

	KERALA AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX DEPARTMENT TAX TOWER, THIRUVANANTHAPURAM	
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**BEFORE THE AUTHORITY OF : Shri Jomy Jacob, IRS&
: Shri. Mansur M.I.**

Legal Name of the Applicant	THE ORIENTAL INSURANCE CO. LTD.
GSTIN	32AAACT0627R3Z6
ARN	AD320126000951ZP
Registered Address	Metro Palace, Regional Office Cochin, North Railway Station Road, Kochi, Ernakulam, Kerala - 682018
Advance Ruling sought for	1: Whether the health insurance services provided by the Applicant to the Government of Kerala by way of health insurance under MEDISEP Phase-II, in respect of the beneficiaries specified under Clause A of the draft MoU, are covered under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 and are therefore exempt from GST, when the entire premium is paid by the Government of Kerala? 2: Whether the annual premium of Rs. 8,244/- per Beneficiary Family Unit, proposed to be received by the Applicant from the Government of Kerala under MEDISEP Phase-II, in respect of the beneficiaries specified under Clause A of the draft MoU, is not liable to GST in terms of the said Notification?
Date of Personal Hearing	17.07.2026
Authorised Representative	Shri.Soman N.L., Chartered Accountant



ADVANCE RULING No. KER/17/2026 Dated 17/08/2026**1. Facts of the Case**

1.1 The Applicant, M/s. The Oriental Insurance Co. Ltd. (GSTIN 32AAACT0627R3Z6), has its Regional Office at Metro Palace, North Railway Station Road, Kochi. It is a Central Public Sector Undertaking engaged in general insurance business and is registered under the CGST/SGST Act, 2017.

1.2 The Government of Kerala has selected the Applicant to run Phase-II of the Medical Insurance Scheme for State Employees and Pensioners ("MEDISEP Phase-II"). The scheme is a cashless health insurance scheme covering serving State Government employees and pensioners/family pensioners and their eligible family members, employees and pensioners of Universities and Local Self-Government Institutions receiving Grant-in-Aid from the State Government, and the personal staff of the Hon'ble Chief Minister, Ministers, the Leader of the Opposition, the Speaker, the Deputy Speaker and Chairpersons of Financial Committees. The aforesaid category of beneficiaries is described as 'Clause A' beneficiaries in the draft Memorandum of Understanding (MoU) referred to herein below.

1.3 The Government of Kerala sanctioned MEDISEP Phase-II vide G.O. (P) No. 5/2026/FIN dated 20.01.2026 issued by the Finance (Health Insurance) Department. As per the said Government Order, the scheme is to be implemented for a period of two years commencing from 01.02.2026 to 31.01.2028, and enrolment under the scheme is compulsory for all eligible employees and pensioners. The Government Order fixes the annual premium at Rs. 8,244/- per Beneficiary Family Unit (Rs. 687/- per month) for the first policy year, exclusive of GST. It is also recorded therein that, in the event this Authority does not hold the services to be exempt, GST shall become payable in addition to the premium.

1.4 The Applicant and the Government of Kerala, represented by the Secretary (Finance-Resources), Finance Department, on behalf of the Governor of Kerala, have placed on record an Insurance Contract/Memorandum of Understanding dated 28.01.2026, which has been referred to by the Applicant in its application as



the draft/proposed MoU governing the implementation of MEDISEP Phase-II. As per Clause 10.1.1 of the said Insurance Contract/MoU, the annual premium payable in respect of Clause A beneficiaries is fixed at Rs. 8,244/- per Beneficiary Family Unit, and the parties have recorded their understanding that the said premium is intended to be exempt from GST under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, provided the entire premium is paid by the Government of Kerala. Clause 10.1.2 of the said document records the undertaking of the Government of Kerala to bear and pay the entire premium in respect of Clause A beneficiaries.

1.5 The Insurance Contract/MoU further, under Clause 10.1.3, provides for a separate category of beneficiaries described as 'Clause B', comprising employees and pensioners of Public Sector Undertakings, Boards, Corporations, Autonomous Bodies, Statutory Bodies and Co-operative Sector Institutions, not covered under the Employees' State Insurance Scheme. In respect of such beneficiaries, the annual premium is fixed at Rs. 8,237/- plus applicable GST. The contractual arrangement relating to payment of premium in respect of Clause B beneficiaries is distinct from that applicable to Clause A beneficiaries and the present application does not seek any ruling in respect of such Clause B beneficiaries.

1.6 It is further provided under Clause 10.2.2 of the draft MoU that the Applicant shall file an application before this Authority seeking an Advance Ruling regarding the applicability of GST to the premium payable in respect of Clause A beneficiaries. Clauses 10.2.3 to 10.2.6 of the draft MoU further provide that, in the event of an adverse ruling resulting in any GST liability, together with any interest or penalty thereon, the same shall be borne by the Government of Kerala.

