

# Supply of medicines, drugs, implants, etc., to in-patients not liable to GST – Andhra Pradesh AAR

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## Summary

The Andhra Pradesh Authority for Advance Ruling (AAR), in a recent case, ruled that supply of medicines to in-patients through pharmacy as well as supply of medicines, drugs, stents, implants, etc., administered to in-patients during treatment or procedure shall not be liable to GST.

The AAR further stated that as the supply of medicines and the consumables are integral part of the treatment extended to in-patients in hospitals, services rendered by the applicant shall be composite supply. Thus, holding that in such cases, healthcare service is the 'principal supply' whereas supply of medicines, drugs, etc., shall be the 'ancillary supply'.

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## Facts of the case

- The applicant<sup>1</sup> has a multi-speciality tertiary care hospital providing healthcare services.
- The central store of the hospital procures stocks of medicines, implants, consumables, etc., from various suppliers and distribute to its outlets, such as in-patient pharmacy, operation theatre pharmacy and out-patient pharmacy, based on the indent issued.
- The **in-patient pharmacy** and operation theatre pharmacy supply medicines, implants and consumables only to in-patients whereas the out-patient pharmacy attached to the hospital entertain the medical prescription of out-patients.
- Apart from medicines, drugs, stents, implants, the in-patients are also provided stay facilities, food,

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<sup>1</sup> M/s CMC Vellore Association

consumables, etc., as per the treatment required.

- The applicant sought an advance ruling from the Andhra Pradesh AAR regarding taxability of the medicines, drugs, stents, implants, etc., supplied by **in-patient pharmacy** and during the medical treatment.

### Andhra Pradesh AAR's observations and ruling

- **Supply of medicine is an integral part of the treatment:** Applicant renders health care services to in-patients in the form of supply of medicines, drugs, stents, implants, etc., being administered during the medical treatment or procedure. Treatment or care extended by hospitals cannot be devoid of medicines, relevant consumables, or implants. Thus, the supply of medicines and the consumables are integral part of the treatment extended to in-patients in hospitals.
- **Composite supply:** The AAR concluded that services rendered by the applicant

shall be composite supply<sup>2</sup>, where providing healthcare service is the 'principal supply' and supply of medicines, drugs, etc., shall be 'ancillary supply'.

- **Supply of medicines not liable to GST:** Placing reliance on an earlier circular<sup>3</sup>, the AAR held that the supply of medicines to in-patients through pharmacy as well as supply of medicines, drugs, stents, implants, etc., administered to in-patients during the medical treatment or procedure shall not be liable to tax<sup>4</sup>.

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<sup>2</sup> Section 2(30) of the CGST Act, 2017

<sup>3</sup> Circular No.32/o6/2018-GST (F.No. 354/17/2018-TRU) date: 12 February 2018

<sup>4</sup> Sl. No. 74 Heading 9993 vide Notification No 12/2017-Central Tax (Rate) dated June 28, 2017

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## Our comments

The Andhra Pradesh AAR has rightly held that the supply of medicines and other consumables during treatment to in-patients shall not be leviable to GST as the same is an integral part of the treatment. Thus, this is a welcome ruling and will provide the required clarity on this aspect.

Similar ruling was given by the Kerala AAR<sup>5</sup> wherein it had held that supply of medicines to in-patients through pharmacy shall not be leviable to GST separately. Earlier, the Karnataka AAR<sup>6</sup> had also held that supply of goods and services in conjunction with the healthcare services fall under the definition of composite supply.

Even though advance ruling is applicable only to the applicant, the same acts as a guiding tool for other taxpayers with similar issues.

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<sup>5</sup> M/s Ernakulam Medical Centre Pvt Ltd

<sup>6</sup> M/s Columbia Asia Hospitals Private Limited

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