

	KERALA AUTHORITY FOR ADVANCE RULING GOODS AND SERVICES TAX DEPARTMENT TAX TOWER, THIRUVANANTHAPURAM	
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BEFORE THE AUTHORITY OF: Shri. Sivaprasad. S, IRS &
: Shri. Senil A.K. Rajan.

Legal Name of the applicant	M/s. Malankara Orthodox Syrian Church Medical Mission Hospital
GSTIN	32AAATM3854A1Z4
Address	Kolencherry, Ernakulam – 682311.
Advance Ruling sought for	Whether GST is leviable on the value of supply of medicines, implants and other supplies issued to patients during the course of treatment.
Date of Personal Hearing	05-01-2021
Authorized Representative	Shri. P.J. Johney, Chartered Accountant

ADVANCE RULING No. KER/118/2021 dated 30.05.2021

M/s. Malankara Orthodox Syrian Church Medical Mission Hospital (**hereinafter referred to as the applicant**) is a society, holding income tax exemption certificate under Section 12A of the Income Tax Act, incorporated under the Travancore-Cochin Literary, Scientific and Charitable Societies Registration Act, 1955 running a multi-speciality hospital and institutes for medical education. They are rendering medical and educational services with professionals like doctors, nursing staffs, lab technicians, pharmacist and others.

2. At the outset, the provisions of the Central Goods and Services Tax Act, 2017 (hereinafter referred to as CGST Act) and the Kerala State Goods and Services Tax Act, 2017 (hereinafter referred to as KSGST Act) are same except for certain provisions. Accordingly, a reference hereinafter to the provisions of the CGST Act, Rules and the notifications issued there under shall include a reference to the corresponding provisions of the KSGST Act, Rules and the notifications issued there under.

3. Brief facts of the case:

3.1. The applicant is supplying medicine, implants and other supplies to their patients during the course of treatment who are admitted as inpatient and who are not admitted but undergoing treatment in their hospital as outpatients. They are supplying medicines only to patients who are registered in their hospital as a patient against prescription from their treating Doctors. The patients have option to purchase medicine and other supplies from outside pharmacies, subject to quality assessment by the hospital. In certain cases where choices are available like brand or type (for example metal implant vs. titanium implants) the patient is at liberty to choose out of the available items and the bill will be prepared accordingly. This is not applicable in the case of 'all-inclusive packages. The applicant is issuing tax invoice as per the GST law for the supply of medicines and other supplies through the pharmacy to both inpatients and outpatients. They are also disclosing the GST included in the MRP in tax invoice for supply of medicines and they are paying the tax to the Government as per the requirements of GST law.

4. The applicant requested for advance ruling on the following;

Whether GST is leviable on the value of supply of medicine, implants and other supplies issued to our patients during the course of treatment:

1. Who are admitted as inpatients in the following situations?
 - 1.1. In the case where a package is offered to patient which covers the treatment, required medicines, required supplies etc for a consolidated amount. This amount was prefixed by the hospital with respect to treatment of a particular disease or surgery and charged to patient irrespective of the type and quantity of medicine, supplies etc issued to patients.
 - 1.2. In the case where a package is offered to patient which covers the treatment for a consolidated amount and this amount is prefixed by the Hospital with respect to treatment of a particular disease or surgery. But the supply of medicine and certain other supplies like implants are not included in this package and will be billed extra, according to the type, brand (when choice available to patient) and quantity of items issued to the patient.
 - 1.3. In the case where package is not applicable and the treatment, medicines, other supplies and other items are charged to patient separately at actual. In this case supply of medicine and other supplies

are being charged separately according to the type, brand (when choice available to patient) and quantity of items issued to the patient.

