CUSTOMS, EXCISE AND SERVICE TAX APPELLATE TRIBUNAL
CHENNAI

REGIONAL BENCH – COURT No. III

Service Tax Appeal No. 42768 of 2018

(Arising out of Order-in-Original No. 96/2018 CH.N.GST(Commr.) dated 08.10.2018 passed by Commissioner of Service Tax, No. 26/1, Mahatma Gandhi Road, Nungambakkam, Chennai – 600 034)

M/s. United India Insurance Co. Ltd. .....Appellant
No. 24, Whites Road,
Chennai – 600 014.

Versus

Commissioner of GST and Central Excise ...Respondent
Chennai North Commissionerate,
No. 26/1, Mahatma Gandhi Road,
Nungambakkam,
Chennai – 600 034.

APPEARANCE:
For the Appellant : Mr. Muthu Venkataraman, Advocate
For the Respondent : Mr. C. Dhanasekar, Special Counsel

CORAM:
HON'BLE MR. P. DINESHA, MEMBER (JUDICIAL)
HON'BLE MR. VASA SESHAGIRI RAO, MEMBER (TECHNICAL)

FINAL ORDER No. 40274 / 2026

DATE OF HEARING : 08.10.2025
DATE OF DECISION : 19.02.2026

Per Mr. VASA SESHAGIRI RAO

The Service Tax Appeal No.ST/42768/2018 has been filed by M/s. United India Insurance Co. Ltd., (hereinafter referred to as 'Appellant') against the Order-in-Original No.96/2018 dated 18-10-2018 passed by Principal Commissioner of GST, Chennai.

2. The brief facts of the case are that the Appellants, registered with the Service Tax Department for providing general insurance services including re-insurance, were engaged in offering re-insurance services under the Weather Based Crop Insurance Scheme' (WBCIS) and the 'Modified National Agricultural Insurance Scheme' (MNAIS) to M/s. Agricultural Insurance Company of India Ltd. (AICIL).

3. In this context on the basis of intelligence and subsequent investigation, it was alleged that the Appellants had not discharged appropriate service tax on re-insurance services, having claimed full exemption under Sl. No. 26 of Notification No. 25/2012-ST dated 20.06.2012. Upon scrutiny, the Department was of the view that the said exemption was inapplicable since the services were rendered to AICIL-an insurance company and not directly to farmers under WBCIS or MNAIS. The Department contended, in terms of Section 66F of the Finance Act, 1994, the re-insurance services could not be treated as the main service for purpose of claiming exemption under Notification No.25/2012-ST.

4. Accordingly, Show Cause Notice No. 01/2018 in F. No. INV/DGCEI/CHZU/ST/204/2016 dated 08.01.2018 was issued to the Appellants proposing to demand service tax of

Rs.46,80,45,199/- under Section 73(1) of the Finance Act, 1994, along with applicable interest under Section 75. The notice had invoked the extended period under the proviso to Section 73(1), taking into account that the Appellants operated under the self-assessment regime prescribed under Section 70 of the Finance Act. It further proposed imposition of penalty under Section 78 of the said Act.

5. After due process of law, the Adjudicating Authority, while dropping the demand of Rs. 16,89,75,250/- pertaining to the period 2012-2013 and 2013-2014 on the grounds of double jeopardy, has confirmed the balance demand of Rs.29,90,69,949/- towards service tax under the proviso to Section 73(1) of the Finance Act, 1994, along with interest and penalty under Section 78 of the said Act, vide Order-in-Original No. 96/2018 CH.N.GST (Commr.) dated 08.10.2018. Aggrieved by the confirmation of the said demand, the Appellants have preferred the present appeal before this Tribunal.

6. The Ld. Counsel Mr. S. Muthu Venkataraman appeared and argued for the Appellants and submits as follows: -

a. That the impugned order dated 08.10.2018 and all connected proceedings are vitiated by operation of

law as retrospective exemption for the impugned re-insurance service which has been granted *vide* Section 135 of Finance Act, 2025, which reads as follows: -

> *"135.(1) Notwithstanding anything contained in section 66 of Chapter V of the Finance Act, 1994, as it stood prior to the 1st day of July, 2012, or in section 66B of the said Chapter of the said Act, as it stood prior to the omission of the said Chapter vide section 173 of the Central Goods and Services Tax Act, 2017, no service tax shall be levied or collected in respect of taxable services provided or agreed to be provided by insurance companies by way of reinsurance under the Weather Based Crop Insurance Scheme and the Modified National Agricultural Insurance Scheme during the period commencing from the 1st day of April, 2011 and ending with the 30th day of June, 2017 (both days inclusive).*
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> *(2) Refund shall be made of all such service tax which has been collected, but which would not have been so collected, had sub-section (1) been in force at all material times:*
> *Provided that an application for the claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2025 receives the assent of the President.*
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> *(3) Notwithstanding the omission of the said Chapter, the provisions of the said Chapter shall apply for refund under this section retrospectively as if the said Chapter had been in force at all material times."*

