



JUDGEMENT

GST Exemption on Health Insurance Restricted to Individual Policies; Group Health Insurance Remains Taxable

Issued By:	Kerala High Court
In Case Of:	S. Ajith Kumar
Order No:	WP(C) No. 38316 / 2025
Order Date:	8th Jan 2026

FACTS & OBSERVATIONS

- The petitioners, retired bank employees covered under group health insurance policies negotiated through the Indian Banks' Association (IBA) and issued by general insurers, **challenged the levy of GST @18% on health insurance premiums paid by them.**
- The challenge was based on Notification No. 16/2025–Central Tax (Rate) dated 17 September 2025, which introduced an exemption on health insurance premiums, and the **petitioners contended that the benefit should extend to group insurance arrangements as well.**
- The petitioners argued that the **group existed only as a mechanism to access insurance and that, in substance, the policies were akin to individual or family insurance products**, particularly given the social welfare nature of post-retirement medical coverage.
- The key issue before the Court was whether the **GST exemption on health insurance premiums was intended to apply only to individual and family policies**, or whether it could also be claimed in respect of **group health insurance policies negotiated collectively.**

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- The Court held that the GST exemption introduced by Notification No. 16/2025 is **clearly restricted to individual health insurance policies, including individual and family floater covers**, and does not extend to group health insurance arrangements.
- Interpreting the exemption entry, the Court observed that it **expressly applies where the insured is not a “group”, and that group policies** - by their very structure, collective negotiation, and coverage terms - stand outside the scope of the exemption.
- The Court **rejected the argument that the group was formed solely for insurance purposes, noting that IRDAI regulations do not permit artificial groups created only to obtain insurance benefits**, and that prior employment and collective bargaining are sufficient to constitute a “group.”
- Accordingly, the **writ petitions were dismissed, and the levy of GST at 18% on group health insurance premiums was upheld**, reaffirming that exemptions must be construed strictly and only in line with the express intent of the notification.

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