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தமிழ்நாட்டின் **முதலமைச்சராக** பொறுப்பேற்றிருக்கும்

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GST on healthcare: *Need for 'Diagnosis & Treatment'?*

Undoubtedly, the 56th GST Council recommendations delivered significant GST reforms to various sectors, including the healthcare sector. Hailed as GST 2.0, the rate rationalisation measure offered complete GST exemption on individual life and health insurance policies. On pharmaceutical side, GST on 36 life-saving drugs was reduced from 12%/5% to nil, while GST on other drugs and medicines including those under the Ayurveda, Unani, and Homoeopathy systems was brought down from 12% to 5%. Also, tax rate on medical apparatus and devices including those used for physical and chemical analysis were slashed from 18% to 5%.

Though the efforts of lawmakers to rationalise GST on healthcare is commendable; yet, the sector continues to grapple with a few nuances, which are highlighted here for the relevant stakeholders to ponder upon.

GST issues in the healthcare sector:

1. Composite Supply

The exempted healthcare services not only require provision of pure medical diagnosis and treatment but also warrants supply of medicines, accommodation, nursing care, food and other expediencies. Once such allied activities are naturally bundled to qualify under the umbrella of 'composite supply', entire bouquet is eligible for GST exemption.

Pharmacy supplies: In case where medical service is bundled with provision of medicines, consumable, etc to 'in-patients' from the pharmacy of hospital, it is treated as composite supply of healthcare services and GST exemption is extended automatically. Further, various GST Advance Rulings have also ruled to this effect. However, when it comes to 'out-patients', it is reasoned in few cases that patients are free to buy medicines from any medical shop and hence, not composite supply. Hence, GST exemption is extended only to the pure healthcare services and supply of medicines is excluded.

It is worth noting that 'freedom to buy' alone cannot be the factor to decide composite supply and the perception of the customer, convenience to buy, etc is also equally important. Further, only those patients who are visiting the hospitals for treatment would buy the medicines from such hospitals and it is highly unlikely that an outsider patient would visit the hospital merely to buy medicine. Given above factors, artificial separation of medicine supplies from healthcare services lacks reasoning.

Room charges above Rs.5,000/-: As per 47th GST Council Recommendations, the rich can afford to pay tax and hence, health care services provided by a clinical establishment providing rooms having room charges [excluding ICU] above Rs. 5,000/- are taxed at 5%.

Notably, hospital rooms will obviously be occupied only by an 'in-patient' who is admitted to the hospital for healthcare services. Said accommodation is an integral and incidental component of medical treatment, monitoring, and patient care. Accordingly, divorcing hospital accommodation from healthcare creates an artificial split to a naturally bundled supply and taxing it separately.

Canteen food: Circular No. 32/06/2018-GST dated 12.02.2018 draws a distinction between food supplied to 'in-patients' vis-a-vis 'out-patients' and clarifies that supply of canteen food to 'out-patients' is treated as independent and taxable. Even though, the food may not appear to be naturally bundled, taxing canteen services in hospitals may be avoided in the interest of facilitating economic healthcare.

2. Expert Advice

The scope of "healthcare services" include 'cure' services [e.g. treatment for injury, etc.] and excludes 'care' services [e.g. hair transplant, tooth replacement, plastic surgery, etc.]. In some cases, it may be difficult to identify whether the services are towards curing any congenital defects, developmental abnormalities, etc. or for the aesthetic look.

In such situations, the advice of experts in respective field may be followed by the taxman. For eg. the guidelines of Indian Association of Aesthetic Plastic Surgeons may be considered.

3. Scope of "healthcare services"

The scope of healthcare services is not limited to allopathy and includes yoga, ayurveda, naturopathy, homeopathy, etc. also which are "recognised medical services" to qualify for exemption. However, exemption is not extended to such alternate therapy like Reiki, Pranic Healing , Acupressure, etc.

In case of Sanjeevani Psychiatric Clinic, the 'substance use disorder' (SUD) [addiction of drugs] was treated as a 'social or criminal problem' and not a healthcare issue.

Also, in case of Oswal Industries Ltd., GST exemption was denied to a 'naturopathy and wellness centre' on the ground that the dominant character was that of accommodation-oriented wellness supply and not a mere yoga therapeutic session.

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4. Support Services

Generally, for elderly patients, there is a need to conduct check-ups, collect blood samples, vaccinations, delivery of medicines, scheduling appointments, etc. at the home instead of the hospital/ clinical.