- 1.4. In the case where the percentage of value of medicines and other supplies represents major portion of the total expenditure billed to a patient.
2. Who are not admitted but undergoing treatment as outpatients in the following situations: -
 - 2.1. In the case where the patients are not being admitted in hospital but the hospital is providing treatment to those patients at the hospital as an outpatient. Ex: - Dialysis, dressing, chemotherapy, minor surgeries, other treatments and procedures that require no admission and pre-admission services like causality.
 - 2.2. Issue of medicine and other supplies based on their Doctor's prescription to patients for consumption at home and follow-up. In this case the hospital accepts any such medicines returned by the patient for cessation of the treatment or for replacement, as per the instructions of the treating doctor.

5. Contentions of the Applicant:

5.1. GST is levied as per the Section 9 (1) of the GST Act, 2017 wherein it is laid down that subject to the provisions of sub – section (2), there shall be levied a tax called the central goods and services tax on all intra-State supplies of goods or services or both, except on the supply of alcoholic liquor for human consumption, on the value determined under Section 15 and at such rates, not exceeding twenty per cent, as may be notified by the Government on the recommendations of the Council and collected in such manner as may be prescribed and shall be paid by the taxable person.

5.2. Health care services are exempted as per Entry at Sl No. 74 of Notification No.12/2017 - Central Tax (Rate) dated 28.06.2017. Pharmacy is an outlet to dispense medicines or allied items based on prescription. Patients are only admitted to a hospital when they are extremely ill or have severe physical trauma. As far as an inpatient is concerned, hospital is expected to provide lodging, care, medicine and food as part of treatment under supervision till discharge from the hospital. Inpatients receive medical facility as per the scheduled procedure and have strict restriction to ensure quantity / quality of items for consumption. Hence medicine or allied goods supplied to inpatient are indispensable items and it is a composite supply to facilitate healthcare services and is not taxable, as per Advance Ruling orders issued to

various hospitals. As per the Order No. KER/16/2018 dated 19.09.2018 under Section 98 of the GCST Act, 2017 issued by the Authority for Advance Ruling, Kerala; "The supply of medicines and allied items provided by the hospital through the pharmacy to the in-patients is part of composite supply of health care treatment and hence not separately taxable." Further the above ruling was upheld by the Appellate Authority for Advance Ruling, Kerala by Order No. AAR/03/2018 dated 14.12.2018.

5.3. It is apparent that the exemption allowed to supplies to inpatient is principally based on the contention that these supplies are part of composite supply. But another significant fact to be considered is that whether it comes under the purview of composite supply. The term composite supply was introduced by GST as a brought forward of the term 'naturally bundled supplies' from the service tax Laws. As per the resource document available in the official website of Central Board of Indirect Taxes: "The taxable event under GST is "supply of goods or services or both". GST will be payable on every supply of goods or services or both unless otherwise exempted. The rate at which GST is payable for individual goods or services or both is also separately notified. The classification of any supply (whether as goods or services and the category of goods or services) is essential to determine the applicable rate of GST on the particular supply. The application of rates will pose no problem if the supply is of individual goods or services which are clearly identifiable, and the goods or services are subject to a particular rate of tax. But not all supplies will be such simple and clearly identifiable supplies. Some of the supplies will be a combination of goods or combination of services or combination of goods and services both. Each individual component in a given supply may attract different rate of tax. The determination of rate of tax to be levied on such supplies may pose a problem in respect of classification of such supplies. It is for this reason that the GST Law identifies composite supplies and mixed supplies and provides certainty in respect of tax treatment under GST for such supplies. A study on the above would reveal that the term 'composite supplies' could be resorted to only if the components of supply are not clearly identifiable. The circular issued by CBIC No. 47/21/2018-GST dated 08.06.2018 which is also relevant which, inter alia, states that; "Where a supply involves supply of both goods and services and the value of such goods and services supplied are shown separately, the goods and services would be liable to tax at the rates as applicable to such goods and services separately. Here the CBIC itself clarifies that when value of supply is available separately it could not be treated as a composite supply.

