KERALA AUTHORITY FOR ADVANCE RULING
GOODS AND SERVICES TAX DEPARTMENT
TAX TOWER, THIRUVANANTHAPURAM

BEFORE THE AUTHORITY OF: Smt. Gayathri P.G., IRS &
: Shri Abdul Latheef. K

Legal Name of the applicant	M/s. JUBILEE MISSION HOSPITAL.
GSTIN	32AAAAJ1080A1ZK
ARN	AD320122007472V
Address	1, Bishop Alappat Road, East Fort, Thrissur, Kerala -680005.
Advance Ruling sought for	1. Whether GST is leviable on the value of supply of medicine, implants, other allied supplies issued to applicant's inpatients during the course of treatment in the following scenarios? a. In the case where a package is offered for a particular disease or surgery which covers the treatment, room rent, scanning charges, lab tests, medicines, implants, other required supplies, etc. for a consolidated amount, which is pre-fixed by the hospital, irrespective of the type, brand (when choice is available to patient) and quantity of medicines, implants, other supplies, etc. issued to the patient. b. In the case where a package is offered for a particular disease or surgery which covers only the treatment (including room rent, scanning charges, lab tests, etc.) for a consolidated amount which is pre-fixed by the hospital, but not covering the supply of medicines, implants and other required supplies, which are charged separately to the patient, according to the type,

	brand (when choice is available to patient) and quantity of items issued to him / her. c. In the case where a package is not offered and the treatment, room rent, scanning charges, lab tests, medicines, implants and other required supplies are charged separately to the patient at actuals. 2. Whether GST is leviable on the value of medicines and other allied supplies made to outpatients in the case of procedures such as dialysis, chemotherapy, etc. that require no admission, where the outpatients are billed for the procedure charges (charges for dialysis, chemotherapy, etc.); and medicines and other allied supplies billed separately i.e. at the actual?
Date of Personal Hearing	20/12/2023
Authorized Representative	Sri. Tony.M.P., Chartered Accountant

ADVANCE RULING No.KER/05/2024 Dated 29/10/2024

1. M/s. Jubilee Mission Hospital, 1, Jubilee Mission Medical College Hospital, Bishop Alappat Road, East Fort, Thrissur (hereinafter referred to as the applicant) incorporated in 1952 as a non-profit charitable institution. The applicant is engaged in the business of running a multi-specialty modern medicine hospital, Ayurveda hospital and a institute for medical education. The applicant is also running separate Pharmacies in Modern Medicine Hospital and Ayurveda Medicine Hospital.

2. In this rulings, a reference hereinafter to the provisions of the CGST Act, Rules or the Notifications issued there under shall include a reference to the corresponding provisions of the KSGST Act, Rules or the notifications issued thereunder.

3. The issues on which advance ruling sought are stated above.

AUTHORITY FOR ADVANCE RULING GST KERALA

4. The contentions of the applicant:

4.1. The profile of the applicant is detailed above. They are providing healthcare services through various departments of modern medicine such as Cardiology, Emergency Medicine, Gastroenterology, Oncology, Pulmonology, Radiology, etc. They are also running several pharmacies through which medicines and other allied items are supplied to both inpatients and outpatients. These items are supplied to the inpatients during the course of treatment. In certain cases, the patients have options to choose brand or type from available items and the tax invoice as per GST Law will be prepared accordingly, for the supply of both, medicines and non-medicinal items through pharmacy.

4.2. The applicant is also supplying medicines to outpatients as well as patients not admitted but undergoing treatment as outpatients. There is a restriction on the supply of medicines and other items to outpatients. The patients must be registered in the hospital and supply is made to patients only against prescription from the doctors who treat them. In such cases, tax is levied at appropriate rates as per GST Law for both the supply of medicine and non-medicinal items through pharmacy.

