



**ALL INDIA BANK RETIREES' FEDERATION (REGD.)**  
**D/1/ Sector C Scheme No. 71 Indore 452009**  
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**Ref: 2021/ 589**

**25.10.2021**

Shri Raj Kiran Roy  
Chairman Indian Banks' Association  
MUMBAI

Respected Sir

**Re: Special Provisions of Input Tax Credit (ITC) under GST Act for Banks & Financial Institutions**  
**Re: GST payable by banks on premium paid to insurance company on behalf of retirees.**

As you are aware, Goods & Service Act (GST),2017 was made applicable in the country from 1.10.2017 and has completed 4 years of its existence.

2. In this regard, your kind attention is invited on the following special provision made in GST Act under section 17(4) according to which banks and financial institutions have been **given option to claim benefit of input tax credit at the rate of 50 per cent of eligible input tax credit every month out of total GST liability of the concerned bank.**

**"A banking company or a financial institution including a non-banking financial company, engaged in supplying services by way of accepting deposits, extending loans or advances shall have the option to either comply with the provisions of sub-section (2), or avail of, every month, an amount equal to fifty per cent. of the eligible input tax credit on inputs, capital goods and input services in that month and the rest shall lapse"**

3. As per provisions of the Bipartite Settlement dated 25.06.2015, IBA and member banks are engaged in managing group insurance policy for eligible bank retirees. Under provisions of this settlement, member banks collect insurance premium including GST at the applicable rates from individual retirees who exercise option under the scheme and pass on the amount so collected to the insurance company. **Further, as per the provisions of the scheme, single insurance policy document is issued by insurance company in the name of the concerned bank wherein details of premium with details of GST charged paid by the concern bank are specifically stated. According to this, concern bank becomes liable to pay GST on retiree policy and therefore eligible to claim benefit of input credit as per the provisions of GST Act to the extent of 50 per cent or full amount.**

4. You will kindly appreciate that bank retirees who have been exercising option for group insurance and paying premium including GST from their pockets have right to know and enquire about exact position on ITC claimed by member banks on such transactions and to the extent benefit received by them in reducing their overall liability on GST. **But we do not find this type of important disclosure coming from any bank or IBA during last 4 years.**

5. Though we do not have official data available with us on exact number of retirees who have participated under the scheme managed by IBA/ member banks in last 4 years, however, on the basis of information we have been compiling on year-to-year basis, we find that member banks have collected GST from retirees under the scheme 4 times from 1.11.17 to 1.11.2020 and 5<sup>th</sup> instalment will become due for collection on 1.11.2021. We further find that on an average, 2lakhs retirees have participated under the scheme each year in last 4 years. Average premium paid by the retirees for availing group health insurance benefit comes to about Rs. 22000 plus GST during this period. According to this calculation total amount of premium and GST paid comes to as under

(a) Total Premium paid 2.00 lakhs x Rs. 22000 x 4	Rs. 1760 Crores approx.
(b) GST on above @ 18 per cent	Rs. 316 Crores approx.
Total	Rs. 2076 Crores approx.
Eligible for In Put Tax Credit under Section 17(4)	Rs. 158 Crores approx.

The above data are indicative and based on our calculations Exact data are available with member banks. In all fairness and as good corporate citizen and also as model employer, the member banks may be called upon to release and bring in public domain, all relevant information/ data on the subject to ensure much needed transparency.

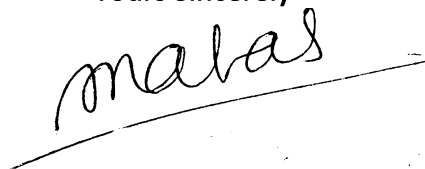
6. Whilst on the subject, it will not be out of place to mention that bank retirees have passed through very difficult and challenging time during second covid wave suffering heavy financial losses in health management. Contrary to the very reasonable expectations of retirees for some sort of support coming from bank managements in renewing group health insurance policy, difficulties of retirees have in fact multiplied in the form of premium rates going up by 40 per cent, not a single suggestions given by retirees for reduction in premium have been considered, total reluctance on the part of IBA to hold discussion to consider suggestions, not considering request for subsidy out of welfare funds etc.

7. Under such highly difficult time, we expect bank management and IBA to come out with proper and correct disclosure on the subject and consider passing on the ITC benefits to retirees if received by banks under section 17(4) of GST Act. It will be finest and humanitarian gesture from bank managements.

8. It may be mentioned that All India Bank Retirees' Federation (AIBRF) is the largest and oldest apex level retiree organisations of bank retirees with present membership of more than 2.5 lakhs and is also registered under Trade Union Act, 1926. We hope this aspect will be considered by IBA and should be ready to share or ask member banks to share this vital information with our organisation and also make it public with proper disclosure.

Respectful Regards

Yours Sincerely



(S. C. JAIN)  
GENERAL SECRETARY

c.c. to

1. The Joint Secretary department of Financial Services, New Delhi
2. Secretary, GST Council, New Delhi
3. The Chief Executive, IBA, Mumbai
4. The Convener, UFBU and its affiliates



