

GST Impact on the Health Care Industry- Two Sides of a Coin.



Mr. Siddharth Surana

Associate Manager -
Tax and Regulatory
K Vijayaraghavan and
Associates llp.



Beginning July 1st, the World's largest democracy has adopted a new tax regime- The Goods & Service Tax. This being a radical shift from the existing tax regime, the government of India has kept in mind a smooth and flawless transition by not raising or reducing the existing tax rate on goods and services too drastically. It was also agreed to keep the existing list of items that are exempt from taxes intact in the new regime. Healthcare, hence, found itself on the exemptions list again even under the new regime.

But there exist two sides of a coin. Similarly, though the health care services are eAxempt on one side, the inputs used to provide such health care services are now taxed under the 12% tax bracket in total contrast to the old tax bracket of 2% -5.5%. Subsequently, the cost of surgeries and other medical procedures that involve use of such inputs, will now go up considerably.

Secondly, Housekeeping services and Security services which are essential to the healthcare sector are also now taxed at a higher rate of 18%. An increase in the rate of these services lead to increase in the day to day operating costs of any health care establishment.

Thirdly, ancillary medical procedures and diagnostics including reagents, which play a key role in treatment, have been put under the 12 percent and 18 percent slab. This means, cost of diagnostic services will go up considerably.

Until now, life-saving drugs that treat diseases like malaria, HIV-AIDS, tuberculosis, and diabetes, had been exempted from excise and customs duties. But GST has now slotted them compulsorily under the five percent slab, while categorizing formulations into the 12 percent slab (up from nine percent).

As a result of all the above, the increase in the input costs to the hospitals have only one way out. They have to be passed onto the end customers i.e. the patients. The only relief is that luxury tax on room charges has been subsumed into GST and hence, patients will no longer be charged a separate luxury tax.

Hence, the overall cost of healthcare will increase as tax on inputs of hospitals including equipment, accessories and services such as maintenance of equipment and labour contracts, will rise. But the positive aspect of GST is that, there will exist a seamless input tax credit system, which shall pose like a boon in spite of all the enhanced costs.

Mr. Rajiv Nath

Forum Coordinator | AiMeD



GST is expected to be a boon for the economy in long run but we have had more than a few teething problems - e.g. Manufacturer- Exporters in SEZ unable to registered in over 2 weeks and exports and

manufacturing disrupted ,lack of clarification of HSN codes by those new to the system so invoicing and sales disrupted. Additionally while for most devices there should be no impact on MRP to consumers or pricing to dealers but for Clinical Thermometers , Pace Makers and IOL it's gone up surprisingly. There are some Devices like Analysers and Hospital Furniture kept at 18% GST whereas we had requested for a cap of 12% on Medical Devices.

Why wait until you reach your Clinic/Hospital to see the inflow of patient appointments when you have the option of viewing it wherever you are?

INTRODUCING MEDHOS, SMART ONLINE APPOINTMENT MANAGEMENT SYSTEM.
A 100% Online Appointment Booking Portal

"Patients are looking online for the best doctors with real time availability. Register now with MedHos to increase your visibility online and provide service to your patients at mutual ease and convenience."



Register Now & Start your Free Trial

 MedHos

Call: +91-9580085558

Visit: www.medhos.in

E-Mail: registration@medhos.in

Scan to
register