5.4. It is pertinent to note that an old circular under Service Tax Laws, on the same issue states that; [Circular No.96/7/2007 - ST dated 23.08.2007] any goods used in the course of providing service are to be treated as inputs used

for providing the service and accordingly, cost of such inputs form integral part of the value of the taxable service. Where spare parts are used by a service station for servicing of vehicles, service tax should be levied on the entire bill, including the value of the spare parts, raised by the service provider, namely, service stations. This clarification was issued under service tax laws where value added tax was administered by the respective State Governments. This was the circumstance under which the Kerala High Court held that medicine is an integral part of supply of healthcare and should not be taxed separately under VAT. However, the CBIC now over ruled this clarification with Circular No.47/21/2018-GST dated 08.06.2018.

5.5. The following Advance rulings substantiate this argument; (a) AAR No. KER/58/2019 dated 16.09.2019 in case of the supply of spare parts and repair service. (b) AAR No. KER/33/2019 dated 01.03.2019 in case of tour packages which are provided to guests by way of various separate services. In the case of an outpatient, the hospital only gives a prescription, which is advisory in nature. The patient has absolute freedom to follow the prescription or not to follow. Similarly, there is freedom to procure the medicines or allied items prescribed, either from the pharmacy run by the hospital or from medicine dispensing outlets. Hospital reserves no control over the patient's continuous treatment. As far as an outpatient is concerned, there is no difference with regard to procurement of medicine either from the dispensing outlet within the hospital or from outside the hospital. In both the places, medicines are dispensed based on prescription. Hence, there is no privilege for the hospitals that are dispensing medicine to outpatients. Therefore, pharmacy run by hospital dispensing medicine to outpatient or bye-standers or others can be treated as individual supply of medicine and not covered under the ambit of health care services. Hence such supply of medicine and allied goods are taxable. As submitted earlier as per the Order No. KER/16/2018 dated 19.09.2018 under Section 98 of the GST Act, 2017 issued by the Authority for Advance Ruling, Kerala and as per the ORDER No. AAR/03/2018 dated 14.12.2018 under Section 101 of the GST Act, 2017 issued by the Appellate Authority for Advance Ruling, Kerala the supply of medicine and allied items provided by the hospital through the pharmacy to the outpatients is taxable. But in the case of outpatients also there is situations like treatment procedures need to be provided without admission of such patients. Example-casualty, minor OT, procedure room, dialysis bed etc. GST law including advance ruling nowhere touched these types of circumstances. GST council in its meeting held in December, even though discussed this matter in detail but could not take a decision in this regard. In short, the GST applicability in health care sector is complicated. Hence the authority may consider our submission and pronounce the ruling to the questions raised in the application.

6. Contentions of the jurisdictional officer:

The jurisdictional officer submitted that services by way of healthcare services by a clinical establishment, an authorized medical practitioner or para-medics are exempt from payment of GST. When one or more supplies are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply it is a case of composite supply. Composite supply is taxed at the rate applicable to the principal supply involved. When healthcare services form the principal supply and other services are part of composite supply, there is no GST liability for the separate items comprised in the composite supply. The fact and circumstances in the case of the applicant has to be considered. Generally, when healthcare services are supplied as a principal supply and other bundled supplies qualify to be treated as part of the composite supply, there is no separate GST liability for the separate supplies. Investigative and diagnostic services, supply of medicines to be administered to inpatients, room rent of patient's accommodation, supply of food to patients undergoing treatment are all treated as exempt as these are bundled with the principal supply of healthcare services. However, when medicine is supplied to outpatients and outsiders, and other supplies not supplied in the natural course of providing the principal supply of health care services, these are to be charged to GST at the applicable rate. The case may be considered on merits.

7. Personal Hearing:

The applicant was granted opportunity for personal hearing on 05.01.2021. Shri. Johny.P.J, Chartered Accountant represented the applicant in the personal hearing. He reiterated the contentions made in the application and requested to issue the ruling on the basis of the submissions made by them.

