



## Public policy of GST in India: A study on pharmaceutical sector with special reference to Healthcare

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### ABSTRACT

India's greatest duty move is now a reality. 1999 was the year when GST was thought of. The amending bill for the full-powered launch of GST was approved by the Rajya Sabha on 8 August 2016, and it was enacted in late August. It is essential to comprehend that GST isn't a duty concession scheme where every good and service has become way cheaper just because the administration has decreased the duty rates. The single Revenue Neutral Rate (RNR) was a difficult system to manage, and thus the Indian govt. I wanted to fix it. Nonetheless, because of practical reasons, "four GST slabs have been set at 5%, 12%, 18%, and 28%. Precious metals have a special rate. The rate of 18% would anyway be relevant for most goods. GST was enacted on 1 July 2017."

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### INTRODUCTION

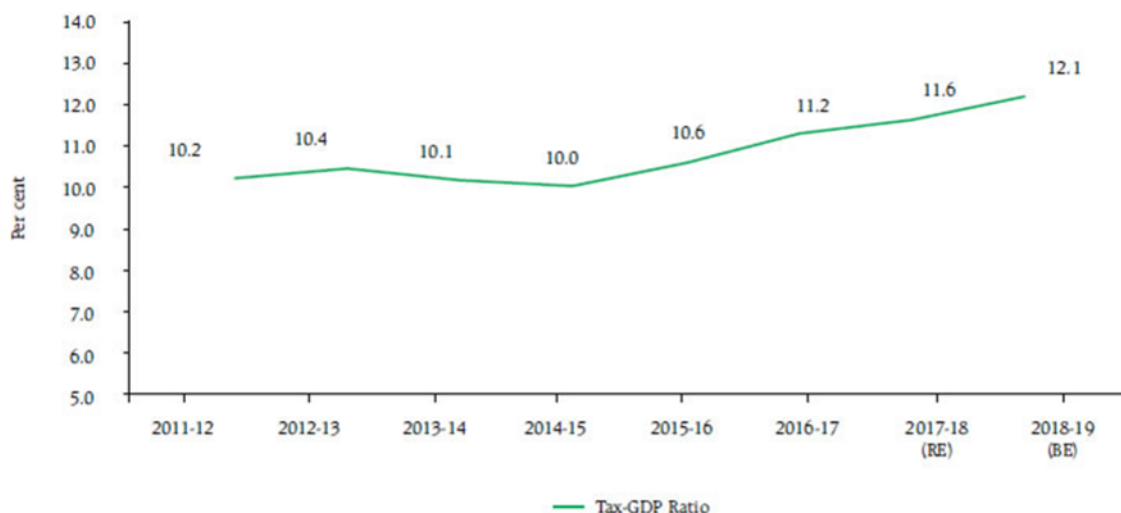
There are a lot of divisions of duty taken in this country. Direct Taxes were paid directly to the government. Indirect Tax is on the service provided as opposed to income. It was indirectly paid to the government by the taxpayer but was collected by the govt. From intermediaries. These intermediaries

later filed a tax return.

The service sector contributed to over 55% of duty in India (Table 2). Separate taxation was not required at all, and it only created problems. Indian and imported goods are now taxed at the same rate. Under GST, several non-direct taxes have come together under one shed. A lot of non-direct taxes have been combined under the common roof of GST (Table 1).

The primary country to introduce GST in 1954 was France. After it, 164 nations have adopted it till now, including India in 2017. Atal Bihari Vajpayee brought in this system in 2000, but it wasn't passed due to some reasons. India's honorable Finance Minister, Arun Jaitley, introduced this bill on 19th December 2014, and it was passed by the house on 6th May 2015 (Charan *et al.*, 2017). All the states approved the bill, and then it was given the green light by President Pranab Mukherjee on 8th September 2016. GST was introduced so that the

## Tax-GDP Ratio-Budgeted to be Highest so far



**Figure 1: Impacton Indian GDP**

taxpayer doesn't have to pay a lot of different non-direct taxes (23), and one can pay the single unified GST once (Bhattacharya, 2017).

