



Ministry of Finance



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Directorate General of GST Intelligence, Mumbai Zonal Unit detects GST fraud worth ₹824cr by insurance companies

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Directorate General of GST Intelligence, Mumbai Zonal Unit initiated investigations against sixteen insurance companies on the issue of availment of ineligible input tax credit. During the course of investigations, it has come to notice that these insurance companies have availed input tax credit on the basis of invoices issued by several intermediaries for providing services of advertising, marketing, brand activation etc., whereas no such services had actually been provided. Thus, in the absence of any underlying supply, the input tax credit availed by the said insurance companies, is not permissible under the GST law.

Investigations have revealed that input tax credit of Rs. 824 Crore has been availed, out of which an amount of Rs. 217 Crore has been paid voluntarily by these sixteen insurance companies so far.

Several non-banking financial companies (NBFCs) engaged in micro financing businesses are acting as corporate agents of the insurance companies and are cross selling their single premium credit liked insurance policies in the course of their lending business. As per IRDA regulations, only nominal commission is permitted to corporate agents. In order to circumvent these regulations, the insurance companies have resorted to obtaining invoices from intermediaries, in order to transfer commission (over and above the permissible limit) to NBFCs, for supply of services of advertising, web marketing etc., whereas there has been no underlying supply of services. In turn, these intermediaries have received invoices from NBFCs for such supplies.

Further investigation is in progress.

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(Source: Directorate General of GST Intelligence)

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