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Slashed GST rates on COVID-related items: The stakeholder view



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It's been four years since the Goods and Services Tax (GST) came into effect from 1st July, 2017. Since then, so much has changed in the tax regime.

*In a recent development, the GST Council reduced the rates of COVID essentials, including drugs for treatment and other related items. To understand the pharma industry's stakeholders' point of view in this regard, **Express Pharma** gathered the reactions from*

some of the experts and veterans who have been observing, analysing, and playing an important role in the development of such decisions, while keeping a close eye on all that the industry has been going through for years. Read on:

The decision could have been taken till December 2021 or March 2022

There are two things – availability and affordable availability of a product. During a pandemic, affordable treatment is a necessity. Hence, the slashed GST rates on COVID-related items is a welcome move that has been taken by the government. However, it would have been better if the decision would have been taken till December 2021 or March 2022. Hopefully, the government will consider the same. Nevertheless, the country is going through tough financial times and the government would not like to lose the momentum. So, March 2022 should be a good enough time because companies need time to plan and come up with their products.

Further, since vaccines are primarily bought by governments, five per cent GST on these doesn't make an impact because ultimately, it is just balancing the accounts from one side to another. At present, patients are getting impacted because of the price of the medicines. The GST reduction is for benefitting the consumers. So, whatever the deduction is, the benefit will be passed on to the consumers. However, there are still many COVID-19-related products that are left, on which the GST rates haven't been slashed. All those products – like Favipiravir, Itolizumab, etc. should be included and the GST rates can be kept at five per cent.

– **Sudarshan Jain**, Secretary-General, Indian Pharmaceutical Alliance (IPA)

A welcome step

Reduction in tax rates on COVID-related items is a welcome step. The move is in line with tax concessions on such items by many countries such as Australia, France and other countries in the EU which had waived taxes and duties on such items last year and have further extended them in the current year. It will definitely come as a relief to the patients as they will not be charged with GST at the rate of five to 12 per cent, which was usually applicable on such medicines. Moreover, with amendments in the GST law, the vaccines could have been notified as a 'zero rated' supply (like exports and supplies to SEZ) where

the benefit of input tax will be available to the vaccine manufacturers. Treating them as 'zero rate' supply instead of upfront exemption would have ensured that there is no loss on account of input credit accumulation. Alternatively, waiving GST on the entire supply chain (raw materials, etc.) of vaccines could help lower their prices. Another measure could be by way of reimbursing GST on vaccines from utilising the PM CARES Fund. GST Council should proactively consider eliminating or slashing the tax rates on vaccines from five per cent.

After the concession/exemption in tax rates, some companies could find themselves under Inverted Duty Structure as input tax credit of taxes paid on their inward supplies might get accumulated due to lower tax liability on their output supplies. Medicines viz. Tocilizumab and Amphotericin B are now fully exempted from GST and consequently benefit of credit of taxes paid on their inputs get restricted – which push up costs. Hence, lack of rate rationalisation for the full supply chain and not treating medicines as 'zero-rate' could hinder companies from passing the full benefit to patients. While adjusting their prices, the industry must be mindful of the anti-profiteering watchdog called the National Anti-profiteering Authority ('NAA'). Recently, the NAA has issued a memorandum with directions to the taxman to ensure that there is a commensurate reduction in prices of goods on which GST rates stands reduced. For the patients, however, a continuation of exemption is needed and expansion in its scope to cover other COVID-related items is desirable.

– **Kumar Visalaksh**, Partner, ELP

Slashed rates should continue till coronavirus vanishes from India

GST Council has slashed the rates of drugs for the treatment of COVID till 30th September only, whereas it should continue to benefit the patients till the virus vanishes from India. The council should have slashed GST rates to zero or 0.1 per cent on all materials used for the prevention and treatment of COVID cases to make it more affordable for the patients. Further, the council hasn't slashed the GST rates on the vaccines as it would have required further changes in the law to avoid the accumulation of ITC on account of inverted duty structure or to develop a new refund mechanism. Otherwise, this would result in an increase in the manufacturing cost. Now, the Centre is bearing the cost of

vaccines and providing it free of cost to the masses, except partial supplies in the private sector. Any reduction in GST is not going to have any major benefit. Further, the Centre is going to share GST collection with states.

Sources from WHO and experts are alarming for the third wave of COVID-19 in the times to come. Hence, we strongly feel that this exemption for preventive materials and masks, PPE, testing kits, medical-grade oxygen, medicines/ injectables, etc. should continue beyond 30th September to give benefit to patients as the cost of treatment will be affordable for them. Further, the extended exemption will help the healthcare industry to create better infrastructure for the treatment of COVID patients.

– **BG Barve**, Joint Managing Director, Blue Cross Laboratories

A much-required decision in the interest of public

The decision is good and much required in the interest of the public, to give people financial relief and ensure a speedy end to the pandemic. While access to affordable medicines is important, it is also critical that the quality of medicines is ensured to achieve desired curative outcomes. The three priorities of healthcare delivery – cost, quality and access – need not to be at odds with each other. It is also important to make sure that consumers are not duped by counterfeit drugs or medical products during the pandemic. It deserves primary importance from the government at this critical time.

Current trends show a decline in coronavirus spread but still the future seems unpredictable. We are in support of the advocacy of extension, if possible, of this initiative, beyond September till the time this pandemic comes under control. To be able to come out victorious from this pandemic, which is threatening millions of lives, any provision which makes healthcare affordable, accessible and safe, is welcomed. However, as the scope of critical healthcare and medicine distribution spreads, attention also needs to be paid towards protecting the supply chain from pilferage and fake or sub-standard medicines. Observing an increased number of cases being reported for fake or sub-standard medicines, vaccines and other essential items, we strongly urge immediate corrective action.

PS: PS: Some of the major pharma companies that have been manufacturing products for treating COVID-19 refused to share their thoughts on the issue with Express Pharma. This could be due to the adverse impact of Inverted Duty Structure, due to which input tax credit of taxes paid on their inward supplies might get accumulated due to lower tax liability on their output supplies, as explained by experts. This article will be updated as and when we receive more reactions.

– **Nakul Pasricha**, President, Authentication Solution Providers' Association (ASPA)

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