

Supply of medicines, food, room on rent etc. to in-patients is a composite supply of healthcare service

The AAR Gujarat, in the matter of *M/s Baroda Medicare (P.) Ltd., [Advance Ruling No. GUJ/GAAR/R/106 OF 2020 dated, December 30, 2020]* has held that, the supply of medicines, surgical items, implants, consumables and other allied services & items provided by the hospital through their hospital in-house pharmacy, as well as food, room on rent, other services to the in-patients admitted to hospital for diagnosis, or medical treatment or procedures is part of composite supply of health care treatment service and is exempted under Sl. No. 74 of the **Notification No. 12/2017-Central Tax (Rate) dated June 28, 2017 (“Services Exemption Notification”)**.

Facts:

M/s Baroda Medicare Private Limited, (“**the Applicant**”) is running hospitals primarily under the brand name ‘Sunshine Global Hospitals’ and is operating as a multi-specialty hospital. The Applicant owns and run pharmacies and are rendering medical services with professionals like doctors, nursing staff, lab technicians etc. and during the course of treating the in-house patients admitted in the hospitals, medicines, surgical items, implants, consumables and other allied items are provided by them to such patients.

For proper care and watch by doctors/nurses, a room on rent and food from Hospital Canteens, under the supervision of dietician is also provided to the in-house patients as a part of overall health care. Out-patients (OPD patients) are also treated by the Hospitals. The inpatients are charged for all of these when they are admitted to the hospital which provides services to the in patients. Further, the Occupational Health Check-up (“**OHC**”) services are also provided by the Applicant i.e. nursing staff, doctors, paramedical staff on hospital’s payroll working in different corporate for providing health check-up service along with ambulance facility, and allied medical services to their employees. They also conduct the camps for health check-up outside the hospitals.

Issues:

- Whether the supply of medicines, surgical items etc. and other allied services & items provided by the hospital through their hospital in-house pharmacy, as well as food, room on rent, other services to the in-patients is part of composite supply of health care treatment?

- Whether the supply of OHC service by the hospital and the camps conducted for health check-up outside the hospitals, to be treated as Health Care service?

Held:

The AAR Gujarat, in ***Advance Ruling No. GUJ/GAAR/R/106 OF 2020 dated, December 30, 2020*** held as under:

- Noted that, the Applicant cannot provide health services including diagnostic, treatment surgery etc. without the help of medicines to be taken during treatment, implants and consumables used during their stay in the hospital. Only on using these medicines, consumable and implants as required and prescribed by the doctors and administered during their stay will the treatment be complete. A complete gamut of activities required for well-being of a patient and provided by a hospital under the direction of medical doctors is a composite supply of service and is covered under 'Inpatient services' classifiable under SAC 999311.
- Stated that, supply of medicines, implants and consumables are natural bundled with the supply of health services. In this case, supply of health services is the principal supply as that is the reason the in-patients get admitted to hospital instead of buying the medicines or consumables and using on themselves. Therefore, supply of medicines, consumables and implants to the in-patients in the course of their treatment is a composite supply of health services.
- Held that, the supply of medicines, surgical items, etc. and other allied items provided by the Applicant through their hospital in-house pharmacy used in the course of providing health care services as well as supply of food and room on rent to in-patients admitted to the hospital for diagnosis, or medical treatment or procedures is a composite supply of In patient healthcare service. Supply of inpatient health care services by the Applicant as defined in Para 2(zg) of the Services Exemption Notification (as amended), is exempted from GST as per Sl. No. 74 of the Services Exemption Notification.
- Further held that, providing health services to employees of the business entities, in relation to OHC or preventive care along with ambulance facility, and allied medical services by no stretch of imagination covered under the scope of "health care services". Payment thereof is being made by such business entity directly to the

Applicant's hospital. In this case, service provider is the hospital of the Applicant and the service receiver is the business entity, who have made payments directly to the Applicant. The main purpose is to ensure that the productivity of the organization is not adversely affected due to ill health of its employees.

- Accordingly, the Applicant will be liable to pay GST @ 18% on the payment received directly from the business entity for such services under "Human health and social care services", in terms of Sl. No. 31 of the **Notification No.11/2017Central Tax (Rate) dated June 28, 2017**.

Relevant Provisions:

Sl. No 74 of the Services Exemption Notification:

Sl. No.	Heading	Description of Services	Rate	Condition
74	Heading 9993	<p>Services by way of-</p> <p>(a) health care services by a clinical establishment, an authorised medical practitioner or par-medics.</p> <p>(b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.</p>	Nil	Nil

Section 2(zg) of the Services Exemption Notification:

(zg) "health care services" means 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;

S. No. 31 of the Notification No.11/2017Central Tax (Rate) dated June 28, 2017:

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Sl. No.	Heading	Description of Service	Rate	Condition
31	Heading 9993	Human health and social care services.	9	-

Section 2(30) of CGST Act:

“composite supply’ means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;”

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