1.7 Pursuant to the Government Order referred to above and in terms of Clause 10.2.2 of the draft MoU, and prior to the execution of the said MoU, the Applicant filed the present application in Form GST ARA-01 dated 28.01.2026 seeking an advance ruling on the following questions, which are confined to Clause A beneficiaries:



Question No. 1: Whether the health insurance services provided by the Applicant to the Government of Kerala by way of health insurance under MEDISEP Phase-II, in respect of the beneficiaries specified under Clause A of the draft MoU, are covered under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 and are therefore exempt from GST, when the entire premium is paid by the Government of Kerala?

Question No. 2: Whether the annual premium of Rs.8,244/- per Beneficiary Family Unit, proposed to be received by the Applicant from the Government of Kerala under MEDISEP Phase-II, in respect of the beneficiaries specified under Clause A of the draft MoU, is not liable to GST in terms of the said Notification?

2. Contentions of the Applicant

2.1 The Applicant submits that Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 exempts services provided under any insurance scheme where the entire premium is paid by the Central Government, State Government or Union territory. According to the Applicant, the said entry prescribes only two conditions, namely, that there should be an insurance scheme and that the entire premium should be paid by the Central Government, State Government or Union territory. It is submitted that both the aforesaid conditions stand satisfied in the present case, since the entire premium in respect of Clause A beneficiaries is paid by the Government of Kerala.

2.2 The Applicant further submits that, in terms of Section 2(93) of the CGST Act, 2017, the Government of Kerala, being the person who pays the entire premium, is the recipient of the insurance service. It is contended that the individual employees and pensioners covered under the scheme are merely beneficiaries of the insurance policy and cannot be regarded as the recipients of the service for the purposes of GST. According to the Applicant, the statutory definition of "recipient" contained in Section 2(93) itself determines the person to whom the service is provided under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate).



2.3 The Applicant also submits that Sl. No. 40 does not stipulate that the Government should itself be the insured person, or that the insurance claim should be receivable by the Government, or that the insurance scheme should relate only to Government property. It is submitted that the notification employs the expression "under any insurance scheme", which is of wide import and is not confined to schemes covering Government property. The Applicant further contends that the object of the exemption is to ensure that public funds utilised for the welfare of Government employees and pensioners are not diminished by the levy of GST on the premium paid by the Government. It is also submitted that, even applying the principle of strict interpretation of exemption notifications, the conditions expressly prescribed in Sl. No. 40 are fully satisfied, and no additional condition can be read into the notification where none exists.

3. Comments of the Jurisdictional Officer

The application was forwarded to the jurisdictional officer as per provisions of section 98 (1) of the CGST Act. The Jurisdictional officer has not submitted any remarks and hence it is presumed that the jurisdictional officer has no specific comments to offer. It is also construed that no proceedings are pending on the issue against the applicant.

4. Personal Hearing

A personal hearing in the matter was conducted on 17.07.2026. Shri.Soman N.L., Chartered Accountant, the authorised representative of the Applicant, appeared for the personal hearing and reiterated the submissions made in the application. During the course of the hearing, he submitted that Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) prescribes only two conditions for claiming exemption and that both stand fulfilled in the present case. He further submitted that, in terms of Section 2(93) of the CGST Act, 2017, the Government of Kerala is the recipient of the insurance service since it alone pays the entire premium. It was also contended that the expression "under any insurance scheme" is of wide amplitude and is not restricted to insurance schemes relating to Government property. The authorised representative further submitted that the object of the exemption is to



prevent GST from reducing public funds spent on the welfare of the beneficiaries and that a strict interpretation of the exemption notification does not permit reading into the notification a condition requiring the Government itself to be the insured person. No additional documents were produced during the course of the personal hearing. Subsequently, a document containing the Applicant's written submissions was submitted.

5. Analysis and Discussion

5.1 We have carefully examined the application filed by the Applicant, the annexures and enclosures placed on record, the written submissions, and the oral submissions made by the authorised representative during the course of personal hearing. The Applicant, M/s. The Oriental Insurance Company Limited, has sought an advance ruling on the applicability of Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 to the health insurance services proposed to be provided under the Medical Insurance Scheme for State Employees and Pensioners (MEDISEP) Phase-II. Specifically, the Applicant seeks a ruling as to whether (i) the health insurance services proposed to be provided to the Government of Kerala under MEDISEP Phase-II, in respect of the beneficiaries specified under Clause A of the draft Memorandum of Understanding (MoU), are exempt from GST under the aforesaid notification, and (ii) whether the annual premium of ₹8,244/- per Beneficiary Family Unit proposed to be received from the Government of Kerala is not liable to GST.