8. Discussion and Conclusion:

8.1. The issue was examined in detail. The applicant is a multi-specialty hospital providing health care services with medical professionals. The applicant is supplying medicine, implants and other supplies to their patients during the course of treatment who are admitted as inpatient and who are not admitted but undergoing treatment in their hospital as outpatients. They are supplying medicines only to patients who are registered in their hospital as a patient against prescription from their treating Doctors. The patients have option to purchase medicine and other supplies from outside pharmacies, subject to quality assessment by the hospital. In certain cases where choices are available like brand or type (for example metal implant vs. titanium implants) the patient is at liberty to choose out of the available items and the

bill will be prepared accordingly. This is not applicable in the case of 'all-inclusive packages. The questions raised by them to be answered are as follows;

Whether GST is leviable on the value of supply of medicine, implants and other supplies issued to patients during the course of treatment;

1. In case of inpatients;

(1.1) where a package is offered to cover the treatment including all required medicines and other supplies for a consolidated amount;

(1.2) where a package is offered to patient which covers the treatment for a consolidated amount but does not include the supply of medicines, implants and other supplies and they are billed extra, according to the type, brand and quantity of items issued to the patient as per choice of the patient;

(1.3) where a package is not applicable and the treatment, medicines and other supplies are charged separately according to the type, brand and quantity of items as per choice of the patient and

(1.4) where the percentage of value of medicines and other supplies represents major portion of the total expenditure billed to a patient.

2. In case of patients undergoing treatment as outpatients;

(2.1) where the patients are not being admitted but treatment is provided at the hospital as an outpatient. Eg; Dialysis, dressing, chemotherapy, minor surgeries, other treatments and procedures that require no admission and pre-admission services like casualty;

(2.2) Issue of medicine and other supplies based on prescription of their Doctors to patients for consumption at home and follow-up.

8.2. The entry at Sl.No.74 of Notification No.12/2017 Central Tax (Rate) dated 28.06.2017 reads as follows;

Sl. No.	Chapter	Description of services	Rate	Condition
74	Heading 9993	Services by way of- a. healthcare services by a clinical establishment, an authorized medical practitioner or paramedics; b. services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.	Nil	Nil

8.3 The term “healthcare services” is defined in Para 2 (zg) of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 as follows; “healthcare services” means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized 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.

8.4. The term “clinical establishment” is defined in Para 2 (s) of the Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 as follows; “clinical establishment” means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized system of medicines in India or a place established as an independent entity or a part of an establishment to carry out diagnostic or investigative services of diseases.

8.5. Section 2(30) of CGST Act defines “composite supply” as 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. Section 8 of CGST Act governs the tax liability of composite supply. As per clause (a) of Section 8 of the CGST Act, a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply. Section 2(90) of the CGST Act defines “principal supply” as the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary. Bundled supply means a bundle of provision of various supplies wherein an element of provision of one supply is combined with an element or elements of provision of any other supply. If the nature of supply is such that one of the supplies is the main supply and other supplies combined with such main supply are in the nature of incidental or ancillary supply which help in better utility of the main supply then it is considered as naturally bundled. If various elements of a bundled supply are naturally bundled in the ordinary course of business, it shall be treated as provision of a single supply which gives such bundle its essential character. Therefore, classification of a composite supply is based on that component of the supply which gives the essential character. There is need to determine whether a given transaction is one containing major, incidental and ancillary elements or one containing multiple and separate major elements. In the case of a transaction containing a major and

ancillary element, classification is to be determined based on the essential features or the dominant element of the transaction. Therefore, a view has to be taken as to whether an individual supply is merely a component of the overall supply or is itself a distinct and independent supply; i.e whether the component is merely ancillary to the principal supply or the component can be considered as separate taxable supply in its own right. A supply, which does not constitute for a customer an aim in itself but a means of better enjoying the principal supply is considered as a supply ancillary to the principal supply.

