



## Industry opens bag of expectations for Union Budget 2021-22

23 January 2021 | Views

### BioSpectrum brings to you the industry expectations of the Union Budget 2021-22

The Union Budget for 2021-22 is all set to be presented on February 1, 2021.

What is likely to be announced and what not will be answered soon. Nevertheless, the industry is ready with its bag of expectations.

### BioSpectrum brings to you the industry expectations of the Union Budget 2021-22-

"Expecting new horizons for medical sector"

At Fujifilm India, we expect the budget 2021 to create new horizons for the medical sector. We believe that the Government of India will bring in new policies that will cater to providing a comprehensive and integrated healthcare ecosystem in the country and support the patients to get access to high-quality and cost-effective care. Given the unprecedented challenges we faced due to the public health crisis, there is a need to create a shared digital infrastructure to make innovative solutions in the healthcare sector. Investments in new medical care technologies are and will be at the forefront of combating COVID-19 and will also help us pave the way for any future uncertainty.

Haruto Iwata, Managing Director, Fujifilm India, Gurugram

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"Pharma sector expects incentives in R&D and innovation"

The overall policy ecosystem should help increase thrust on healthcare and build healthcare infrastructure to cater to the societal needs as healthcare is fundamental. In this upcoming budget, the pharma industry would expect for support and incentives in R&D and innovation specifically:

- Incentivising investment by pharmaceutical companies in R&D and innovation by reintroduction of 200% tax deductions on R&D related expenses

- Providing direct funding support to academia and industry
- Easing access to external sources of funding

Moreover, the Union budget should focus on increasing exports competitiveness of pharma products through various schemes such as RoDTEP, PLIs, Incentivising R&D and innovation in pharma sector. Pharma industry is a knowledge driven industry and India needs to move forward to Make and Discover in India from Make in India. This sector is not only an asset to our country but to the world and has to be given importance in the upcoming budget.

Sudarshan Jain, Secretary General – Indian Pharmaceutical Alliance, Mumbai

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#### "Tax cuts on life-saving drugs"

The Union budget should address long-standing special incentives and subsidies to encourage indigenous drugs and API production in line with Atmanirbharta. There should be tax cuts on life-saving drugs to make them affordable. We must also provide full medical cover to proactively help indisposed and senior citizens. Grants to Indian companies that make novel drugs should be made available to speed up patents and inventions. Flexible pricing policies that can encourage upto 7% MRP increase year on year and giving 300 per cent deduction for R&D expenses will be beneficial for the industry.

Sanjiv Navangul, MD & CEO, Bharat Serums & Vaccines Ltd, Mumbai

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#### "Increase proportion of Health Research allocation"

Hospitals should be included under the definition of 'industrial undertaking' u/s 72A of IT Act. This has been a long standing demand, critical to expedite private investment in healthcare capacity building and to ensure that healthcare is treated at par with other sectors.

Given that there is an urgent need for expansion of healthcare facilities in smaller cities and rural areas, the benefits u/s 35AD of IT Act should be extended to hospitals having:

- (i) min of 50 beds in tier II, III and IV cities and
- (ii) min of 25 beds in rural areas

It is recommended that tax exemption on Preventive Health check-up be raised from the current Rs 5,000 per person (Rs 7,000 for senior citizens) to Rs 20,000 u/s 80-D of IT Act. This is an opportunity incentivising health-oriented consumer behaviour for insulating individuals from effects of unanticipated healthcare spending and for institutionalising a Healthcare Savings Fund.

FICCI has recommended that some relief through weighted deduction on CAPEX u/s 35AD be provided to all hospitals who have made any capital expenditure for prevention and/ or treatment of COVID patients. On the GST front, government need to consider zero rating of GST for healthcare services.

There is also a need to increase proportion of Health Research allocation in overall Health Expenditure to at least 6% of the funds allocated to MoHFW.

Dr Alok Roy, Chair FICCI Health Services Committee & Chairman Medica Group of Hospitals, Kolkata

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#### "GST on medical devices should be taxed at lower rate of 5%"

The customs duties on IVDs, which increased from 10% to 30% last year, that are imported from USA are also impacting the

accessibility and affordability of diagnostics services in India. India imports 60% of its diagnostics, most of which include tech-intensive testing methodologies such as molecular testing etc. which serve the priority diseases like HIV, Hepatitis, Cancer markers, among others and are not domestically produced. Increasing customs duty of such preventive tests for critical diseases like cancer and HIV will severely affect the accessibility to affordable healthcare.