5.2 At the outset, it is noticed that the Applicant has described the Insurance Contract/MoU placed before this Authority as the draft/proposed contractual arrangement governing MEDISEP Phase-II. The questions raised in the present application relate to the taxability of the insurance services proposed to be supplied in terms of the said contractual arrangement. An advance ruling under Section 97 of the CGST Act is intended to provide certainty in respect of a supply being undertaken or proposed to be undertaken. Therefore, the issues raised in the present application are liable to be examined on the basis of the contractual arrangement and other documents placed on record. It is, however, clarified that



the findings recorded herein are confined to the facts and terms contained in the documents produced before this Authority and shall apply only as long as the material terms relevant to the exemption remain unchanged.

5.3 In order to appreciate the issues involved, it is necessary to understand the structure of the MEDISEP Phase-II Scheme. The Government of Kerala, vide G.O.(P) No. 5/2026/FIN dated 20.01.2026, decided to implement MEDISEP Phase-II through the Applicant and fixed the annual premium at ₹8,244/- per Beneficiary Family Unit. Pursuant thereto, the Government of Kerala and the Applicant have prepared a draft Memorandum of Understanding governing the implementation of the Scheme.

5.4 The Insurance Contract/MoU shows that the contract for implementation of the Scheme is proposed to be entered into / has been drawn up between the Governor of Kerala, represented by the Secretary (Finance-Resources), Finance Department, Government of Kerala and the Applicant. The said document further indicates that—

- a) in respect of the beneficiaries specified under Clause A, the entire premium payable to the Applicant is payable solely by the Government of Kerala;
- b) Clauses 10.1.1 and 10.1.2 provide that, in respect of beneficiaries covered under Clause A, the annual premium of ₹8,244/- per Beneficiary Family Unit shall be paid by the Government of Kerala to the Applicant and the Government has undertaken to discharge the entire premium liability payable to the Applicant in respect of such beneficiaries;
- c) the Applicant has also stated that no premium is collected by it directly from the employees, pensioners or other eligible beneficiaries covered under Clause A;
- d) the Insurance Contract/MoU simultaneously provides a separate mechanism in respect of Clause B beneficiaries, namely employees and pensioners of Public Sector Undertakings, Boards, Corporations, Autonomous or Statutory Bodies and similar institutions;



e) in their case, a separate premium arrangement has been prescribed and Clause 10.1.3 expressly provides for payment of ₹8,237/- plus applicable GST; and

f) the funding mechanism applicable to Clause B beneficiaries is materially different from that applicable to Clause A beneficiaries.

5.5 Since the questions raised in the present application are expressly confined to the beneficiaries covered under Clause A of the draft MoU, the present ruling is also confined to that category alone, and no opinion is expressed regarding the GST implications applicable to Clause B beneficiaries.

5.6 The principal issue for determination is whether the insurance services proposed to be supplied by the Applicant satisfy the conditions prescribed under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, which reads as follows:

Sl. No.	Chapter, Section, Heading, Group or Service Code	Description of Services	Rate	Condition
40	Heading 9971 or Heading 9991	Services provided to the Central Government, State Government or Union Territory under any insurance scheme for which total premium is paid by the Central Government, State Government or Union Territory	Nil	Nil

A plain reading of the above entry shows that the following conditions are required to be satisfied before the exemption becomes applicable:

- (i) the services must be provided to the Central Government, State Government or Union Territory;
- (ii) the services must be provided under an insurance scheme; and



(iii) the total premium under such insurance scheme must be paid by the Central Government, State Government or Union Territory, as the case may be.

Nothing in the language of the notification requires that the Government itself should be the person whose life, health or property is insured, nor does it require that the Government should itself receive the insurance benefits. The notification merely prescribes the conditions expressly contained therein. Further, the use of the expression "**any insurance scheme**" indicates that the exemption is not restricted to any particular class or category of insurance scheme, provided the prescribed statutory conditions are fulfilled.

5.7 It is also relevant to examine Circular No. 16/16/2017-GST dated 15.11.2017 issued by the Central Board of Indirect Taxes and Customs under Section 168 of the CGST Act. The relevant clarification is reproduced below:

Sl. No.	Issue	Clarification
3	Whether GST is leviable on General Insurance policies provided by a State Government where the premium is paid by the State Government or by the employees/students etc.?	Services provided to the Central Government, State Government or Union Territory under any insurance scheme for which the total premium is paid by the Government are exempt under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate).

5.8 The above clarification directly addresses insurance schemes formulated by the Government for employees or other identified beneficiaries. It clearly distinguishes between cases where the premium is borne by the Government and those where the premium is borne by the individual beneficiaries. The Circular clarifies that exemption under Sl. No. 40 is available where the entire premium is paid by the Government. Thus, the clarification supports the view that the identity of the insured persons is not the determining factor for claiming exemption; what is



material is that the insurance service is provided to the Government under an insurance scheme and that the entire premium is paid by the Government.

