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**Office of Commissioner,  
Kerala Goods and Services Taxes Department,  
Tax Tower, Thiruvananthapuram**

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**C1-24614/16/CT Eoffice11137/17**

**Dated 15<sup>th</sup> July 2017**

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**ADVISORY - 2  
Sub:- GST – Pharmaceuticals dealers – information – reg.**

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As many Pharmaceutical Dealers and their association represented various matters the following advisory is issued for information and awareness generation.

1. In earlier VAT system, importers and Manufacturers in Medicines and drugs are entitled for composition. The rate of compounding is 5% of MRP. The MRP means maximum price printed on the package of any goods, for which goods are sold to the ultimate consumer.
2. The subsequent registered dealers are exempted from payment of tax if, he has purchased medicine from
  - (a) an importer or manufacturer who had opted for compounding or
  - (b) a registered dealer, who purchased medicines or drugs in which tax has been paid on MRP in the State at the time of purchase or on earlier sale. Moreover, the dealer shall be entitled to recover from the buyers the amount already paid by him at the time of sale of medicine.
3. In case of dealers who deals in medicine and other goods, simultaneously, he can opt for presumptive tax for other goods. The total turnover for the purpose of payment of presumptive tax shall not include turnover of medicine and drugs.

4. Now in GST regime, the tax rates for medicines are as under.

Schedule	Sl.No.	Chapter/Heading/ Sub-heading/ Tariff item	Description	Rate
IV	180	30	Drugs or medicines including their salts and esters and diagnostic test kits, specified in List 1 appended to IVth Schedule	5%
IV	263	9804	Drugs or medicines including their salts and esters and diagnostic test kits specified at S.No.180 above and Formulations specified at S.No.181 above, intended for personal use.	5%
V	241	9804	Other Drugs and medicines intended for personal use	12%

\* RATES MAY BE VERIFIED FROM SCHEDULE.

5. Under GST, the Medicine and drug dealers, whose aggregate turnover in a financial year exceeds Rs 20 lakh has to take registration. "aggregate turnover" means the aggregate value of all taxable supplies (excluding the value of inward supplies on which tax is payable by a person on reverse charge basis), exempt supplies, exports of goods or services or both and inter-State supplies of persons having the same Permanent Account Number, to be computed on all India basis but excludes central tax, State tax, Union territory tax, integrated tax and cess.
6. The following types of Medicine and drug dealers are liable to take registration even though their aggregate turnover is below Rs. 20 lakhs per year (as mentioned in point No.5).
  - Persons making Interstate outward supply.
  - non-resident taxable persons making taxable supply.
  - persons who make taxable supply of goods or services or both on behalf of other taxable persons whether as an agent or otherwise.
7. A registered person in Drugs and medicines, whose aggregate turnover in the preceding financial year did not exceed Rs 75 lakh, may opt to pay, in lieu of the tax payable by him, an amount calculated at such rate as may be prescribed.

The prescribed composition rates are

  - (a) two per cent (1% CGST + 1% SGST) of the turnover in State or turnover in Union territory in case of a manufacturer and
  - (b) One per cent (0.5% CGST + 0.5% SGST) of the turnover in State or turnover in Union territory in case of other suppliers.

However, if the dealer has any closing stock of Interstate Purchase or Interstate Stock transfer (IN) of Medicines and any other items, then he is not eligible for Compounding.
8. Any registered person who opts to pay tax under section 10 shall electronically file an intimation in FORM GST CMP-02, duly signed or verified through electronic verification code, on the common portal, either directly or through a Facilitation Centre notified by the Commissioner and shall furnish the statement in FORM GST ITC-03 in accordance with the provisions of sub-rule (4) of rule 44.



9. Every registered person entitled to take credit of input tax shall, within ninety days of the appointed day, submit a declaration electronically in FORM GST TRAN-1, duly signed, on the common portal specifying therein, separately, the amount of input tax credit of eligible duties and taxes, as defined in Explanation 2 to section 140, to which he is entitled under the provisions of the said section.
10. Unlike in VAT regime (The dealer can opt for compounding because, the turnover of medicines and drugs are not reckoned for composition purpose), in GST, the registered persons turnover of Medicines and drugs shall also be taken for computing the aggregate turnover for the purpose of composition scheme. An example in this regard is given below to clarify composition scheme.

Transactions of Registered Person 'A' for the year 2017-18

	Rs. In lakhs
Turnover of Medicines and drugs	50
Turnover of other goods (Health drinks, Tooth paste, Powder etc.)	30
Total Turnover	80

In the above case, the dealer is not eligible for compounding because the turnover of medicines and drugs is also taken for computing his aggregate turnover, which is 80 lakhs.

11. A registered dealer who has opted for composition scheme shall not collect any tax from the recipient on supplies made by him nor shall he be entitled to any credit of input tax.
12. Public should ensure during their purchase of medicines that, no tax has been collected by the Dealer who have opted for compounding. (Composition Dealer may design a separate invoice highlighting the category as Composition Dealer. Suggested invoice related information is issued separately so as to ensure uniformity and clarity to consumers).

13. With regard to availability of Input Tax Credit it is explained in the table below-

VAT regime	GST regime	Remarks
Registered VAT Dealer	Opting for composition	No input tax credit
Compounding dealer	Opting for composition	No input tax credit
Compounding dealer	Opting for regular registered dealer	<p>100% ITC is eligible if goods in stock are purchased from 1-7-2016 and duty paid document are available and reflected in Returns. VAT paid will be eligible for ITC.</p> <p>Eligible for 40% ITC if no duty paid document, and other stipulations stated above and on furnishing the stock details in the <b>FORM GST TRAN I</b></p>
Registered regular dealer	Opting for regular registered dealer	<p>100% ITC is eligible if goods in stock are purchased from 1-4-2017 and duty paid document are available and reflected in Returns. VAT paid will be eligible for ITC.</p>

		Eligible for 40% ITC if no duty paid document, and other stipulations as stated above and on furnishing the stock details in the <b>FORM GST TRAN I</b>
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14. The dealers as stated above, if having duty paid documents, will be entitled to get 100% credit on excise duty paid as well as VAT paid. If duty paid documents are not there then dealer will be entitled to get 40% of credit on excise duty paid upon furnishing the details as stipulated Section 140 of CGST ACT/SGST Ordinance read along with 117(1) (Transitional Rules).

It further stipulates in Section 140 (3) " provided that where a registered person, other than a manufacturer or a supplier of services, is not in possession of invoice or any other documents evidencing payment of duty in respect of inputs, then, such registered person shall, subject to such condition, limitation and safeguards as may be prescribed, including that the said taxable person shall pass on benefit of such credit by way of reduced prices to recipient, be allowed to take credit as such rate and in such manner as may be prescribed."

15. Dealers and manufacturers are advised to go through the laws for their statutory compliances. This advisory is only for awareness and not for any legal interpretation of laws.

  
Commissioner

**Copy to –**

Copy to all Trade bodies and organization for information

All Dy Commissioners for information. They are instructed to discuss in Trade awareness meeting.

ITMC – to upload in Web site

PR – GST Cell – to give a press release

C Section for record

GST Cell for record