GST should not be charged on free goods and samples of healthcare products as it is needed to promote expansion of healthcare sector through reduced costs improving patient accessibility. GST on medical devices is taxed @12%; it should be brought at par with preferential products and taxed at lower rate of 5%. Spare parts to be used for medical equipment should be charged at the same rate of customs duty and GST.

Pavan Choudary, Chairman and Director General, MTal, New Delhi

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"GST on all supplies/services to Hospitals and Laboratories should be removed"

Domestic players can continue to fuel India's growth in healthcare sector and in order to make the ecosystem more vibrant and responsive. Things that need immediate attention are:

- CGHS / EHS dues are not still being paid regularly, in spite of assurances by the Central Government.
- GST on all supplies/services to Hospitals and Laboratories should be removed. In case the GST is abolished on supplies to Hospitals and Labs, the price to consumers will come down significantly.
- To make health insurance more affordable to larger sections of society, the GST on health insurance premiums should be withdrawn.
- As per section 80-D of the Income Tax Act, premiums paid by the individual taxpayers are allowed as deduction subject certain maximum amount, depending upon the age of the taxpayers. The maximum amount of deduction should be increased substantially to all categories of taxpayers.
- As per section 80-D, Preventive Health check expenditure up to a sum of Rs 5000 can be claimed as deduction, but this deduction is allowed subject to overall ceiling fixed. There has to be a separate deduction and the expenditure incurred has to be increased to Rs 15,000 and should be extended to the spouse of the taxpayer.

A Ganesan, Group Vice Chairman, Neuberger Diagnostics, Chennai

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"The Budget should also be able to create capacities for COVID-19 vaccination"

It is important to at least double the healthcare budget from last year's meagre allocation. This would help to improve access to affordable care for the masses. The Budget should also be able to create capacities for vaccinating India's large population against COVID-19 which is key to end the pandemic and revive the economy. Allocation of sufficient funds to cover about 40% of the low-income population who fall under the Ayushman Bharat scheme through free vaccination shall help in addressing this.

Also, India should have an open sky policy allowing Indian and foreign airlines to freely operate, which will bring down the airfare between the countries and help NRIs. A large number of NRIs have been made jobless and returned to India due to the pandemic. There is a requirement for a scheme for rehabilitation of the returning NRIs by providing them with jobs and seed capital for starting businesses. Initiatives to provide skill development for them may be started.

Dr Azad Moopen Founder, Chairman and Managing Director, Aster DM Healthcare, Bengaluru

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"Provide higher tax deductions for R&D expenses"

Being research intensive, the pharma sector spends a significant amount on R&D efforts. Providing higher tax deductions for R&D expenses will support higher investments in developing new drugs. Investments in novel and specialty drugs are subject

to higher risk of failure, leading to risk averseness. Higher tax incentives for R&D spends will incentivise Indian players to spend more, thereby providing the impetus for further R&D activities. Currently R&D investments are 100% tax deductible, which can be increased to 150%-200%, especially for novel drug discovery.

Lowering the GST rates for all life-saving drugs and moving them under the Nil slab, while moving other drugs to the 5.0% slab is likely to increase affordability and thereby lead to higher demand and consumption.

Gaurav Jain - Vice President, ICRA Limited, Pune

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#### "Zero-rating of GST for health care services"

Increasing public spending through subsidised loans, providing land for new hospitals, and encouraging Corporate Social Responsibility (CSR) spend by allowing it as a tax-deductible expense. Tax holidays for new hospitals in rural areas, weighted deductions, and tax holiday regimes for promoting India as a compelling R&D destination. Categorising life-saving drugs at the lowest rate of GST and 'zero-rating' of GST for health care services."

Deloitte India

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#### "Carry forward a present 150% deduction on In-house R&D"

Reforms in the taxation structure including GST, restoring export incentives, simple and consistent policies and compliances are some of the key issues to be addressed in the budget.

Tax deduction should be allowed not only on R&D but also on product development as product development is a key in exports, and should be encouraged. To encourage R&D, the Government must carry forward a present 150% deduction on In-house R&D.

Mahendra Patel, Managing Director, Lincoln Pharmaceuticals, Ahmedabad

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#### "Incentives for higher investment in innovative R&D"

The Government has already announced Productivity Linked Incentive (PLI) scheme for basic and innovative pharma manufacturing which is an encouragement for the Pharma industry to become more 'Atmanirbhar'. The COVID pandemic and the development of the Vaccines have resulted in an increased awareness of the need for pharmaceutical Research & Development spending to develop innovative pharmaceutical products. Currently as a country we have strong pharma manufacturing capabilities, however, we invest very little in innovative Pharmaceutical R&D to discover new pharma products in comparison to other countries including China and I hope the Government recognises this and provides incentives or initiatives in the new budget specifically targeting higher investment in innovative R&D.