4.3. The applicant requests clarity on the applicability of GST in three different situations of supply of medicines, implants and other supplies to inpatients, illustrated as follows.

a- The first is a situation where the applicant offers a wholesome treatment package to patients. As per example provided by the applicant, package is offered to patients for a particular disease or surgery, covering all aspects including room rent, scanning charges, lab tests, medicines, implants, other required supplies, etc. for a consolidated amount, which is pre-fixed, irrespective of the type, brand (choice is available to the patient) and quantity of such items issued to the patient. For example, a consolidated amount of Rs.250000/-is charged vide a single bill towards cardiac surgery which includes cost of treatment, room rent, scanning charges, lab tests medicines, implants and other supplies, etc. irrespective of the type, brand and quantity of medicines, implants, other supplies etc. issued to the patient.

AUTHORITY FOR ADVANCE RULING GST KERALA

b- In the second situation, the applicant offers a limited package to patients, which covers only the treatment expenses including room rent, scanning charges, lab test, etc. to the patients for a consolidated amount pre-fixed by the hospital. This package does not cover the supply of medicines, implants and other required supplies, which are charged separately according to the type, brand (preference available) and quantity of items issued to the patients. For example, a consolidated amount of Rs.120000/- is charged only for the treatment charges for cardiac surgery which includes cost of treatment, room rent, scanning charges, lab tests, etc. but medicines, implants and other supplies are separately billed as per the actual issuance to the patient.

c- In the third case, the expenses such as treatment, room rent, scanning charges, lab test, medicines, implants and other requirements used for the treatment of a disease or surgery are separately billed at actual amount, without offering any package.

4.4. Further, the applicant requests clarity on the applicability of GST on supply of medicines and allied supplies to outpatients through pharmacy in the case of procedures such as dialysis, chemotherapy, etc. that require no admission. In such cases, the billing is not in consolidated manner, but separately billed to procedure charges for dialysis, chemotherapy, etc and medicines and other allied supplies.

4.5. The applicant submits that as per Serial No. 74 of Notification No.12/2017 Central Tax (Rate), Dated.28.06.2017, healthcare services are exempted from GST. The relevant part of Notification is extracted as under.

SI No.	Chapter	Description of Service	Rate	Conditions
74	Heading 9993	Services by way of - a) health care services by a clinical establishment, an authorised 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

AUTHORITY FOR ADVANCE RULING GST KERALA

4.6. The applicant submits that the supply of medicines and other allied goods made to inpatients are exempted from GST, since these supplies are in the nature of composite supply of healthcare services. GST Law identifies composite supply and mixed supply and provides certainty in respect of tax treatment under GST for such supplies. The term 'composite supply' could be resorted to only if the components of supply are not clearly identifiable.

4.7. The applicant relied on paragraph No.2.2 of Circular No.47/21/2018-GST, Dated.08.06.2018 issued by CBIC, the extract of which is as below,

"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".

4.8. The applicant submitted that, according to the aforementioned circular, it is not considered as composite supply of goods and services where the value of each supply is available separately. The applicant has placed reliance on advance rulings issued by the Authority for Advance Ruling, Kerala (a) AAR No.KER/58/2019, Dtd: 16.09.2019 – supply of spare parts and repair service, (b) AAR No. KER/33/2019, Dtd: 01.03.2019 -tour packages provided to guests. The applicant also relied on a ruling pronounced by the Authority for Advance Ruling, Kerala in Advance Ruling Order No.KER/118/2021, Dtd: 30.05.2021 which is relevant to their case.

5. Comments of the Jurisdictional Officer:

The application was forwarded to the jurisdictional officer as per provisions of Section 98(1) of the CGST Act. The jurisdictional officer submits that the Advance Ruling issued by the Kerala Advance Ruling Authority as per No. KER/118/2021, Dated 30.05.2021 is applicable in this case, in which health care services provided through a prefixed package is wholly exempted from GST. In other cases tax exemption is only to the health care services and all other supplies including medicines are separately charged at respective GST rates. It is also reported that no proceedings are pending on the issue against the applicant.



