



## **Service Tax Change Related FAQ's (FY 2011 – 2012)**

**As per the Finance Act, 2011, Service Tax rates have been revised effective May 1, 2011.**

### **What are the changes as per this act for ULIP Products?**

For ULIP products prior to May 1, 2011 Service Tax and Education Cess was applicable at 10.3% (3% Education Cess on 10% Service Tax) only on:

1. Fund Management charges
2. Mortality / Morbidity charges

For ULIP products, effective May 1, 2011, Service Tax and Education Cess would be applicable at 10.3% (3% Education Cess on 10% Service Tax) on:

1. Fund Management charges
2. Mortality / Morbidity charges
3. Premium allocation charges
4. Policy Administration fees
5. Switch fees
6. Reinstatement Fees

### **For Health and Term products is there a change in the rate of Service Tax?**

There is no change in the rate of Service Tax for Health and Term products. The rate is 10.30% of the gross premiums received.

### **For Traditional Endowment products service tax including education cess was 1.03% (3% edu cess on 1% service tax ). Has this changed?**

Effective May 1, 2011 Service Tax for endowment products has changed from 1.03% to 1.545% (3% Education Cess on 1.5% Service Tax)

### **I have an ICICI Pru Save n' Protect policy where annual gross premium is Rs 4600 (base premium Rs 4553, Service Tax and Education Cess Rs 47). Post the changes in Service Tax, what will be my premiums?**

Your premium will be:

- |                       |                           |
|-----------------------|---------------------------|
| • Base Premium        | Rs 4553/-                 |
| • Service Tax         | Rs 68/- (1.5% of Rs 4553) |
| • Education Cess      | Rs 2/- (3% of 68)         |
| • Total Gross Premium | Rs 4623/-                 |

### **Prior to May 1, 2011, Service Tax for Riders was 10.3% of the Rider amount. Has this changed?**

There is no change in the rate of service tax for Riders. The rate is 10.30% of the rider premiums collected.

### **For Immediate Annuity product, no Service Tax was applicable on gross premiums received prior to May 1, 2011. Has this changed?**

Yes there is a change. Effective May 1, 2011, Service Tax and Education Cess will be applicable at the rate of 1.545% (3% Education Cess on 1.5% Service Tax).