After the inaction of GST, India's duty structure has become much more clear and elaborate. India's Tax to GDP ratio has increased after the inaction of GST. Earlier, all the taxes went to the central govt. And it decided which state will get what percentage of taxes collected. Now, the duty collected is equally divided between the center and the state government in the name of CGST and SGST (Table 3).

### Research Problem

The concept of GST is the most humongous duty change in decades throughout the entire world, but important steps have been taken by India to meet its target by rolling out the Goods & Services Tax (GST) on July 1, 2017. The paper has been drafted by conducting a thorough survey in various hospitals. The role of this research paper intends to focus on learning GST and its impact on the Indian Healthcare industry.

### Objectives

The intent of the study is,

1. Studying the idea of GST and its impact on the Indian Economy.
2. Understanding the way GST is working in the Healthcare Industry of India.
3. To discover the pros and cons of GST in the Indian healthcare situation.

### RESEARCH METHODOLOGY

The following methodology was followed while writing this paper,

1) A proper survey was conducted in various hospitals in which the following questions were asked,

i) What was the situation before GST was implemented?

ii) What were the rates of products before GST?

iii) What were your views about GST before it was implemented?

iv) What was the situation when GST was just implemented?

v) What are the rates of products after GST?

vi) What are your views about GST now?

vii) Has it benefited or hampered the Indian Taxation System?

viii) How has GST affected your hospital as a whole?

2) Studied research papers before and after GST was implemented.

3) Further read about GST from the book GST: CONCEPTS FOR THE LAYMAN by CA Avinash Poddar

4) Researched about GST on the internet

### Content

#### Which Countries Collect the GST?

The Goods and Services Tax was first to implement and successfully executed in the country of France around the year 1954. Currently, 164 countries have implemented this tax.

**Government of India/State  
Department of .....**

**Form GST INV- 1  
(See Rule -----)**

**Application for Electronic Reference Number of an Invoice**

1. GSTIN
2. Name
3. Address
4. Serial No. of Invoice
5. Date of Invoice

**Details of Receiver (Billed to)**

Name  
Address  
State  
State Code  
GSTIN/Unique ID

**Details of Consignee (Shipped to)**

Name  
Address  
State  
State Code  
GSTIN/Unique ID

Sr. No.	Description of Goods	HS N	Qty.	Unit	Rate (per item)	Total	Discount	Taxable value	CGST		SGST		IGST	
									Rate	Amt.	Rate	Amt.	Rate	Amt.
	Freight													
	Insurance													
	Packing and Forwarding Charges													
	<b>Total</b>													
Total Invoice Value (In figure)														
Total Invoice Value (In Words)														
Amount of Tax subject to Reverse Charges														

**Figure 2: GST Invoice Bill Format**

**Table 1: Rate classification for goods**

Exempt	5%	12%	18%	28%	28%+Cess
Food Grains	Coal	Fruit Juices	Kitchenware	Air Conditioners	Small Cars
Cereals	Sugar	Vegetable	Hair Oil	Refrigerators	(1%/3% cess)
Milk	Tea and Coffee	Juices	Soap		Luxury Cars
Jaggery	Drugs and medicine	Beverages containing milk jams	Toothpaste		(15% cess)
Common Salt	Edible Oil		Glass Fibers		

Source : (Lourdunathan and Xavier, 2017)

**Table 2: Rate Classification for Services**

0%	5%	12% & 18%	28%
1. Education	1. Goods transport	1. Works contract	1. Cinema tickets
2. Healthcare	2. Rail tickets (other than sleeper class)	2. Business-class air travel	2. Betting
3. Residential accommodation	3. Economy class air tickets	3. Telecom services	3. Gambling
4. Hotels / Lodges with tariff below INR 1000	4. Cab aggregators	4. Financial services	4. Hotels / Lodges with tariff above INR 7500
	5. Selling space for advertisements in print media	5. Restaurant services	
		6. Hotels / Lodges with tariff between INR 1000 and 7500	

Source : ([Lourdunathan and Xavier, 2017](#))

