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Pre-Budget Expectations: GST Simplifications Key to Pharma and Life Sciences Growth

01 January 2026 | Features | By Sanjiv Das

All eyes are on the Union Budget 2026–27, to be presented on February 1, 2026, as the life sciences sector looks for decisive measures to strengthen India's position as a global hub for quality healthcare, innovation, and affordable access.

The Budget 2025–26 had provided a significant boost to the sector. The Department of Health and Family Welfare received Rs 95,957.87 crore, while the Department of Health Research was allocated Rs 3,900.69 crore. Additionally, Rs 20,000 crore was earmarked for the Research, Development, and Innovation (RDI) initiative. The Biotechnology Research Innovation and Entrepreneurship Development (Bio-RIDE) scheme also received Rs 2,300 crore to promote biomanufacturing, research, and entrepreneurship in novel drugs and medical devices.

However, 2025 also brought global uncertainties, including geopolitical tensions and tariff-related pressures, particularly from the US. Against this backdrop, stakeholders are seeking policy stability, tax rationalisation, and regulatory reforms to help the sector remain competitive and resilient.

GST simplification and R&D incentives

A recurring expectation across the life sciences ecosystem is simplification of the Goods and Services Tax (GST) regime, especially for pharmaceuticals and medical devices. The industry has long struggled with inverted duty structures, delayed refunds, and procedural complexities that strain working capital, particularly for MSMEs.

Sudarshan Jain, Secretary General, Indian Pharmaceutical Alliance (IPA), emphasises that the Budget must provide a strategic thrust to help the industry achieve its long-term ambitions of reaching $120 billion by 2030 and $450 billion by 2047. "Increasing healthcare spending toward the National Health Policy target of 2.5 per cent of GDP by 2026–27 is critical. Restoring weighted tax deductions for R&D, rationalising inverted GST structures, simplifying compliance for physician samples, and strengthening incentives for biopharmaceutical manufacturing will help offset current external stresses," he says.

The reinstatement of higher weighted tax deductions under Section 35(2AB) for in-house R&D remains one of the industry's strongest demands. According **to BG Barve, Chairperson, Taxation Committee of Indian Drug Manufacturers' Association (IDMA)**

and Joint Managing Director, Blue Cross Laboratories, such a move would directly encourage innovation, new drug development, and technology upgrades. He also highlights the need for simplification of TDS rates and thresholds to reduce disputes and improve cash flows, along with restoring the 15 per cent concessional corporate tax rate under Section 115BAB for new manufacturing units.

Customs, compliance, and MSME relief

Beyond GST, the industry is seeking relief from long-standing customs and tax disputes. The IDMA has called for a Customs Amnesty Scheme, similar to Sabka Vishwas, to resolve legacy issues. Digitalisation of customs processes to reduce dependence on physical documentation and rationalisation of high import duties on certain medical devices (HSN 9018–9022) have also been proposed.

Tax and compliance complexity disproportionately impacts MSMEs. **Dr Ranjeet Mehta, CEO and Secretary General, PHD Chamber of Commerce and Industry,** stresses that honest taxpayers should not lose Input Tax Credit due to supplier non-compliance. Allowing flexibility in invoice matching and ensuring recovery efforts first target defaulting suppliers would help build trust and improve ease of doing business.

Patient-centric and trust-based healthcare growth

Industry bodies also expect the Budget to reinforce patient-centric healthcare delivery. **Anil Matai, Director General, Organisation of Pharmaceutical Producers of India (OPPI),** notes that India stands at a pivotal moment to build a world-class life sciences ecosystem anchored in patient safety, quality, and equitable access. “A forward-looking Budget can catalyse trust-based partnerships between government, industry, and healthcare providers, ultimately improving patient outcomes through access to innovative therapies and stronger public health programmes,” he says.

Strengthening neurological and preventive care

Public health priorities are also shaping budget expectations. Stroke remains one of the leading causes of death and disability in India, affecting an estimated 1.8 million people annually. The Indian Stroke Association (ISA) is urging the government to strengthen neurological care infrastructure by setting up more dedicated stroke units, improving ambulance response times, and training emergency teams.