b. Without prejudice to the above, he further submits that, even otherwise, the confirmation of demand is not sustainable. He pointed out that there exists a

contradiction in the findings of the Adjudicating Authority. On one hand, it is stated that the Assistant Commissioner, who finalized the provisional assessments for the period 2014-15 to 2016-17, did not examine the issue of service tax on re-insurance services relating to crop insurance schemes; while on the other hand, it is observed that the DGSTI had already taken up the said issue. This inconsistency, according to the Ld. Counsel, constitutes a legal error, as the Adjudicating Authority, at para 9.4 of the impugned order, has erroneously treated provisional assessments as applicable only to certain issues, which is not permissible in law, and has consequently considered some issues as non-provisional without proper authority.

c. He submits that the Appellants had never raised the issue of the doctrine of double jeopardy but had only contended as to non-application of the provisions of Section 84 of the Finance Act, 1994. The Adjudicating Authority, at para 9.4 of the impugned order, has itself admitted that the Assistant Commissioner, while finalizing the provisional assessments, had erred by not examining the alleged irregular availment of exemption by not properly adjudicating the finalization proceedings. Once the Adjudicating Authority accepted that the Assistant

Commissioner had failed to consider the eligibility of exemption, it ought to have held that the finalization order was not legal and proper. Consequently, the Adjudicating Authority should have rectified the said error committed by the Assistant Commissioner by invoking the provisions of Section 84 of the Finance Act, 1994, which, however, has not been done in the present case.

d. He submits that the error in the impugned order could have been rectified by the Adjudicating Authority, who in this case is the Commissioner, only in the manner prescribed under Section 84 of the Finance Act, 1994. By virtue of the substitution made in 2009, the earlier power of review vested in the Commissioner was withdrawn and replaced with the authority to call for records and direct the Assistant Commissioner or the Adjudicating Authority to prefer an appeal before the Commissioner (Appeals). Since this statutory procedure was not followed by the Adjudicating Authority, the entire proceedings initiated against the Appellants stand vitiated and are rendered invalid.

e. He further submits that, for the earlier period, the same Commissioner (who is the Adjudicating Authority in the present case) had dropped the proceedings on the ground that the issue could not be raised twice. However, in the present instance, instead of exercising powers under

Section 84 by directing the Assistant Commissioner to take appropriate action, the Commissioner himself assumed the role of the Adjudicating Authority. This approach, according to the him, is erroneous, particularly since the Assistant Commissioner had already recorded reasons in the provisional assessment order for refraining from raising a demand of service tax on re-insurance services.

f. Denial of exemption under Notification No. 25/2012-ST dated 20.06.2012 to reinsurance service is not correct for the following reasons: -

   i. Reinsurance business is not given by one insurer to the other insurer on the basis of any specific solicited Action or otherwise rather it is on the basis of the frame work of Insurance business.

   ii. As per the Insurance Regulatory and Development Authority (IRDA) regulations an Indian insurance company is required to take as much risk on its own account as is possible having regard to its financial strength and volume of business. To the extent an insurance company is unable to retain the risk, that portion is re-insured with a reinsurance company (situated in India or overseas).

   iii. Re-insurer has the same economic objective as insurance generally, i.e., the transfer and consequent

elimination or reduction of risk by creation of a wider spread of exposure. Insurance of insured risk is called Reinsurance.

iv. Re-insurance acceptances/cessions can be broadly classified under following two heads: (a) Treaty; (b) Facultative.

v. As per the IRDA (General Insurance - Reinsurance) Regulations, 2000 framed under the IRDA Act, 1999 (41 of 1999), Treaty is defined as *"a reinsurance arrangement between the insurer and the reinsurer, usually for one year or longer, which stipulates the technical particulars and financial terms applicable to the reinsurance of some class or classes of business".* Re-insurance arrangements are called as Treaties. Treaties can be proportional and non- proportional. Proportional treaties are those where the business ceded is in proportion to the acceptance made by the insurer e.g. Quota Share and Surplus. Non proportional treaties, on the other hand, have a relationship with the losses that accrue to the treaty.

vi. In case of facultative acceptances, the policy insurer (the ceding company/cedant) approaches the reinsurer on a specific risk-to- risk basis e.g., as in the case of airlines, petrochemical plants etc. There is no automatic cover available to the cedant and in case

the cedant is unable to tie up the reinsurance arrangements prior to acceptance of the risk, he will expose himself to any eventual loss that might occur in the interim period.

