

GST Alert 05/2022-23

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GST on Health Care Sector

Health Care Services sector has been out of the Indirect Tax net for long. Pranab Mukherjee tried to bring in Service tax @ 5% on high end health care services in 2011, but he was forced to roll it back. GST Council in its 47th meeting held in Chandigarh on 28-29th June 2022 has chosen to bite the bullet and start with taxing the hospital rooms.

These changes are effective from 18th July 2022

GST on Hospitals and Health Care sector – [Noti 3/2022 – CTR]

- 1. GST @ 5%** will be levied on Services provided by a clinical establishment by way of providing room **other than** Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU) having room charges exceeding Rs. 5,000 per day to a person receiving health care services. Hospital will not be eligible to avail ITC.
- 2. GST @ 12%** will be levied on Services by way of treatment or disposal of biomedical waste or the processes incidental thereto by a common bio-medical waste treatment facility to a clinical establishment. Earlier this service was exempted
- 3.** Health Care Services offered by a clinical establishment, authorised medical practitioner or a para medic is exempt from GST, there is no change in this yet.
- 4.** Clinical establishment has been defined to mean a hospital, nursing home, clinic, sanatorium or any other institution that offers health care services
- 5.** Health care services are defined to mean 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;



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6. Health Care Services provided by a hospital or doctor are still exempt from levy of GST. When a patient is admitted to a hospital, he goes there to avail health care services, staying in a room is part of the whole process. What he pays for at the end is for health care service as a whole. He pays for doctors' fee, nursing charge, health services, room cost, medications etc, which in my view is a composite health care service, Room charges become part of the entire composite service and they cannot be taxed separately by culling out its value from the invoice. There have been many judgments on the issue of taxability of Medicines whereby the courts have in unison said that they aren't liable for VAT if they are part of the health care services, we all understand this concept as In-patient and Out-Patient. History is about to repeat itself, unless the council chooses to notify a smart way out.
7. Another question that would arise is with regards to Packages being given by the hospital, for example many Heart Hospitals charge a lumpsum amount for a Bypass Surgery which includes all charges for the ailment including the room cost. There is no specific bifurcation available unless required for by the medical insurance companies. It would be a challenge to tax the rooms alone in such situations.

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