**Table 3: Taxes which were brought together under GST**

State Taxes	Central Taxes
Value Added Tax	Excise Duty
Entertainment tax levied by states	Additional excise Duty
Luxury Tax	Excise Duty under medicinal and toilet Preparation Act
Tax on Lottery, Betting, and Gambling	Service Tax
Entry tax other than for local bodies	Additional Customs Duty is commonly known as Countervailing Duty (CVD), Special Additional Duty(SAD)
	Surcharge
	CENVAT

Source : ([Mali and Bala, 2017](#))

**Table 4: Post GST : GST Rate on Pharmaceutical Product**

Nil	5%	12%
Human Blood and its components	Animal or human blood vaccines	All goods not specified elsewhere; medicines made by mixing two or more constituents for therapeutic or prophylactic uses. (including Ayurvedic medicines)
All types of contraceptives	Diagnostic Kit for all types of Hepatitis	Medicines made by mixing two or more products for therapeutic or prophylactic uses. (including Ayurvedic medicines)

### How do the GST Systems Work?

The Goods and Services Tax works on the principle of setting a lone tax rate framework for a whole country. This helps in bringing out a consensus between state-level taxes and nation level taxes into a single tax framework.

### GST - An Indian Scenario

Following were the supporting reasons to adopt GST,

The previous tax system allowed a diversity of taxes. The introduction of GST made it unique. Many areas of Services which were untaxed were also covered after the enactment of GST. GST helped in the development of a common national market and cleared all confusions caused due to the existence of multi-

ple taxes. Excise, VAT, CST had a cascading effect on taxes. GST remedied this. GST led to credit availability on throughway purchases and reduction in obedience requirements. Applying of GST did more than basically balancing the tax burden. Achieved uniformity of taxes across the country, regardless of the place of manufacture or distribution. Provided greater certainty and transparency in duties and taxes. Ensured tax compliance across the territory. GST has avoided double taxation to a large extent, ([Charan et al., 2017](#)).

The source of the above chart is the Reserve Bank of India. As we can see, the GDP has been rising steadily since GST was introduced, and the GST is estimated to grow in the current financial year

**Table 5: Post GST : GST Rate on Pharmaceutical Product**

Department	Summary	Pre-GST	Post-GST	Items Getting Expensive
Nephrology	Dialysis Under Heavy Tax	5%	12%	Dialysis fluid, Homo Dialysis Machine, Dialysis Needles, Tubings, Catheter, Plasma filter
Heart Treatment	A pacemaker will be charged GST under 18 percent	5.5%	12% to 18%	Lead valve of Pacemaker, Device
Eyes Treatment	Operations became 15 percent costlier, and Lens surged to up to INR 500	9%	12% to 18%	Indian Lens Machines - INR 1200 to 3000 surged to INR 1500 to INR 3500. Foreign machines - INR 5000 to 9000 surged to INR 6000 to 10000
Orthopedics	Changes on implants is neutral, Support devices getting costlier	5%	12% to 18%	Bone cement, Operation equipment, drill machines, etc.
Cancer treatments	Each cancer treatment cost 12% extra except for blood cancer treatments	5%	7% to 12%	Imported medicines have become expensive. An advanced-stage cancer patient will incur INR 10,000 extra on treatment.

Source : (Bhattacharya, 2017)

(2018-19), (Figure 1).

## RESULTS AND DISCUSSION

### Impact of GST on the Healthcare Sector in India

The Indian Healthcare Industry is now one of the major sectors with respect to revenue and employment. As the investment on healthcare increases, so do revenues from taxes.

The GST helps the industries by streamlining the taxation structure as 8 different types of taxes were being imposed on the Pharmaceutical Industry previously.

Furthermore, the use of GST has also enabled a flow of consistent tax credit, improvement in the overall concurrence creates an equal level playing field for the Pharmaceutical institutions in the nation. The reduction of the overall transaction costs with the withdrawal of CST has been the biggest boon for the institutions. GST was also expected to lower the manufacturing cost (Table 4) and (Table 5).

The GST legislation has benefited the customers by making health care affordable. This was a huge tax reform and one of the biggest major milestones for the country and its industries. The GST bill boosts

the local manufacturing sector, enable more accessibility to products which will be affordable for the local consumers and will give a momentous boost to the "Make in India" movement, specifically in the healthcare sector (Gautam and Sharma, 2019).