vii. Reinsurance of WBCIS and MNIS Scheme: Direct insurance under these schemes are done by AICIL which is also a public sector company. AICIL approaches the Appellants for reinsuring its business of WBCIS & MNAIS scheme. This re-insurance is done under facultative arrangement. Appellants also works as in the reinsurer and receives premium from them. For this purpose quarterly settlement is done between Appellants and AICIL.

viii. As per Notification No.25/2012, General Insurance services provided under these schemes are exempted from whole of the service tax. Since 'Reinsurance' is an integral part of 'insurance', the Finance Act, 1994 includes re-insurer as being part of insurer in the respective definitions as indicated in para 4 of the SCN issued in the present case itself. Section 65(52) of the Finance Act defines insurer as any person carrying on the general insurance business or life insurance business and includes as ‘re-insurer’. There is no separate definition for 'reinsurer'.

ix. Similarly Section 65(105) (d) defines taxable service to a policy holder or any person, by an insurer, including re-insurer carrying on general insurance business in relation to General Insurance business. It may be seen from this definition that the business carried on by re-insurer in case of general insurance business is also general insurance business.

x. Notice alleged that the re-insurance service provided by one general insurance company to other general insurance company for WBCS or MNAIS is not covered under the exemption Notification No. 25/2012-Service Tax dated 20.06.2012. The notice further relied on the provision of Section 66F(1) of the Finance Act to state that unless otherwise specified, reference to a service shall not include reference to service which is used for providing main service. It is submitted that the definition of the Finance Act, 1994 and the expression 'unless otherwise specified' in the section 66F(1) referred in the SCN had been overlooked. The definitions clearly treat the General Insurance business carried on by 'insurer' to include general insurance business carried on by 'reinsurer' and reliance placed on Section 66F(1) of the Act to deny the exemption is not correct. The insurance service provided by insurer and reinsurer cannot be

segregated and isolated as services provided by them are main service.

xi. The notice presumed that the service carried on the Appellants as a 'reinsurer' ceases to be 'general insurance business' from 01.07.2012 and hence the appellants are not entitled to the exemption. Notification No. 25/2012-ST dated 20.06.012 Sl.No.26(h) exempts 'services of general insurance business' provided under the schemes in question, namely, weather-based crop insurance scheme of the modified national Agricultural Insurance scheme, approved by the government of India and implemented by the Ministry of Agriculture.

xii. Notice alleged that taxable service provided by reinsurer to insurer (a general insurance company) is not to be treated as general insurance Service. This allegation was based on wrong understanding of 'reinsurance' concept. Attention is brought to the Ministry of Finance Department of Revenue)/CBEC's Circular No. 120(a) 12/2010-ST dated 16.04.2010 wherein it is clarified in the context of taxability of 'sharing of expenses between the reinsurer and insurer that arrangement between the insurance company and the reinsurer is only sharing of expenses and there is no service for a consideration. It is also

clarified that the service provided by reinsurer is insurance service'. Accordingly, service in dispute will falls under 'general insurance business' under the definition clause Section 65 (105) (d) of Finance Act according to which taxable service is general insurance service to a policyholder or any person by an insurer, including reinsurer carrying on general insurance business in relation to general insurance and as per Section 65 (48) insurer in general insurance business includes reinsurer also.

xiii. In view of the above and on a careful reading of the subject Notification No. 25/2012-ST dated 20.06.012, it may be seen that services of general insurance business provided under the subject schemes (among other schemes) are exempted. Therefore, it is a wrong presumption and a wrong allegation as contained in the notice and the impugned order to the effect that the service provided by reinsurer to insurer is not general insurance service.

g. Availment of exemption was within the knowledge of the department, there cannot be any allegation that it was continued with intention to evade tax. Invoking the extended period is not sustainable under law and on facts. Moreover, appellants had been filing returns under provisional assessment during the period and no

objection was raised by the Assistant Commissioner or any other competent officer on availment of the said exemption. Hence, invoking of extended period is totally not sustainable.

h. In view of the above submissions, the Ld. Counsel prayed that the appeal may be allowed.

7. The Ld. Special Counsel, Mr. C. Dhanasekaran, appeared for the Department and reiterates the finding of the impugned order while making the following submissions:-

a. Impugned service *viz*. re-insurance service is an activity performed by the Appellants to AICIL for consideration and clearly falls within the ambit of taxable service.

b. "General insurance service" provided to WBCIS and MNAIS is eligible for exemption under Sl.No.26(h) of Notification No.12/2012-ST dated 17.03.2012. But the service in dispute is "re-insurance service" and not "general insurance service" and does not get covered under the exemption notification and had been rightly denied the exemption in the notice and the impugned order.

c. "Insurance" is not defined under the Finance Act, 1994. Hence, the definition from the Black's Law Dictionary, 6th Edition to be considered as rightly done at para 12 of the impugned order.

