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IMA urges finance ministry to reduce GST on medical devices & drugs to 5% from 12%

04 December 2017 | News

IMA urges finance ministry to reduce GST on medical devices & drugs to 5% from 12% Landed cost of imported equipment has significantly gone up with the implementation of IGST



The Indian Medical Association (IMA) has urged the Union finance ministry to reduce the goods and services tax (GST) on all medical equipments, devices, medicines and consumables to 5 per cent from the present 12 per cent to make healthcare affordable for all.

With disposables, drugs and reagents being bracketed under 12 per cent GST, the cost of surgeries and other procedures (that involve use of disposables and reagents) has gone up considerably. The old tax rate for these items varied between 2 per cent to 5.5 per cent, said IMA national president Dr KK Aggarwal.

The services which face increased taxation due to GST are 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%).

Ancillary medical procedures and diagnostics, which play a key role in treatment, have been put under the 12% and 18% slab respectively. GST should be altered for diagnostic (viral transport media and culture media) from 18% to 12% as is applicable for all other diagnostic kits and reagents, said Dr Aggarwal.

Most of the medical devices and implants which were importable at 0% duty, consequent to the imposition of GST, the 5% VAT has gone up to 12% IGST. The items covered in this are medical devices, cardiac implant and other high-end items like pacemakers, LVAD, etc. The ministry should intervene and reduce GST on all medical equipments, devices, medicines and consumables to 5% as against 12%. If the government takes definition of life saving as per Income Tax Act, very few devices will be included. Consumables can be equated with surgical items which at present attract 5% GST, he added.

The effective tax on input services has gone up from 15% to 18%. This obviously will now lead to inflation in cost of healthcare services and impact the viability of the sector, since most of the services like housekeeping, GDA, security, food and beverage and repair & maintenance are typically outsourced in the hospital.

The IMA appealed to finance ministry to allow exemption from input GST for some of the services namely GDA, housekeeping, F&B and repair & maintenance.

Hospitals were issued scrips under Served From India Scheme (SFIS) earlier. These scrips were usable for the payment of various duties/taxes to Central government on importation including countervailing duty (CVD) etc. Now the scrips can be used only to pay custom duty, which makes the whole equation uneconomical and the very purpose of scrip is defeated. We request the ministry to allow for the payment of IGST against the scrips, said IMA national president.

Landed cost of imported equipment has significantly gone up with the implementation of IGST. Since earlier the imports did not have VAT on all the following equipment, the landed cost of equipments which were not manufactured in India has now come under IGST regime which in turn increased the landed cost from 8% to 10%. The ministry should review the situation especially with regard to medical equipments which are not manufactured in India so that the investments in technology are optimized.

The IMA urged the ministry to do away with provision of reverse charge applicable to healthcare. The purpose of reverse charges was to pay GST and take credit. For healthcare, where the end services are exempt – this is added costs and efforts, said Dr Aggarwal.

The doctors' representative body has also appealed to the ministry to decrease GST on health insurance premium to 5 % from 18%. In direct taxes (Income tax) there is an exemption under Section 80D on payment for health insurance. But in Indirect taxes there is a GST tax of 18% on payment for health insurance, he said.