

GST HEADLINES

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Exempt Life-Saving Drugs from GST

[Source: Business Line]

Exempt Life-Saving Drugs from GST



The experience of the Indian pharma industry in the last couple of years has been discouraging as no importance, not even a mention has been made of this industry in the last few Budgets.

This is very disheartening considering the fact that the pharma industry is one of the top foreign exchange earners and is almost a self-sufficient industry.

However, some of our important expectations include: GST will be implemented from July 1 and we expect the total tax rate for our industry to increase. To ensure continued availability of medicines, government must uniformly exempt all life-saving medicines from GST and also allow suo moto increase in prices of all drugs to adjust the increase in GST rates. Rationalisation of excise duty between input rate at 12 per cent for raw materials and output rate at 6 per cent for finished products is an urgent need. Abatement needs to be immediately increased to 50 per cent as the current 35 per cent is not sufficient to cover trade margins and other costs such as R&D incurred by the industry.

The term 'Service' needs to be clearly defined under Point of Taxation Rules, 2011 for the purpose of Service Tax to exclude transactions subjected to sales tax /VAT etc to avoid duplication of taxes or provide clear exemptions in the service tax provisions. Exemption limit under SSI exemption scheme should be increased to ₹200 lakh from the present ₹150 lakh and eligibility limit increased to ₹500 lakh from ₹400 lakh. Exemption notification should be granted to medicines supplied free during national calamities. In cases where, Central Excise Duty has already been paid, refund of duties should be granted promptly. Considering the long-term benefits of R&D to the economy, all excisable goods used for R&D purposes should be exempted from Central Excise Duty as also import of all capital goods, raw materials, consumables and reference standards for

R&D purposes must be fully exempted from customs duty and other related duties. This will definitely boost our R&D activities significantly.

Also, a weighted deduction of twice the expenditure on scientific research incurred by a company is allowed. With increasing volume of our pharma exports all over the world, our companies need to invest substantial amounts in product registration overseas. Hence, expenditure eligible for weighted deduction should include product registration expenses in foreign countries, consultant fees for patent, product registration etc.

Available at: [HTTP://WWW.THEHINDUBUSINESSLINE.COM/ECONOMY/BUDGET/EXEMPT-LIFESAVING-DRUGS-FROM-GST/ARTICLE9508274.ECE](http://www.thehindubusinessline.com/economy/budget/exempt-lifesaving-drugs-from-gst/article9508274.ece)

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