IMA urges the Government to exempt healthcare services from the GST regime

While welcoming the Government’s initiative of bringing GST close to reality, IMA requests that healthcare services offered by private entities be exempted from GST.

Writes letter to the Revenue Secretary, Ministry of Finance, Government of India

New Delhi, Dec 13, 2016: Indian Medical Association (IMA), the largest representative organization of over 2.7 lakhs doctors practicing modern medicine across the country with over 31 State branches and 1700 local chapters has urged the government to exempt healthcare services offered by private institution from the GST. A joint letter signed by IMA authorities has been sent to the Revenue Secretary, Ministry of Finance Government of India with a copy to the Honorable Finance Minister as well as the State Finance Ministers

Presently, healthcare services provided by all types of clinical establishments are exempt from Service Tax vide Entry No. 2 of the Mega Exemption Notification No. 25/2012-ST dated June 20, 2012. Healthcare services exempt under the Mega Exemption Notification are strictly defined to cover diagnosis, treatment and care for illness, injury or deformity etc. No exemption is available for treatment considered cosmetic such as aesthetic/beauty enhancement purposes. Further, vide Notification No. 04/2014 – ST dated February 17, 2014, services provided by cord blood banks by the way of preservation of stem cells or any other service in relation to such preservation have also been accorded specific exemption from Service tax by insertion of Entry No. 2A in the Mega Exemption Notification.

Padma Shri Awardee Dr. K.K Aggarwal, President Heart Care Foundation of India (HCFI) and National President Elect Indian Medical Association (IMA), said, “We welcome the government’s decision on enforcing the GST and feel that it will increase transparency and improve efficiency in the country. However we feel that the GST exemption of healthcare services offered by governmental institutions should be extended to the private sector as well”.

IMA in it’s letter drew attention specifically to Schedule IV of the Revised Model CGST/SGST Act, 2016, containing an exhaustive list of activities or transactions undertaken by the Central Government, a State Government or any Local Authority that shall be treated neither as a supply of goods nor a supply of services. Para 3(iii) of Schedule IV specifically gives exemption to
healthcare services provided by a Central Government or Local Authority or a Governmental Authority. IMA pointed out that there is however no mention of private players here.

In this regard, the term ‘healthcare services’ as defined in Para 2 of the Definitions under Schedule IV to the Revised Model CGST/SGST Act, 2016, has been similarly worded as presently contained in the Mega Exemption Notification:

“2. Health care services means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does not include hair transplant or cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma”

Attention is requested further to be drawn to the place of supply provisions contained in Section 9 of the Revised Model IGST Act, 2016, for determining the place of supply of services where the location of supplier of service and the location of recipient of service is in India. Health services have been covered here also to state that the place of supply of health service including cosmetic and plastic surgery shall be the location where the services are actually performed:

“(5) The place of supply of restaurant and catering services, personal grooming, fitness, beauty treatment, health service including cosmetic and plastic surgery shall be the location where the services are actually performed.”

The Private Sector Healthcare Industry is expecting exemption to be granted to healthcare services, in general, irrespective of the status of the service provider, as exists in the current indirect tax regime. However, as we have mentioned, the stated provisions in the GST proposed draft create doubt about the fate of exemptions for healthcare services provided by private entities under the new GST regime.

Exemption of GST to private sector shall result in following benefits:

- Avoid any increase in the cost of healthcare being provided by the private sector in India
- Ensure affordable healthcare services in India
- Ensure a promising future for healthcare in India.
- Eradicate any possibility of dis-incentivizing future investments in the private healthcare sector
- Combat inflation by reducing the cost of healthcare services, which are otherwise exempt from duty/taxes.

-Ends-
**About IMA:** Indian Medical Association is the only representative, national voluntary organization of Doctors of Modern Scientific System of Medicine, which looks after the interest of doctors as well as the well being of the community at large. It has its Headquarter in Delhi and State / Terr. Branches in 29 States and Union Territories. It has over 2,53,000 doctors as its members through more than 1650 active local branches spread across the country.

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