d. The Appellants are insurer and has undertaken to compensate AICIL (insured) in the event of any loss. The Appellants act as insurer for AICIL and not for ultimate farmer. Social objective of introduction of WBCIS and MNAIS schemes has to be considered. The object of the Government is to provide financial support to the farmers suffering loss/damage arising out of unforeseen events. The operational guidelines for Pradhan Mantri Fasal Bhima Yojna had been initiated by the Department of Agriculture, Co-operation and Farmers Welfare under the Ministry of Agriculture to protect the farmers from any loss which may accrue on account of any calamity by paying minimum premium. Accordingly, Notification No. 25/2012-ST dated 20.06.2012 exempting general insurance service in relation to these schemes,

e. Appellants are not providing 'general insurance service' to the farmers, while been providing 're-insurance service' to AICIL. Appellants had not taken any role to protect the farmers. The contract between the Appellants and the AICIL is to protect AICIL from any risk already assumed. Thus, the Appellants had undertaken to indemnify AICIL. Service provided by the Appellants is only to AICIL and cannot be considered as main service. Re-insurance service provided by Appellants to AICIL is to avoid any undue loss/risk suffered by AICIL in their business in

terms of Insurance Act, 1938 and not for complying under the WBCIS or MNAIS schemes.

f. In terms of Section 66F(1), the exemption under Notification 25/2012- ST will be applicable only to main service which is "general insurance service" provided under WBCIS or MNAIS and not "reinsurance service".

g. In view of the above submissions he prays that the appeal is not maintainable and prayed that Appeal may be dismissed.

8. We have heard both sides and carefully considered the rival submissions made by the Counsel in the grounds of appeal and made during the hearing before this Tribunal.

9. The issue to be considered is whether the 'reinsurance service' provided by Appellants to AICIL is eligible for exemption under Sl.No. 26(h) of Notification No. 12/2012-ST dated 17.03.2012. So also, whether the confirmation of demand with interest and penalty invoking extended period is sustainable.

10. On a careful consideration of the above submissions, we find that issue regarding the eligibility for the said exemption on "reinsurance service" had been raised before the Government, pursuant to which the Finance Act,

2025, under Section 135, incorporated specific provisions granting exemption to such services for the period from 01.04.2011 to 30.06.2017 (both days inclusive). By virtue of this statutory provisions, which received the assent of the Hon'ble President on 29.03.2025, the Appellants are entitled to the said exemption, as the period under dispute, i.e., 2014-15 to 2016-17, squarely falls within the exempted period.

11. Due to enactment of Finance Act, 2025 introducing Section 135, the demand raised becomes unsustainable. The same reads as below: -

> *"**Section 135. Special provision for retrospective exemption from service tax in certain cases relating to reinsurance services provided by insurance companies under Weather Based Crop Insurance Scheme and Modified National Agricultural Insurance Scheme.***
>
> *(1) Notwithstanding anything contained in section 66 of Chapter V of the Finance Act, 1994 (32 of 1994), as it stood prior to the 1st day of July, 2012, or in section 66B of the said Chapter of the said Act, as it stood prior to the omission of the said Chapter vide section 173 of the Central Goods and Services Tax Act, 2017 (12 of 2017), no service tax shall be levied or collected in respect of taxable services provided or agreed to be provided by insurance companies by way of reinsurance under the Weather Based Crop Insurance Scheme and the Modified National Agricultural Insurance Scheme during the period commencing from the 1st day of April, 2011 and ending with the 30th day of June, 2017 (both days inclusive).*
>
> *(2) Refund shall be made of all such service tax which has been collected, but which would not have been so collected, had sub-section (1) been in force at all material times:*
>
> *Provided that an application for the claim of refund of service tax shall be made within a period of six months from the date on which the Finance Bill, 2025 receives the assent of the President.*

(3) Notwithstanding the omission of the said Chapter, the provisions of the said Chapter shall apply for refund under this section retrospectively as if the said Chapter had been in force at all material times."

As such the levy of Service Tax on reinsurance services provided by the appellant to Agricultural Insurance Corporation of India (AICIL) under Weather Based Crop Insurance or Modified National Agricultural Insurance Scheme becomes untenable due to retrospective exemption provided by Section 135 of the Finance Act, 2025 as above. So, the impugned Order-in-Original No. 96/2018 CH.N.GST(Commr.) dated 08.10.2018 is liable to be set aside. Ordered accordingly.

12. In view of the above, the appeal is allowed with consequential relief, if any, as per the law.

(Order pronounced in open court on 19.02.2026)

Sd/-
(VASA SESHAGIRI RAO)
MEMBER (TECHNICAL)

Sd/-
(P. DINESHA)
MEMBER (JUDICIAL)

MK