Dr Arvind Sharma, Stroke Specialist and Secretary, ISA, highlights the importance of expanding tele-neurology services to reach rural populations. He also calls for better insurance coverage for long-term neurological care, including physiotherapy, speech therapy, cognitive rehabilitation, and home-based support.

Preventive healthcare and early diagnosis are gaining increasing attention across sectors. Stakeholders believe higher budgetary allocations for screening programmes, subsidised diagnostics, and annual health check-ups could significantly reduce long-term healthcare costs.

Healthcare investment and regional expansion

Despite progress, India’s healthcare spending remains low compared to many developing nations. Several experts argue that combined central and state healthcare expenditure should rise to at least 5 per cent of GDP to build a robust and equitable system.

Dr MI Sahadulla, National President, Association of Healthcare Providers – India (AHPI), advocates targeted tax incentives to encourage healthcare investments in underserved regions, particularly Tier II and Tier III cities. He also calls for enhanced support for oncology research, elderly care, and long-term treatment coverage under health insurance schemes.

Medical devices and diagnostics reforms

The medical devices and diagnostics segments are seeking focused reforms to reduce import dependence and improve domestic competitiveness. The Association of Indian Medical Device Industry (AiMeD) has proposed pragmatic tariff rationalisation to encourage local value addition while safeguarding investments made by Indian manufacturers.

Rajiv Nath, Forum Coordinator, AiMeD, suggests a calibrated tariff increase of 10–15 per cent, partially offset through a health cess, to generate funding for Ayushman Bharat without significantly burdening consumers. Imports currently dominate nearly two-thirds of India's medical device market, a trend the industry wants to reverse.

Similarly, the in-vitro diagnostics (IVD) sector has highlighted challenges such as inverted duty structures, limited export incentives, and high technology-transfer costs. **Jatin Mahajan, President, Association of Diagnostics Manufacturers of India (ADMI),** emphasises the need for sector-specific reforms, public–private R&D partnerships, and diagnostic hubs in Tier II and Tier III cities.

Regulatory streamlining and long-term reforms

Several experts have also called for regulatory restructuring. **Joydeep Ghosh, Partner and Life Sciences & Health Care Industry Leader, Deloitte India,** recommends exploring a single regulatory authority for pharmaceuticals and medical devices to streamline approvals and boost investor confidence. He also supports introducing a clear policy on refurbished medical devices, with safeguards to ensure safety and efficacy.

Looking ahead, stakeholders expect Budget 2026–27 to prioritise long-term reforms alongside immediate capacity building. **Dr Milind Antani, Head, Pharmaceutical and Lifesciences Practice, Nishith Desai Associates,** anticipates deeper support for health insurance penetration through reduced GST on premiums, higher tax-deduction limits, and expanded government-backed schemes.

Budget 2026 is expected to boost pharmaceuticals through expanded PLI schemes, export incentives, and tariff support to strengthen supply chains and global competitiveness. “The sector is likely to be positioned as a key growth engine, with strong focus on R&D, innovation, and affordable care for NCDs,” says **Bhanu Prakash Kalmath of Grant Thornton Bharat.**

“As we approach the 2026 Union Budget, the expectations are to provide necessary incentives and policy support to the pharmaceutical sector that transforms India's role from a high-volume generics hub to a global innovation-led pharmaceutical powerhouse. Some of the enablers in this direction would be R&D incentives for innovation, expanded PLI coverage for APIs and advanced therapies, infrastructure development incentives to boost manufacturing competitiveness. Streamlining policy and regulatory pathways to align them with international standards would also accelerate cross-border investment and strategic M&A activity. A budget focussed on these themes will not only reinforce India's position as the 'pharmacy of the world' but will help catalyse the next wave of growth and investment across the sector”, says **Ravi Shah, Partner, Cyril Amarchand Mangaldas.**

Conclusion

The life sciences sector views Budget 2026–27 as a defining moment. Expectations range from GST simplification and R&D incentives to regulatory streamlining, tariff rationalisation, and stronger public health investment. With pharmaceuticals and healthcare emerging as key drivers of economic growth, innovation, and employment, a well-calibrated Budget can strengthen India's global competitiveness while making healthcare more affordable and accessible for millions.

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