

Industry body voices concern over 5% GST on hospital room tariffs

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Industry and trade chambers have voiced concern at some of last week's decisions of the Goods and Services Tax (GST) Council, such as taxing hospital room tariffs and bringing unbranded packaged consumer items within the tax net. The Federation of Indian Chambers of Commerce and Industry (Ficci) has written to Union Finance Minister Nirmala Sitharaman, seeking zero rate GST for health care services to enable service providers to claim input tax credit (ITC).

The industry body is of the view that enabling this will not only keep the ITC chain intact but will make compliance easier.

It will also ensure that the input taxes are not loaded into the cost of health care services, the Ficci letter said.

The chamber added hospitals had requested the government several times in the past for a "zero-rating" GST on health care.

Raising concern over the GST Council's decision to impose 5 per cent on room rent (excluding ICU) if it exceeds Rs 5,000 per day and 12 per cent on bio-medical waste treatment plants, the chamber said it would increase the cost for patients.

"Levying 5 per cent on room rent will not just increase the cost of healthcare services to the patients but will also create confusion for hospitals, as room rent is usually the part of the package rate for the treatment. It will lead to deconstructing of the packages, which is against the current practice being encouraged by the government," Ficci said.

The industry body said hospitals had their own bio-medical waste treatment plants. In case a GST of 12 per cent is levied, hospitals would be unable to claim ITC, given that hospital services were exempt from GST.

Furthermore, these taxes are increasing the cost of compliance for hospitals and making the process perplexing. This will defeat the government's intention of doing business easy, the Ficci letter pointed out.

"The net impact of revised tax rates on inputs (goods and services) consumed by hospitals has increased, including the taxes on some of the medical equipment. As this incremental cost is ultimately borne by the patients, it will not serve the intention of the government to provide affordable healthcare to all," the letter noted.

However, on industry apprehensions on taxing hospital room tariffs, Revenue Secretary Tarun Bajaj, in an interview to this paper, had said those were unfounded.

It is only for non-ICU hospital rooms that cost more than Rs 5,000 a day. The tax rate will be 5 per cent. This is an indirect tax that will not hit the poor.

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Making Corporate India Comply

The Confederation of All India Traders (CAIT) is unhappy at the council's decision to bring unbranded packaged consumer items within the GST net. According to the CAIT, it will cause a huge loss of business to foodgrain traders. "This decision will empower big brands to capture the market at the cost of small manufacturers and traders. Special food items, cereals, etc., which were not branded till now, were exempted from GST. With this decision of the council, pre-packaged and pre-labeled retail packs including pre-packaged, pre-labeled curd, lassi and buttermilk will now attract GST tax and will cause huge damage to the business of food grains traders in more than 6500 grain markets across the country," it said while protesting the move on Monday.

Taxing Times

- 5% levy on hospital rooms (above Rs 5,000 per day) will increase the cost for patients
- Will create confusion as room rent is normally part of treatment package, says Ficci
- Hospitals won't be able to claim ITC in case of 12% GST on biomedical waste
- Taxes are increasing the cost of compliance for hospitals, it says
- Taxing unbranded food items may cause huge loss of business for foodgrain traders, says CAIT