6. Personal Hearing:

The applicant was granted an opportunity for a personal hearing on 20.12.2023. Shri.Tony.M.P, Chartered Accountant represented the applicant in the personal hearing. At the time of hearing, the representative explained that the treatment packages involved in question number 1 & 2 are presently not taken up by them, but they are planning to provide such activities in future. Presently they supply healthcare services, medicines and other allied items to inpatients without offering a specific package and each supply are billed separately. Also in the case of outpatients for procedures such as dialysis, chemotherapy, etc, the procedure charges, medicines and other supplies are billed separately at actual. Similarly, the supplies made to outpatients are clearly identifiable and therefore each supplies made to outpatients are billed separately and taxed at their respective GST rates. The representative filed additional submission including bill copies for supplies made to inpatients as well as outpatients for procedures such as dialysis, chemotherapy, etc, for making clarity on their billing method.

7. Discussion and Findings:

7.1. On carefully reviewing the advance ruling application, the statement of facts and the submissions made during the personal hearing, we have found that the questions for which the advance ruling is being sought fall within the scope of clause (b) & (e) of sub-section (2) of section 97 of the CGST Act, which pertain to the "applicability of a notification issued under the provisions of this Act" and the "determination of the liability to pay tax on any goods or services or both". Therefore, the application has been accepted for further consideration based on its merits.

7.2. In this regard,

1. The first is a situation where a wholesome package is offered to the patients. The applicant has requested for advance ruling on whether GST is leviable in case where a package covering the treatment, room rent, scanning charges, lab tests, medicines, implants, and other required supplies which are provided to the patients for a pre-fixed amount, irrespective of the brand and quantity of supplies. The above are in the nature of ancillary supplies to the principal supply, viz., 'health care services' provided to inpatients which stands

AUTHORITY FOR ADVANCE RULING GST KERALA

exempted by virtue of Serial No.74 of Notification No. 12/2017/Central Tax (Rate) dated 28.06.2017. The ancillary supplies mentioned above, for example, the supply of medicines, are otherwise taxable, but gains exemption when supplied to inpatients on account of being an ancillary supply to a principal supply, which is exempted. The legal basis for the said exemption is Section 8 (a) of the CGST Act, 2017, which states that "*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*" and Section 2 (30) of the Act, which states that *"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"*. In the instant case, the applicant has included *'other required supplies'* among the supplies which they intend to provide under the package. The exact contents or nature of 'other required supplies' is not known. In the event 'other required supplies' are supplies which are not naturally bundled and supplied in conjunction with each other in the ordinary course of business, such as facilities provided to bystanders, room rent above Rs 5,000/- per day which is specifically outside the purview of exemption provided under Serial No.74 of Notification No. 12/2017/Central Tax (Rate) dated 28.06.2017 (as amended vide Notification No. 04/2022 -Central Tax (Rate) dated 13-07-2022), supply of artificial body parts/devices/equipment worn/attached/fitted, supplies of a cosmetic or aesthetic nature etc., the eligibility for exemption will have to be examined on a cases to case basis. Hence, a general ruling regarding the taxability of such supplies cannot be issued.

2. The second is a situation where a partial package is offered to the patients. Such package covers room rent, scanning charges, lab tests etc., but the other items are separately charged depending on the brand and type of the items. The same logic as applicable to the above issue squarely applies to this case as well. The package excludes only those items where the price can vary depending on the brand of the supplied medicines and items. But there is paucity of material to decide whether the 'other supplies' included in the package form part and parcel of supply which are naturally bundled and supplied in conjunction with each

other in the ordinary course of business. Hence it is possible that even supplies which are not naturally bundled with health care service can be supplied in this model. Hence, a general ruling regarding the taxability of such supplies cannot be issued.

3. The third is a situation where a package is not offered and the treatment, room rent, scanning charges, lab tests, medicines, implants and other required supplies are charged separately to the patient at actuals. In this case as well, without knowing the exact nature of 'other required supplies', it cannot be determined whether they can be treated as naturally bundled and supplied in conjunction with each other in the ordinary course of business. Hence it is possible that even supplies which are not naturally bundled with health care service can be supplied in this case. Hence, a general ruling regarding the taxability of such supplies cannot be issued.

