

# Supply of food to hospital on outsourcing basis liable to GST: Telangana AAR

26 August 2020



## Summary

The Telangana Authority for Advance Rulings (AAR), in a recent case, has held that supply of food to hospital on outsourcing basis is liable to GST. The AAR noted that the exemption under the Goods and Services Tax law is not applicable to the applicant as it is available only when the clinical establishment itself provides the service as a part of health care services to the in-patients and not on contractual agreement.

## Facts of the case

- The applicant<sup>1</sup> is engaged in supply of food to a hospital through canteen services on outsourcing basis.
- The recipient of the services is the hospital who enters into a contract with the applicant. The charges are received from the hospitals on monthly basis on the coupons collected by the applicant.
- The applicant sought an advance ruling from the Telangana AAR on whether the supply of foods to hospital on outsourcing basis is taxable under the GST.

## Telangana AAR observations and ruling<sup>2</sup>

- **Exemption unavailable in case of supply of food by person other than clinical establishment:** Under the GST law, exemption is available only when the clinical establishment itself supplies food as part of health care services to in-patients. Exemption is not available when such supply of food and beverages is made by a person other than the clinical establishment based on a contractual arrangement with such establishment<sup>3</sup>.
- **Supply of food taxable:** Therefore, the Telangana AAR held that the GST is payable on supply of the food services by the applicant to hospitals.

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<sup>1</sup> M/s Navneeth Kumar Talla

<sup>2</sup> TSAAR Order No. 07/2020 dated 29 June 2020

<sup>3</sup> Entry no. 74 of Notification No. 12/2017 CT (R) dated 28 June 2017 readwith Circular No. 32/06/2018 dated 12 February 2018

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### Our comments

The Telangana AAR has rightly held that under the GST law, exemption is available only when the clinical establishment itself supplies food as a part of health care services to the in-patients. Earlier, the Andhra Pradesh AAR<sup>4</sup> had held that supply of food to out-patients or attendants or visitors shall be taxable.

However, it is pertinent to note that ultimate objective is to not charge GST on the food being served to the patients. To achieve this objective, the government should consider exempting supply of food even by a third party when it is for consumption of the admitted patients.

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>4</sup> M/s CMC Vellore Association

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