

NATHEALTH recommends GST Relief for Healthcare Sector

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NATHEALTH suggested a Zero-rating GST for healthcare services



As the government prepares to present its Union Budget 2020-21 on February 1, 2020, apex healthcare industry body NATHEALTH, in its pre-budget recommendations, called for building capacity in Tier-II & III cities which will cater to the growing demands of quality healthcare in rural areas as well.

On taxation issues, the Apex Healthcare Industry body has recommended two options on Goods and Services Tax (GST). Firstly, NATHEALTH suggested a Zero-rating GST for healthcare services.

"Rationalization of GST for healthcare input services would lead to the unlocking of the differential input credit and will ease costs for all healthcare providers including nursing homes, clinics, hospitals and diagnostic centres. This saving will be passed on to the end consumers and will lower the cost of care," NATHEALTH said in a joint memorandum with FICCI.

"Since GST is not payable on health care services, health care service providers are not eligible to avail credit on the input taxes paid by it, which ultimately becomes a cost for the service provider. Under the current GST regime, the net impact of revised tax rates on inputs (goods and services) consumed by hospitals has increased. As this incremental cost is ultimately borne by the patients, it defeats the intention of the Government to provide affordable healthcare services," Dr Sudarshan Ballal, President, NATHEALTH said in the joint pre-budget memorandum.

"The government needs to provide tax incentives for both existing and new projects. In our pre-budget recommendations also, we have strongly recommended that to spur investment in the sector, the Government could consider a tax holiday period of 15 years for hospitals. The length of the period of exemption needs to be longer, as new hospitals take at-least 5-7 years to start earning returns, after recovering interest and depreciation. For existing projects incentives can be given for 10 years, to support re-investment in capacity and technology upgrades," he added.

Underlining the importance of capacity building, Siddhartha Bhattacharya, Secretary-General, NATHEALTH said, "A priority sector status will act as a catalyst for channelizing funds for the sector from financing agencies. Higher investments would ensure quality infrastructure in Tier II & III cities and rural areas. Such a move would also ensure that the societal objectives of the Government are adequately met."

"The harmonized master list of infrastructure sub sectors by the Reserve Bank of India in 2012 includes Healthcare as a priority area for development. However, often these projects are long term based and require adequate funding options which are still not available at a Healthcare provider level. Thus long term funding options with clearly defined gestation period would certainly be a step in the right direction" he added.

Following are the recommendations and suggestions that the apex healthcare body has put forth for the Government:

1. Facilitating ease of access to capital, NATHEALTH recommends a dedicated fund for healthcare infrastructure and innovation not only for encouraging entrepreneurship with newer business models but also improve accessibility, availability and quality in Tier 2&3 cities including rural areas.
2. Emphasizing on the problem of low penetration of health insurance being a major reason behind the rising out-of-pocket spending for healthcare services in India, NATHEALTH recommends the government should undertake additional efforts to make mandatory coverage for all citizens.
3. NATHEALTH suggests that organized sector employees could be given the option of paying their ESI contribution or purchasing insurance from any IRDA regulated insurance company. Gradually, the focus can be then shifted to the middle and upper middle classes respectively in order to ensure access to preventive and curative care of sufficient quality and safeguards the entire community from financial distress.
4. The industry rightly expects that the Union Budget 2020-21 will be announced keeping in focus the incentives for medical value tourism, Zero rating GST on healthcare services and health insurance premiums.
5. Other areas which require efforts include incentivizing capacity building and promotional policies for private providers. These are long standing suggestions from the Industry and are critical to expedite investment in capacity building especially in Tier 2 & 3 cities for the realization of the dream of Universal Healthcare.