

SERVICE TAX AND SWACHH BHARAT CESS CHANGES - FAQs (FY 2015-16)

As per the Finance Act 2015, Service Tax rate was revised effective June 1, 2015. Government has notified Swachh Bharat Cess (SBC) in addition to service tax with effect from November 15, 2015 onwards.

Service Tax rate including Swachh Bharat cess (SBC) are as follows:

Category	Service tax	Service tax with Swachh Bharat cess
Term insurance premium	14%	14.5%
ULIP charges	14%	14.5%
Health insurance premium	14%	14.5%
Rider Premium	14%	14.5%
Endowment: First year premium	3.5%	3.625%
Endowment: Renewal premium	1.75%	1.8125%

1. What are the changes in Service Tax rate including Swachh Bharat Cess (SBC) for ULIP products?

From November 15, 2015, Service Tax rate including SBC will be applicable at 14.5% on ULIP products on all charges like:

- Fund management charges
- Mortality/Morbidity charges
- Premium allocation charges
- Policy administration fees
- Switch fees
- Reinstatement fees
- Any other charge as per the policy document

2. What is the change in Service Tax rate including Swachh Bharat Cess (SBC) for endowment products?

For Endowment products Service Tax including Swachh Bharat Cess has changed to:

- 3.625% on first year premium
- 1.8125% on renewal premium

3. My ULIP policy had lapsed in January 2015. If I revive it in December 2015, how is the service tax including SBC calculated?

Service tax rate including Swachh Bharat Cess as applicable on the date of payment of premium will be applied on charges, i.e., rate applicable in December 2015 will be applied on charges under the policy.