

## IMPACT OF GOODS AND SERVICE TAX ON HEALTH CARE

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### ABSTRACT

*The impact of Goods and Service Tax on healthcare is mixed although financial experts feel it will be ultimately positive .Restructuring is still in progress, getting stabilize slowly. But concern like GDP contribution, FDI, GST on blood components, devices used in Dialysis, orthopedics, cancer, life saving and cardiac procedure need consideration. Under the range of GST, healthcare services cover diagnosis ,treatment, Usage of ambulance services by the patient to and from hospital, but excludes hair grafting and cosmetic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to by birth defects, developmental abnormalities, injury or trauma.*

**KEYWORDS:** Goods and Service Tax (GST), FDI, Healthcare, Diagnosis, Treatment.

### Introduction

#### GDP-Contribution

Currently the contribution is 1.25 % of GDP is spent on the Healthcare sector. The healthcare sector having a growth of 15% will be reaching around\$158.2 bn by dec 2017; from \$80 billion in the year 2012 .This year projection will be around 2.5%.

#### FDI

The healthcare industry is growing at a very fast pace in last few years. The Health Ministry is focusing on the development of new technologies to end the year for treating diseases, such as diabetes, TB & cancer. Govt is trying to attract more foreign investment.

#### GST Impact on Pharma

India is one of the producers for generics medicines and the country's Pharma Industry is at present the third largest in the world in terms of quantity and ranks fourteenth in terms of value. India's population is growing at a rapid pace so the concern to provide better Healthcare Services is also at the same pace.

#### Pharma Industry

GST likely to help the Pharma companies in rationalising their distribution chain network. Furthermore, GST implementation would also enable tamper proof tax credit system and improvement in the overall compliance in Pharmaceutical segment in the country. The Indian Healthcare Industry is now among of the major sectors with respect to revenue generation and job provider. As the population is increasing the expenditure on Healthcare increases, the money in term of taxes will also increase. Recently, Government of India has implemented GST, which has taken place of various complicated taxes into one uniform tax system. The speculation indicates that GST will have favorable conditions for Healthcare Industry specifically the Pharma sector. It would help the industries by channelizing the taxation structure since multiple taxes i.e. 8 taxes were on the Pharmaceutical Industry till today. Instead

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of number of taxes a single tax will simplify business in the country, as well as minimizing the cascading effects of multiple taxes that is applied to one product. In addition GST would also improve the operational efficiency by rationalizing the supply chain.

#### **Impact on CST**

The biggest benefit for the companies would be the drop in the overall transaction costs with the withdrawal of CST .GST is also likely to reduce the manufacturing cost.

#### **Major Concern**

- **Surgical, Implants, Hospitals**

Few concerns - Dialysis (5% to 12%), pacemaker (5.5% to 12-18%), support devices in orthopedics (5% to 12%) and all support devices for cancers except blood cancer (5% to 7-12%) are the services that shall face hike in taxation due to GST. As per hospitals and diagnostic centers, the maintenance contract cost has increased from 15% tax to 18% GST. Furthermore, the medical insurance and inverter prices rise are 3% and 3.5% tax hike respectively. On refrigerators, tax rate was 23-28% and now flat 28%. Similarly, the hospital bed tax was 11-16.5% increased to 18%. Now GST imposed on oxygen cylinder is 18%, pacemaker 12%, consumables 18% and heart valve 12%.

- **Blood and Blood components**

Earlier no GST rates were charged on the blood collecting bag, which is now has now 12% Even the blood-related supplies are brought under the new indirect tax system. With commencement of GST, the prices of blood and Blood components have increased Now 12 % GST is on blood carry bags, it was exempted earlier. And 12%on Platelet Carry Bag, HB Kit now increased to 18 percent from 5.5 percent. 18 percent GST on Glass slide, earlier it was 14 percent. Medicines vat was 5% and now GST is 12%. I feel the Life-saving drugs, critically ill patient's medicine and devices should be tax-free under GST, but fact remain quite different. Under GST, duty charged on the import of technical machinery and equipment needed by the health sector would be allowed as a credit. This benefit of the overall reduction in the cost of technology is due to implementation of GST. The issue of breakage & expiry settlement is still not clear due to this trade and pharma sector is facing problem of shortages and non availability.

- **Medical Tourism**

When we talk about Medical Tourism, India is having clear competitive advantage over the western countries the cost of healthcare packages offered in India is around 30-40% as available in western countries which include stay and travel. India is having youngest and largest healthcare workforces with 50,000 or more doctors and nurses produced every year. In today scenario, there is a conducive atmosphere in medical tourism can generates extra returns for Healthcare Industry. The Money generated from medical tourism in the country has increased from \$334 million in 2004 to \$2 billion as of 2017.

#### **Expert's Opinion**

With emergence of GST, the cost of insurance, pharma, and abroad travel together with quality health care will drastically reduce which would ensure into better prospects of medical tourism in the India will be doubled (April 2017) US\$ 3 billion to US\$ 6 billion by 2018. Patients from Arab countries, Pakistan, south Asia countries arrivals in India increased due to our technical expertise and cost as compared to western countries in recent 3-5 years. The (IT) market of healthcare having value US\$ 1 billion as on (April 2016) and India is growing by 22-25 % in medical tourism where as industry is likely to grow 1.5 times by 2020.

#### **Conclusion**

In general, the impact of GST on the Healthcare segment is still not very clear needs more time and corrective measures. However, the Industry specialist has confidence that after commencement of GST customers and industry players will be in a position where they will only gain. The Healthcare Industry would be benefitted from the GST implementation as it would resolve the intricacies and various obstacles to the growth of business. Healthcare sector and the medical tourism are growing that leads to profitability and better future prospects.

#### **Suggestions**

- Tax on life saving healthcare products should be zero percent. e.g. products related to
  - Dialysis
  - Cancer

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- Cardiac
- Blood and its components, kits
- Effective monitoring of tax exemption/relaxation by Govt agencies. So that benefit can be passed on the ultimate consumer.
- Contribution should increase from 1.25% to 2.5% of GDP so that more Hospitals, medical colleges and other related infrastructures.
- Government should ensure that private sector hospital should provide cost effective treatment to economical weaker section.

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