4. The last issue on which advance ruling requested is whether GST is leviable on the value of medicines and other allied supplies made to outpatients in the case of procedures such as dialysis, chemotherapy, etc. that require no admission, where the outpatients are charged for the procedure charges (charges for performing dialysis, chemotherapy, etc.); and medicines and other allied supplies for the purpose are billed separately at actuals. With regard to out-patients, the medicines and other supplies are not supplied in the course of health care services and the outpatients, as detailed in the application, have an option to source these items from elsewhere. Hence, there is no reason to treat the supply of medicines and allied supplies to outpatients as an ancillary supply to a principal supply and therefore, the exemption available to the main supply, viz. health care service, does not apply to the supply of medicines and allied supplies made to outpatients.

In the light of the facts and legal position as stated above, the following ruling is issued:



RULING

Question:1. Whether GST is leviable on the value of the supply of medicine, implants, and other allied supplies issued to applicant's inpatients during the course of treatment in the following scenarios?

(a) In the case where a package is offered for a particular disease or surgery that covers the treatment, room rent, scanning charges, lab tests, medicines, implants, other required supplies, etc. for a consolidated amount, which is pre-fixed by the hospital, irrespective of the type, brand (when the choice is available to the patient) and quantity of medicines, implants, other supplies, etc. issued to the patient?

Ruling: Any supply that is naturally bundled with 'health care services' are exempted from GST by virtue of Sl. No. 74 of Notification No. 12/2017/ Central Tax (Rate) dated 28.06.2017. However, without specific information on the inclusions under 'other required supplies', a ruling cannot be issued and the nature/ taxability of the supply has to be determined on case-to-case basis considering the exact nature of the supply involved.

b. In the case where a package is offered for a particular disease or surgery which covers only the treatment (including room rent, scanning charges, lab tests, etc.) for a consolidated amount which is pre-fixed by the hospital, but not covering the supply of medicines, implants and other required supplies, which are charged separately to the patient, according to the type, brand (when choice is available to patient) and quantity of items issued to him / her.

Ruling: Same as in (a) above.

c. In the case where a package is not offered and the treatment, room rent, scanning charges, lab tests, medicines, implants and other required supplies are charged separately to the patient at actual.

Ruling: Same as in (a) above.

2. Whether GST is leviable on the value of medicines and other allied supplies made to outpatients in the case of procedures such as dialysis, chemotherapy, etc. that require no admission, where the outpatients are charged for the



procedure charges (charges for performing dialysis, chemotherapy, etc.); and medicines and other allied supplies for the purpose are invoiced separately at actuals?

Ruling: When medicines and allied items are supplied to the out-patients as part of treatment procedures and are separately invoiced for procedural charges, medicines and allied supplies, then the supply of each of the goods and services shall be individually liable to GST at the rates as applicable based on the classification of such supplies.

Gayathri.P.G., IRS
Joint Commissioner of Central Tax
Member

Abdul Latheef. K.
Joint Commissioner of State Tax
Member

To

M/s. Jubilee Mission Hospital,
1, Bishop Alappat Road, East Fort,
Thrissur, Kerala -680005.

Copy submitted to:-

1. The Chief Commissioner of Central Tax and Central Excise, Thiruvananthapuram Zone, C.R.Building, I.S.Press Road, Cochin-682018. [E-mail ID: cccochin@nic.in; ccu-cexcok@nic.in]
2. The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram – 695002.
3. The Commissioner of Central GST and Central Excise, Cochin Commissionerate.

Copy to:-

1. The Joint Commissioner, TPS, HQ, Thiruvananthapuram.
2. The Deputy Commissioner, ITMD, Thiruvananthapuram.
3. The State Tax Officer, Tax Payer services Circle, Ollur, Thrissur. [E-mail ID: tsrtpscolr.sgst@kerala.gov.in].
4. The Suptd. Central Tax, Chembukkavu Range, Thrissur Division.

AUTHORITY FOR ADVANCE RULING GST KERALA