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GST Council Considers Tax Cut on Insurance Premiums, Potential ₹9,000 Savings for Policyholders

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The Goods and Services Tax (GST) Council is evaluating a proposal to reduce or waive the 18 percent GST on life and health insurance premiums. If approved, the measure could provide significant financial relief to middle-class families and senior citizens, with potential savings of up to ₹9,000 per year on insurance policies.

The proposal, currently under review, suggests eliminating GST for senior citizens' health insurance premiums and term life insurance policies. For the general public, the Council may consider exempting health insurance policies with a coverage limit of up to ₹5 lakh. The aim is to ease the burden on policyholders, especially at a time when health insurance premiums have seen substantial increases due to rising medical inflation.

Industry analysts estimate that a full GST waiver on a ₹50,000 health insurance policy would reduce the annual cost by ₹9,000. This move is expected to boost insurance adoption across Tier-2 and Tier-3 cities where affordability remains a key challenge. It may also encourage higher coverage among existing policyholders who currently opt for lower premium plans due to cost concerns.

The Insurance Regulatory and Development Authority of India (IRDAI) has backed the proposal, citing its potential to improve insurance penetration in the country. However, the government will need to balance this relief against a projected revenue loss of approximately ₹2,600 crore per year. This includes ₹2,400 crore from health insurance and ₹200 crore from term life insurance.

A final decision is expected to be taken at the upcoming GST Council meeting. If approved, the tax relief could be implemented through official notifications by the Central Board of Indirect Taxes and Customs (CBIC), with changes likely to take effect within the current financial year.