insurance premium, bank charges to increase". The major finding of his study is implementation of GST would increase insurance premium, but the increase is nominal.

The review by Alka Shah (2017) conducted a study on —Integrated Goods and services tax an Indian innovationl. The objective of the study is to cross utilization of credit is to be done and adjustments to be made between centre and states. The paper mainly focuses on the main provisions for determining the place of supply of goods/services and nature of supply i.e. inter-state or intra-state. The impact of GST (Goods and Services Tax) on health insurance in India The impact of GST (Goods and Services Tax) on health insurance in India has been significant for both policyholders and the insurance industry. Here's a detailed breakdown:GST Rate on Health Insurance Premiumbefore GST, health insurance premiums were subject to 15% service tax (14% basic + cess).After the implementation of GST (July 2017), the tax rate increased to 18%.This 3% hike directly increased the premium cost for policyholders.

1. Impact on Policyholders
2. Higher Premium Costs
3. Individuals and families now pay a higher amount for the same health insurance coverage.
4. Senior citizens and those with large family floater plans feel the pinch more due to higher premiums.
5. Awareness and Demand
6. The price hike made many

policyholders reconsider their coverage or opt for cheaper plans. However, the increasing healthcare costs have still made health insurance a necessity, keeping demand steady.

7. Impact on the Insurance Industry
8. Increased Compliance Requirements
9. Insurers need to comply with GST filing, reporting, and documentation, adding to operational complexities.
10. Input Tax Credit (ITC) Insurers can claim input tax credits on certain expenses like office rentals, marketing, and professional fees.
11. However, policyholders (retail customers) do not benefit from ITC, so the extra tax is a direct burden. Long-term Implications

Suggestions & Expectations:

- Industry bodies have been urging the government to reduce or waive GST on health insurance, especially for senior

citizens or economically weaker sections.

- Any reduction could increase penetration of health insurance in India, which is still relatively low.

Conclusion:

The implementation of GST has increased the cost of health insurance premiums due to the higher tax rate of 18%. This has placed an additional financial burden on policyholders, especially senior citizens and middle-class families. While insurers benefit from input tax credits, the end customers do not receive any direct relief. Since health insurance is a vital service that promotes financial security and access to healthcare, there is a growing demand to reduce or exempt GST on health insurance premiums. Doing so would encourage more people to invest in health coverage and improve insurance penetration in the country.

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