M/s. JOTUN INDIA PVT. LTD (printed as JOTUN INDIA PVT. LTD in the header and M/s. JOTUN INDIA PVT LTD in the proceedings)

Authority for Advance Ruling — Maharashtra

NO.GST-ARA-19/2019-20/B-108 Mumbai, dt. 4.10.2019 Dated **04.10.2019**

Q Questions Before the Authority

- Whether recovery of 50% of Parental Health Insurance Premium from employees amounts to supply of service under Section 7 of the Central Goods and Services Tax Act, 2017?

F Facts

The applicant, a manufacturer of paints and powder coatings, offers an optional parental health insurance scheme to employees. It pays the entire premium with taxes to The Oriental Insurance Company Ltd, which issues the receipt in the applicant's name. The applicant recovers 50% of the premium from opting employees through salary in one to three instalments and bears the remaining 50% itself.

H Ruling

Whether recovery of 50% of parental health insurance premium from employees is a supply of service under Section 7 of the CGST Act, 2017	**Answered in the negative. Not a supply of service.**	The ruling rests on the facts found: the applicant is not in the insurance business, parental cover is not mandatory under any law, and the activity is not in the course or furtherance of business. The order does not separately decide input tax credit.

The authority answered the question **in the negative** : recovery of 50% of the parental insurance premium from employees is not a supply of service under Section 7 of the CGST Act. The activity is not undertaken **in the course or furtherance of business** , and the applicant is not itself rendering insurance services to its employees. The authority followed its earlier ruling in the POSCO IPPC case on materially similar facts.

R Reasoning

The authority applied the definition of supply in Section 7, which requires a supply of goods or services for consideration made in the course or furtherance of business. It then applied the definition of business in Section 2(17) and found that the applicant's business is manufacturing paints and coatings, not providing insurance. Because the scheme is optional and not mandated by any law, the authority held that the recovery is not made in the course or furtherance of business. It also relied on the earlier POSCO IPPC order (GST-ARA-36/2018-19/B-110, dated 07.09.2018) as factually identical and confirmed the same view. Schedule III (employee-to-employer services) was argued by the parties and the Concerned Officer, but the operative reasoning is framed under Sections 7 and 2(17).

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

P Provisions Relied On

Section 7 of the CGST Act, 2017 (and the corresponding MGST Act provision)

Section 2(17) of the CGST Act, 2017 (definition of business)

Schedule III to the CGST Act, 2017 (cited by the applicant and the Concerned Officer)

Section 17(5)(b)(iii) of the CGST Act, 2017 (referred to in the quoted POSCO IPPC ruling)

Advance ruling GST-ARA-36/2018-19/B-110 dated 07.09.2018, POSCO India Pune Processing Center Pvt Ltd

! For the Practitioner

This order is useful for employers that offer optional, employee-funded insurance for employees' parents and recover part of the premium from salary, as it confirms that such recovery is not a taxable supply where the employer is not in the insurance business and cover is not mandatory. It follows the POSCO IPPC ruling and should be read together with that order. It does not decide whether the employer may claim input tax credit on the premium paid, which the Concerned Officer contended was barred but which the authority did not rule on. Employers with a different structure, such as mandatory cover or an insurance-linked business, should check the factual findings before relying on it.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> mh_aar_19_2019-20_b-108_04.10.2019_jipl.pdf

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