8.6. The Explanatory Notes to the Scheme of Classification of Services under GST pertaining to Health Care services is reproduced below;

SAC 9993 Human Health and Social Care Services

99931 – Human Health Services

999311 – Inpatient services

This service code includes:

- a. Surgical services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and / or maintaining the health of a patient.
- b. Gynaecological and obstetrical services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and / or maintaining the health of a patient.
- c. Psychiatric services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and / or maintaining the health of a patient.
- d. Other hospital services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and / or maintaining the health of a patient. These services comprise medical, pharmaceutical and paramedical services, rehabilitation services, nursing services and laboratory and technical services, including radiological and anaesthesiological services, etc.

Thus, Inpatient services falling under SAC 999311 means services provided by hospitals to inpatients under the direction of medical doctors aimed at curing, restoring and / or maintaining the health of a patient and the service comprises of medical, pharmaceutical and paramedical services, rehabilitation services, nursing services and laboratory and technical services.

8.7. The primary purpose of the hospital is to provide treatment to the patients approaching them. The basic intention of the patients visiting the hospital is to get treatment for their ailment. Depending upon the severity of

the illness the patient may require immediate medical attention, continuous monitoring etc. Therefore, according to their health condition they will be treated as out-patient or admitted as inpatient. The patients admitted to a hospital for treatment expect that proper diagnosis of the disease is made and treatment including appropriate medicines, surgical procedures; if necessary, consumables and implants required along with proper diet is administered to them in the most efficient manner so that they can regain their health within the shortest possible time and resume their activities. Therefore, the medicines, implants, consumables and foods supplied in the course of providing treatment to the patients admitted in the hospital is an integral part of the healthcare service extended to the patients. Hence the room, medicines, implants, consumables and food supplied in the course of providing treatment to the patients admitted in the hospital is undoubtedly naturally bundled in the ordinary course of business and the principal supply is healthcare service which is the predominant element of the composite supply and the other supplies such as room, medicines, implants, consumables and food are incidental or ancillary to the predominant supply. The CBIC has in Para 5 (3) of Circular No.32/06/2018-GST dated 12.02.2018 clarified that food supplied to the inpatients as advised by the doctor / nutritionist is a part of composite supply of healthcare and not separately taxable.

8.8. On the basis of the facts and the provisions of law as discussed above, we conclude that the applicant is a clinical establishment as defined in Para 2 (s) of the Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 providing healthcare services as defined in Para 2 (zg) of the said notification which is exempted as per entry at Sl No. 74 of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017.

8.9. Having come to the conclusion that the applicant is a clinical establishment providing healthcare services that are exempted as per entry at Sl No. 74 of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017, we proceed to determine the taxability of each of the different situations under which healthcare services are provided by the applicant as detailed in the questions raised by them.

9. The first question raised by the applicant is regarding the GST liability in respect of the supply of medicines, implants and other items to patients undergoing treatment as inpatients in different situations. In the situation specified in Question 1.1 above the applicant is offering a package to the inpatients covering the treatment including all required medicines and other supplies for a consolidated amount that is pre-fixed. In such cases the combination of goods and /or services included in the supply are naturally bundled in the ordinary course of business and hence it is a composite supply

of which the principal supply is healthcare services and the other supplies are only incidental or ancillary to the supply of healthcare services. Therefore, the supply of medicines, implants, and other items to the inpatients admitted to the hospital for treatment as per the package offered by the applicant is a composite supply where the principal supply is healthcare services falling under SAC 999311 which is exempted as per entry at Sl No. 74 of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017.

