Medical devices industry appeals PM to rationalize duty structure

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The AIMED has requested the prime minister Narendra Modi to help in rationalized inverted duty structure on medical devicesâ€‹ â€‹â€‹tâ€‹o encourage manufacturing in India.

"Every Finance Minister laments about downslide in manufacturing but does not take the steps to create the rational tariff structure to encourage this. Succor may be given to dead/dying units when it's too late on piecemeal basis without a structured reform and segment specific strategy," said the association in a statement on January 13, 2015.

AIMED has pointed out that currently import duty on finished medical device is far lower than duty on raw materials and inputs that go into making of medical devices resulting in making imports much cheaper than domestically manufactured devices."Indian medical device industry is poised for quantum jump. But we will lose a wonderful opportunity to leverage this situation and make India a global manufacturing hub if taxes are not rationalized," said Mr Rajiv Nath, Forum Coordinator, AIMED.

"Unless tax anomalies are removed, manufacturing of medical devices in India will not really take off, with or without FDI, more important , the healthcare security of the country is at stake" Mr Nath has added.

AIMED has advocated immediate reversal of this skewed tax structure to create a level playing field for domestic manufacturers and to encourage manufacturing within the country? We are not asking for 40% duty protection like the automobile industry, we can compete, but at least give us a level playing field.

"India manufactured goods are further disadvantaged by (a) Export encouragement policies followed by countries like China and; (b) import substitution policies in the form of 'Preferential Public Procurement Policies' that are again followed in countries such as US and China to encourage domestic manufacturing ", said Dr Velu , managing director of Trivitron.

For example, the Chinese government subsidizes all exports of medical devices by 17 percent. So even if an exporter sells below cost by 7 percent, he still makes a profit of 10 percent! This is topped by 25 percent Preferential Pricing Policy for Chinese manufacturers with 0 percent foreign equity. We don't even have a Buy Indian formal policy, even USA has a Buy

American policy, he quipped.

The existing structure has also resulted in steady closure of many domestic medical device manufacturing units with many erstwhile manufacturers simply turning importers to be in the business." When duty on competing imports are reduced by 17% in last five years with no proportionate reduction of duty on our raw materials etc it's not viable to manufacture for Indian investors how will having a 100% auto approval route for FDI make it viable for foreign MNC's ?" queried Dr. Velu.

"There are already many MNC's with 100% owned subsidiaries with warehouses but no factories. Why will they have the headaches of putting up factories and training skills if they have already been given headache free facility to import at NIL duty rates? Additionally they circumvent sales tax by selling on high seas sales basis to institutions" he remarked.

The Rs 30,000 crore or approximately $5 billion Indian medical device market is poised for quantum jump in the next couple of years. Projections are that Indian medical device sector will grow to $50 billion by 2020 even as Indian healthcare industry will touch $280 billion by this time.

Medical device industry has been identified by the Central Government as one of the five key sectors which can shape up Prime Minister Modi's vision of 'Make in India' into reality but for this to happen, major impediments such as irrational tax structure need to be removed by withdrawing all concessional duty notifications on Basic duty and SAD.