

The GST reform: Will it cost us our Health?

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GST, the Goods and Services Tax has been in the pipeline for long time and was finally rolled out on July 1, 2017. This has been rated as one of the biggest tax reforms of modern day India and is speculated to simplify the tax complications.

GST is levied on the supply of goods or services or both in India and will replace a number of existing indirect taxes being collected by the Centre and State Governments, including Central Excise Duty, Service Tax, VAT, Purchase Tax, Central Sales Tax, Entry Tax, Local Body Taxes, Octroi, Luxury Tax, et al. GST will help streamline the taxation system in the country and is set up with a primary aim to bring uniformity in tax laws in our country, hence the mission: One Country, One Tax.

But in a large country where a considerable population does not have adequate access to proper medical facilities, how will it impact one of the most important yet neglected sectors: Healthcare. The government recently passed the National Health Policy 2017 that promises to increase public healthcare spending to 2.5% of GDP.

IMAGE SOURCE: http://i.ndtvimg.com/video/images/vod/medium/2016-08/big_428354_1471872931.jpg



Picture: Voice of Health an initiative by medical experts, Dr. Sameer Gupta (left) and Dr. Sonia Lal Gupta (right), to make more people aware of the importance and benefits of leading healthier lives. Doctors On Call is a TV show on NDTV where Dr. Sameer and Dr. Sonia discuss a wide range of healthcare and lifestyle issues including awareness about diseases, their prevention and their treatment.

Fortunately healthcare has remained exempted from GST; the exemption of healthcare services like the diagnosis and treatment of illnesses, injuries, abnormalities or pregnancy in any of the fields of medicine acknowledged by the government of India. However, the extent of GST does not encompass cosmetic or plastic surgeries and hair transplants unless undertaken due to unavoidable circumstances such as injuries or developmental defects.

This exemption is in turn a continuation of the exemption from earlier years that defined services of diagnosis, treatment and care for illness, injury or deformity.

This may cover the services offered by the hospital but the hospital in turn sources goods and services from various other sectors that may be affected by the GST. These include medical equipments, pharmaceuticals and outsourced man power that has seen an increase of the service tax by 2-3%. There has also been an increase of the taxation on pharmaceutical products from 10% to 12% . This increment will most likely be borne by the consumer and will lead to an increase in the price of drugs.

The changes taken together may lead to a marginal increment in the cost of healthcare but the exact effect of the new financial system will only be completely understood after it has been in effect for a few month.

Although GST is speculated to create confusions and havoc, the council has designed it as simple and adaptable as possible. Tax rates on most of the goods and services have been kept in balance as charged earlier; GST is designed to diminish

the complexities and establish uniformity.

To keep it smooth, the council has also kept goods and services that are of prime importance - like healthcare - that were exempted before the implementation of GST intact in the new regime. Thus, Health Care becomes a privileged exception from the ripple effects of the GST.

Furthermore, the cost of healthcare packages, with the inclusions of accommodation and travel still stands at 30-40 percent of that in first world countries. This makes medical tourism one of India's prominent industries, with revenues in a \$2 billion range this year itself.

GST will not only reduce the complications in the tax laws but also bring about positive impacts on the healthcare sector. It is set to be a boon to the GDP and the Indian Economy, but most importantly - health to all the citizens!

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