9.1. In the situation specified in Question 1.2 above the applicant is offering a package to the inpatients covering the treatment for a consolidated amount that is pre-fixed, but that package does not include medicines, implants and other supplies which will be separately billed according to the type, brand and quantity of the items as chosen by the inpatient as per the choice made available to them. In such cases the combination of the goods and / or services included in the supply are not bundled by the applicant and they are supplied as distinct and clearly identifiable individual supplies and the value of such individual supplies are separately determined according to the choice exercised by the inpatient. Hence it cannot be considered as a composite supply and the supply of each of the individual goods and / or services shall be individually liable to GST at the rates as applicable on the basis of the classification of such supplies under the GST Tariff. This view is supported by the clarification of the CBIC in Issue Sl No.2 of Circular No. 47/21/2018 – GST dated 08.06.2018 that the taxability of supply would have to be determined on a case to case basis looking at the facts and circumstances of each case and where a supply involves supply of both goods and services and the value of such goods and services supplied are shown separately, the goods and services would be liable to tax at the rates as applicable to such goods and services separately. Therefore, in the stated situation the healthcare services supplied by the applicant as per the package is exempted as per entry at Sl No. 74 of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 and the supply of medicines, implants and other items that are not included in the package and which are separately billed shall attract GST at the rate applicable to such items.

9.2. In the situation specified in Question 1.3 above a package is not applicable and the treatment, medicines and other supplies are charged separately according to the type, brand and quantity of items as per choice of the patient. In such cases also the combination of the goods and / or services included in the supply are not bundled by the applicant and they are supplied as distinct and clearly identifiable individual supplies and the value of such individual supplies are separately determined according to the choice exercised by the inpatient as made available. Hence it cannot be considered as a composite supply and the supply of each of the individual goods and / or

services shall be individually liable to GST at the rates as applicable on the basis of the classification of such supplies. However, the treatment provided by the applicant falls under the scope of healthcare services and is exempt from GST as per entry at Sl No. 74 of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017.

9.3. The situation specified in Question No.1.4 above is where the percentage of value of medicines and other supplies represents major portion of the total expenditure billed to a patient. The question is general and vague in nature in as much it does not disclose whether the different combinations of the goods and services involved in the supply are bundled and supplied together or they are supplied as clearly distinguishable and identifiable supplies and the value of such supplies are separately determined or not. Hence the question cannot be answered for want of sufficient information.

10. The second question raised by the applicant is regarding the GST liability in respect of the supply of medicines, implants and other items to patients undergoing treatment as outpatients in different situations. In the situation specified in Question 2.1 the patients are not being admitted in hospital but the hospital is providing treatment to those patients at the hospital as an outpatient. Eg; Dialysis, dressing, chemotherapy, minor surgeries, other treatments and procedures that require no admission and pre-admission services like causality. In such cases the services provided or the combination of services provided in the course of the treatment of the patients as described above clearly fall within the scope of healthcare services as defined in Para 2 (zg) of the Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 and is exempted from GST as per entry at Sl No. 74 of the said notification.

10.1. The situation specified in Question 2.2 is where medicines and other supplies are issued to outpatients based on the prescription of their Doctors for consumption at home and follow-up. In such cases the patients are consulting the doctors of the applicant and the patients are given advice and prescription of medicines and allied items by the Doctor. The patients have the freedom to procure the medicines and allied items either from the pharmacy run by the hospital or from other independent medicine dispensing outlets. There is no difference whether it is procured from the pharmacy run by the hospital or from independent medicine dispensing outlets, as in both cases the medicines and allied items are dispensed on the basis of prescription. Therefore, the supply of medicines and allied items by the pharmacy run by the hospital can only be treated as an individual supply of medicine and allied items and therefore is liable to GST at the rates applicable for each such item as per the GST Tariff Schedule. In the case of medicines and allied items

returned or replaced by the customers the applicant can adjust the GST paid on such medicines and allied items by issue of credit note as per provisions of Section 34 of the CGST Act read with Rule 53 of the CGST Rules, 2017. In such cases the consultation services rendered by the applicant falls within the purview of healthcare services and accordingly is exempted from GST as per entry at Sl No. 74 of Notification No.12/2017 Central Tax (Rate) dated 28.06.2017.

