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Impact of GST on Insurances in Bullion Trade – Immediate & long term

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Simply put – GST in Insurance will result in Insurance consumers in Bullion domain, like other insurance consumers, paying more while taking insurance, and being paid less, at least for starters, while receiving a claim. A double whammy in deed!!

Let us look at the personal Insurances first.

People in the Bullion Domain will have personal insurances of the following types:

Life Insurance policies of the below nature:

1. Those that provide vanilla risk cover – the ones that will pay only in the event of death
2. Those that provide risk cover, but also keep paying you back during your lifetime out of the premium you pay – like Pensions, Money Back policies, etc.
3. Those that combine risk with investment – Here, a part of what you pay goes to cover the risk, remaining is an investment on which you keep receiving returns, like in the case of ULIPs.

Tax had always been applicable only on the part of the payment you make towards risk cover. That part of your payment which goes into investment had not been subject to tax. Since GST is primarily a tax on spending and not on investment, this situation remains the same.

4. In addition to the above, people in Bullion Domain also have Health Insurance policies for themselves and their families.

In almost all cases, considering the economic strata these people belong to, they have all the above policies. And for fairly high sums. Meaning, the premium they pay on these policies is also pretty high.

Let us see what happens to you since you are someone who has all are most of these policies.

With GST, as against the 15% Service Tax you were paying on that part of your payment meant for risk cover, now you will pay 18% GST!!

Effectively, on every renewal premium you pay as well as the premium on any fresh policy you

There is no gainsaying the fact that GST, as a philosophy of One Nation, One Tax, is a welcome strategy. Yet, like with many a good thing that also has a foul side, the role out of GST does have a negative impact on the consumer in certain areas, in the immediate future. Insurance is one of them.

The insurance payments entities in Bullion Domain will fall under two categories – the personal insurances taken by members of this domain and commercial insurances taken by them for their companies.

may henceforth take, you will end up paying more.

And you will suffer this additional outgo even when you pay future instalments on policies you have taken prior to GST implementation!!!

While this is the scene with your personal policies, what happens with your Corporate policies? On a cursory glance it would look as though your company, being entitled to Input Tax credit, may not suffer additional hit on its P&L because of the GST rate being higher than the Service Tax rates, since you can claim credit on the GST you pay. However, it remains a moot point as to - Is GST paid on Health & Life, even under your company's Group policies eligible for Input Tax credit.

Every which way, therefore, while taking insurance, you end up paying more.

Now, let us look at the second whammy – How GST impacts claims, especially property claims.

Mostly these claims are paid after the damaged property is reinstated, and the assessment is based on proof of purchase of stuff that go into repairing/reinstating the damaged assets.

We all know that not all these purchases, especially of services

like labor, are currently made from corporate houses. Substantial parts of these purchases are made from localized providers, both for ease and convenience and because they are cheaper in price. It will take time for these entities to get their GST registrations. Till such time they get such registrations, Insurance Companies may be averse to recognizing these bills and may disallow them from the assessment. That will leave you, the claimant short changed.

So, is GST a curse than a boon?

On the contrary. The above are the immediate impacts before the eco system evolves and adjusts to GST. Once that happens, premiums will actually stabilize since there is a certainty to tax impact on premium, and the impact of GST being higher than the current Service Tax will get absorbed within the premium component. In simple English, therefore, the buyer of insurance may not quite pay more.

Similarly, on the claims front: GST would effectively eliminate goods and services being provided by less reliable, if not fly by night, entities. There would be greater transparency in the entire economic system. The assessment of claim will thus become easier and faster, since the purchase documents in support of the claim will be more authentic, requiring lesser scrutiny, inspection,

sometimes even investigation, by the insurance companies. Net to net, you will get your claim faster, and will actually end up saving on cost of funds.

Therefore, to conclude, once the initial pangs are behind us, in insurance as in all parts of the economy, GST will usher in an era of greater transparency and authenticity, resulting in consumers, including consumers of insurance, standing to gain, not alone in the price they pay but also through the overall efficiency GST will facilitate.

So, in my personal opinion, this measure also results in short term pain for long term benefit - pretty much like the earlier measure of demonetization.

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