It could be a combination of above or a standalone function [say only blood collection]. In modern day, various service providers are engaged in providing such support functions and the actual lab testing is being done by third-party laboratory. In case of mere blood collection activity, diagnosis is not done by the service provider collecting samples and hence, it does not qualify as healthcare services.

Nonetheless, since above support services are solely linked to the healthcare service, it may be deemed by lawmakers as healthcare services for granting exemption.

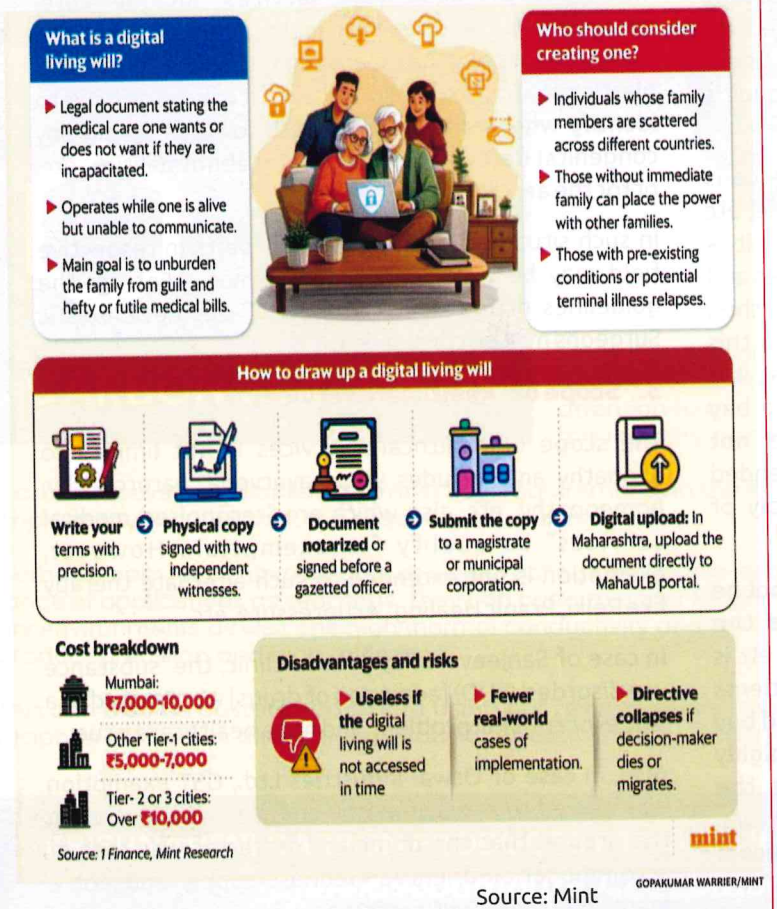
Conclusion

While core healthcare services undoubtedly pass the test of exemption, ambiguity continues for allied activities surfaced above. In some cases, a purposive interpretation may be required [eg. composite supply for IPD pharmacy supplies, etc.] and for other cases a liberal policy may be adopted to amend or clarify law wherever required [eg. canteen food to out-patients, support services for blood collection]. Thus, a 'composite' effort is the need of hour.

As India aims better healthcare access to all, the above reforms must not be seen merely as a matter of tax policy, but a public health imperative.

Digital living wills: all you need to know

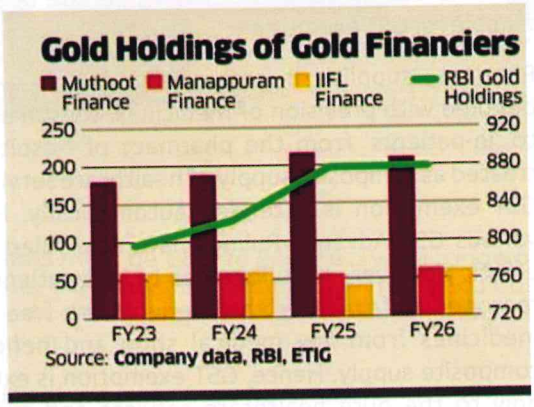
Digital living wills can secure medical autonomy and protect family from emotional and financial trauma. This guide covers steps, costs and risks.



Source: Mint

BRIGHT YELLOW Holdings of Muthoot, Manappuram and IIFL Fin at end of March exceed the reserves of several major central banks

Top 3 Gold Loans Cos' Holdings of the Metal Hit a New High



Source: Economic Times