In view of the observations stated above, the following rulings are issued:

RULING

Whether GST is leviable on the value of supply of medicine, implants and other supplies issued to our patients during the course of treatment:

1. Who are admitted as inpatients in the following situations?
 - 1.1. In the case where a package is offered to patient which covers the treatment, required medicines, required supplies etc for a consolidated amount. This amount was prefixed by the hospital with respect to treatment of a particular disease or surgery and charged to patient irrespective of the type and quantity of medicine, supplies etc issued to patients.

It is a composite supply of which the principal supply is healthcare services and the other supplies are only incidental or ancillary to the supply of healthcare services. Therefore, the supply of medicines, implants, and other items to the inpatients admitted to the hospital for treatment as per the package offered by the applicant is a composite supply where the principal supply is healthcare services falling under SAC 999311 which is exempted as per entry at Sl No. 74 of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017.

- 1.2. In the case where a package is offered to patient which covers the treatment for a consolidated amount and this amount is prefixed by the Hospital with respect to treatment of a particular disease or surgery. But the supply of medicine and certain other supplies like implants are not included in this package and will be billed extra, according to the type, brand (when choice available to patient) and quantity of items issued to the patient.

The healthcare services supplied by the applicant as per the package is exempted as per entry at Sl No. 74 of Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 and the supply of medicines, implants and other items that are not included in the

package and which are separately billed shall attract GST at the rate applicable to such items as per the GST Tariff Schedule.

- 1.3. In the case where package is not applicable and the treatment, medicines, other supplies and other items are charged to patient separately at actual. In this case supply of medicine and other supplies are being charged separately according to the type, brand (when choice available to patient) and quantity of items issued to the patient.

The supply of each of the individual goods and / or services shall be individually liable to GST at the rates as applicable on the basis of the classification of such supplies.

- 1.4. In the case where the percentage of value of medicines and other supplies represents major portion of the total expenditure billed to a patient.

The question is vague in nature for the reasons as stated above and hence could not be answered for want of sufficient information.

2. Who are not admitted but undergoing treatment as outpatients in the following situations: -

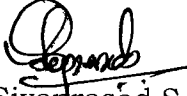
- 2.1. In the case where the patients are not being admitted in hospital but the hospital is providing treatment to those patients at the hospital as an outpatient. Ex: - Dialysis, dressing, chemotherapy, minor surgeries, other treatments and procedures that require no admission and pre-admission services like causality.

The services provided in the course of the treatment of the patients as described above clearly fall within the scope of healthcare services as defined in Para 2 (zg) of the Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 and is exempted from GST as per entry at Sl No. 74 of the said notification.

- 2.2. Issue of medicine and other supplies based on their Doctor's prescription to patients for consumption at home and follow-up. In this case the hospital accepts any such medicines returned by the patient for cessation of the treatment or for replacement, as per the instructions of the treating doctor.

The supply of medicines and allied items by the pharmacy run by the hospital can only be treated as an individual supply of medicine and allied items and therefore is liable to GST at the rates applicable for each such item as per the GST Tariff Schedule. In the case of medicines and

allied items returned or replaced by the customers the applicant can adjust the GST paid on such medicines and allied items by issue of credit note as per provisions of Section 34 of the CGST Act read with Rule 53 of the CGST Rules, 2017.



Sivaprasad.S

Joint Commissioner of Central Tax
Member


Senil A. Rajan

Additional Commissioner of State Tax
Member

To,

M/s. Malankara Orthodox Syrian Church Medical Mission Hospital
Kolencherry, Ernakulam – 682311.

Copy to:

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- 2) The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram – 695002.
- 3) The Assistant / Deputy Commissioner of Central GST, Perumbavoor Division, Ernakulam. [E-mail ID: cgst.ti06@gov.in]
- 4) The Superintendent of Central GST, Kolencherry Range, Ernakulam. [E-mail ID: cgst.ti0602@gov.in]