Suresh Pattathil, MD, Allergan India, Bengaluru

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#### "A separate allocation for health communication for behavioural change"

It is time we de-silo healthcare as a service provided and look at the various other aspects that impact the need of health services or can impact its efficiency. Apart from increasing the overall share of public spending in healthcare, the health budget this year must focus on its integrated nature and adequate budgetary allocations must be made for: 1) primary

healthcare, especially in rural and remote areas, ensuring trained manpower and diagnostic services, in addition to affordable and accessible secondary and tertiary care 2) preventive healthcare to control rapid spread of non-communicable diseases and lack of adequate nutrition for the young and vulnerable population, and 3) associated areas such as pollution control measures for air, water, and soil, and strengthening of supply chain, especially for perishable food items. At the same time, a separate allocation must be made for health communication for behavioural change that will nudge people to adopt healthy and sustainable consumption and behaviour in the medium-to-long run, says

Kamal Narayan Omer, CEO, Integrated Health and Wellbeing (IHW) Council, New Delhi

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#### "Increase spending on diagnostics"

Diagnostic testing has proved itself indispensable during the pandemic and we hope that the government increases its spending on diagnostics in the upcoming Union Budget 2021. Diagnostics should be viewed strategically to detect early and treat. This can help reduce the financial burden of disease management while tremendously improving the quality of life of people. There is a pertinent need for an increase in healthcare allocation and a boost in Public-Private Partnership (PPP) to make quality diagnostics more accessible to everyone. The rollback of 5% health cess in Union Budget 2021-22 may help the medical device sector overcome the severe financial crisis created in the recent times. The industry is wishing for basic exemptions, such as reduction in customs and IGST Rates for imports to support the healthcare sector.

Narendra Varde, Managing Director, Roche Diagnostics India and Neighbouring market, Mumbai

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#### "Focus on the expansion of high-quality healthcare"

The budget must be designed keeping in mind the requirements of the Atma-Nirbhar Bharat. Significant allocation must be reserved to boost indigenous manufacturing & research in healthcare. Also, provisions in the union budget must focus on incentivizing local manufacturing of medical devices to give an impetus to the 'Make in India' initiative. Further to this, budget 2021 can prepare feasibility gap funding (VGF) options to further attract private sector investors in Tier 2 and 3 cities by focusing on Public-Private Partnership (PPP), and strengthening indigenous manufacturing of medical devices.

India needs an efficient solution to meet the challenges of its healthcare sector, especially high public expenditure, and therapeutic technology provides the most efficient solution for this. Therapeutic technology solutions will certainly help in creating a comprehensive and integrated healthcare ecosystem in the country and will help in providing patients, access to high-quality and cost-effective care.

The budget needs to focus on the expansion of high-quality healthcare with the potential to make healthcare more affordable and accessible by using technology to reach the grassroots level.

Dr. GSK Velu, Chairman and Managing Director, Trivitron Healthcare, Chennai

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#### "Incentivize biopharmaceutical investments by creating a research ecosystem"

The Pharmaceuticals industry anticipates the government outlay on public health to increase from 1.0% to 2.5% of the GDP, in line with the National Health Policy. This could include increased public investment in hospitals and incentivize private investment in research-quality hospitals. Government investments in bioPharmaceutical research should be at least 0.2 per cent of GDP. It should also incentivize biopharmaceutical investments by creating a research ecosystem with participation from Government, Academia and Industry .

The budget 2021 must work towards unlocking India's potential as a leader in pharmaceutical innovation, bringing in benefits in the form of more job opportunities, increased local and foreign investment, and higher tax revenues and export revenues, apart from vastly improving health outcomes for patients through access to newer medicines.

Automatic 100 FDI approval should also be considered for brownfield investments.

The industry also expects the GST on pharmaceuticals be brought down to 5% from 12% and the refund of accumulated credit due to inverted duty structure be done seamlessly and expeditiously. .

In order to encourage corporates to spend more on corporate social responsibility programs and being complaint to the 2 per cent compulsory spending, section 37 of the Companies Act, 2017 be ammended so that companies can claim deduction of its CSR expenses incurred on business-supporting socially responsible activities.

The budget should also come out with initiatives that can offer a better Ease of Doing Business for existing businesses by setting in motion with schemes and programs that can encourage manufacturing, distribution and retailing.

Organisation of Pharmaceutical Producers of India (OPPI)

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