5.9 The Applicant has further relied upon the definition of "recipient" contained in Section 2(93) of the CGST Act, 2017, which provides that where consideration is payable for a supply of goods or services, the recipient is the person who is liable to pay such consideration.

5.10 In the present case, consideration in the form of insurance premium is payable for the supply of insurance services. The Government of Kerala is a party to the Insurance Contract/MoU and, in terms of Clauses 10.1.1 and 10.1.2 thereof, is solely liable to pay to the Applicant the entire premium in respect of the beneficiaries covered under Clause A. The payment provisions of the contractual arrangement also contemplate payment of such premium by the Authority to the Applicant. Accordingly, clause (a) of Section 2(93) reinforces the position emerging from the contractual arrangement that the Government of Kerala is the recipient of the insurance service for the purposes of the CGST Act.

5.11 Applying the above statutory provisions to the facts of the present case, it is evident that the contractual arrangement for providing insurance services is between the Applicant and the Government of Kerala. The Government of Kerala is liable to pay the entire premium to the Applicant in respect of the beneficiaries covered under Clause A of the Insurance Contract/MoU, while the employees, pensioners and their eligible family members are the persons for whose benefit the health insurance cover is provided. The fact that such persons are the insured beneficiaries does not by itself undermine the position that the insurance service under the contractual arrangement is supplied to the Government of Kerala, which is liable to pay the consideration.

Accordingly, the insurance service is a service provided to the State Government under an insurance scheme for which the entire premium payable to the insurer is paid by the State Government. Subject to the continued fulfilment of this condition, the requirements prescribed under Sl. No. 40 of Notification No.



12/2017-Central Tax (Rate) dated 28.06.2017 stand satisfied. This interpretation is also supported by the clarification issued by the CBIC in Circular No. 16/16/2017-GST dated 15.11.2017.

6. In view of the above discussion, the rulings are given as follows:

RULING

Question No. 1: Whether the health insurance services provided by the Applicant to the Government of Kerala by way of health insurance under MEDISEP Phase-II, in respect of the beneficiaries specified under Clause A of the draft MoU, are covered under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 and are therefore exempt from GST, when the entire premium is paid by the Government of Kerala.

Ruling: Yes. Subject to the condition that the entire premium payable to the Applicant in respect of the beneficiaries covered under Clause A is paid by the Government of Kerala in accordance with the contractual arrangement placed before this Authority, the health insurance services supplied by the Applicant under MEDISEP Phase-II in respect of such beneficiaries satisfy the conditions prescribed under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 and are, therefore, exempt from Goods and Services Tax.

Question No. 2: Whether the annual premium of Rs. 8,244/- per Beneficiary Family Unit, proposed to be received by the Applicant from the Government of Kerala under MEDISEP Phase-II, in respect of the beneficiaries specified under Clause A of the draft MoU, is not liable to GST in terms of the said Notification.

Ruling: Yes. Subject to the aforesaid condition, since the insurance services supplied under MEDISEP Phase-II in respect of the beneficiaries covered under Clause A are exempt under Sl. No. 40 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, the annual premium of ₹8,244/- per Beneficiary Family Unit payable by and received from the Government of Kerala as consideration for such exempt supply is not liable to GST.



This ruling is confined to the facts, contractual terms and payment arrangement placed before this Authority in respect of Clause A beneficiaries and does not extend to beneficiaries covered under Clause B.


Jomy Jacob, IRS

**Addl. Commissioner of Central Tax
Member**



Mansur M.I.

**Joint Commissioner of State Tax
Member**

To

The Oriental Insurance Co. Ltd.,
 Metro Palace, Regional office cochin,
 North Railway Station Road, Kochi, 682018.



Copy submitted to :

1. The Chief Commissioner of Central Tax and Central Excise, Thiruvananthapuram Zone, C.R.Building, I.S.Press Road, Cochin- 682018. [E-mail ID: cccochin@nic.in; ccu-cexcok@nic.in].
2. The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram – 695002. [E-mail ID: cst.sgst@kerala.gov.in]
3. The Commissioner of Central Tax and Central Excise, Kochin Commissionerate.
4. The Commissioner of Central Tax and Central Excise, Thiruvananthapuram Commissionerate, GST Bhavan, Statue, Thiruvananthapuram.
5. The Commissioner of Central Tax and Central Excise, Calicut Commissionerate.

Copy to:-

1. The Joint Commissioner, TPS, HQ, Thiruvananthapuram.
2. The Deputy Commissioner, ITMD, Thiruvananthapuram.
3. The Superintendent, Central Tax, Ernakulam Division, Ernakulam Range-6.