### Impact on Medical Tourism

India has an advantage on western countries in terms of Medical Tourists. A lot of surveys show that the costing of a medical service, including service, products, travelling, and lodging to India costs about 60% less of the same treatment as that in First World countries. India is proud to have one of the biggest healthcare workforces of near about 50,000 or more doctors and nurses produced each year. In the present scenario, the country's medical tourism is facing a boom, which is generating surplus returns for the Healthcare Industry. The income from the medical tourism in India has grown from \$334 million in 2004 to \$2 billion.

As soon as GST was implemented, Medical Tourism has grown manifold. As GST has been introduced, the cost of insurance, pharmaceuticals, and travel globally, along with good quality health care, has reduced, which has increased medical tourism in India (Hadi, 2009).

## Research Findings

Broadly speaking, the impact of GST on the country has been mostly positive and progressive. The Industry specialists have confidence that after the enactment of GST, customers and industry players have entered a win-win situation. The Healthcare Industry has profited from the GST inaction as it has diminished the complexities and various obstacles to the extension of trade. The healthcare sector, including medical tourism, is on the way of expanded profitability and promising development in the near future.

Following were the results of the survey conducted,

### Previously

1. All hospitals used to pay two taxes - VAT and Service Tax (both indirect)
2. Both taxes had to be filed in distinct departments with distinct numbers- Service Tax under the Income Tax dept. With the Service Tax Number and VAT under the Sales dept. With the VAT TIN number.
3. The process was offline, so it was tedious and lengthy.
4. No cross-verification led to many cases of forgery.
5. The departments usually had long lines for filing taxes.
6. All taxes went to the Central govt. And it decided the percentage allocated to each state ([Singh et al., 2011](#)).

### After implementing GST

1. The whole process of filing taxes is now online.
2. Service Tax and VAT was combined under one department, and a single GST number was generated for paying the tax.
3. The single GST number was made self-sufficient and is now enough for all tax-related enquiries.
4. The GST number is linked to the PAN number ensuring greater transparency.
5. The concept of HSN code was introduced. All services or products under a single HSN code have the same rate of taxation.
6. The discrepancy of distribution of taxes to states was removed by dividing the taxed amount equally between the Central and State government.

7. There are three types of GST - "IGST (Integrated GST), CGST (Central GST), SGST (State GST)"
8. The GST invoice format proposed ensures greater transparency as the Receiver and Consignee Name, Address, GST Number, PAN Number are all present under one roof ([Mali and Bala, 2017](#)).
9. The tax data has to be uploaded by the 10th day of each month
10. All tax data filed between the payer and payee is cross-verified. This removes discrepancies as well as eliminates chances of fraud.
11. If the HSN Code entered is incorrect, the portal does not proceed forward, ensuring even better tax filing.

Overall, the survey concluded that although some products and services were rendered expensive due to GST, the overall effect of GST on the healthcare industry is favorable as the process has become more robust, faster and seamless ([Lourdunathan and Xavier, 2017](#)).

## CONCLUSION

Overall, majority of the population feels that the implementation of the GST will have a constructive consequence on the Indian economy in the long run, especially due to the fact that all the details and nitty gritty of purchase and sales data is transparent and fully available for the purpose of claiming GST credits. The Economic Survey in 2017-18 has brought to light the fact that the number of payers of indirect tax has increased, with the majority of them being voluntary. The Industry expects further standardization and simplification of GST rates and practices. Previously, the process of filing taxes was tedious. The VAT and Service Tax were to be filed in different departments and two separate identification numbers. After the enactment of GST, all of this has come under one roof (single department) and under one single identification number - the GST number. The GST Tax rate of a service or product is decided according to its corresponding HSN code. Overall, in the healthcare sector, GST has been a boon. It has led to better transparency in the system. The tax rates for all services, as well as products, has become clear and more precise. The fact most cherished by the employees of major hospitals is that the new system is online. This makes it much easier to file taxes with a click of the mouse.

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