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GST and Pharma industry : FICCI Views

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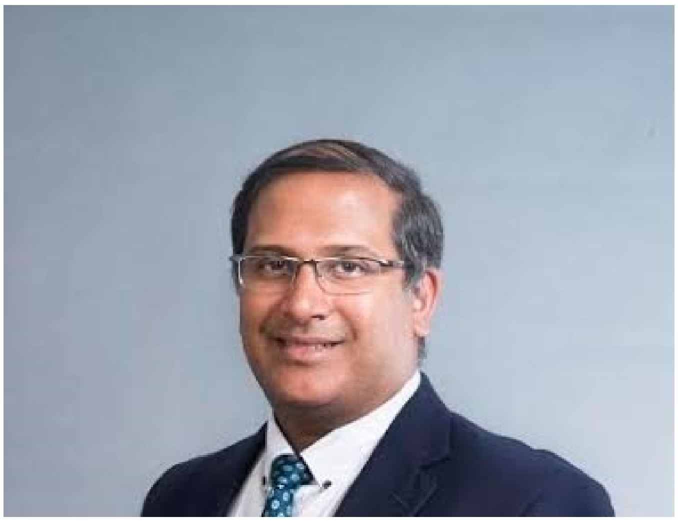

On behalf of the Pharmaceutical Industry, FICCI would like to state that providing quality healthcare at affordable prices is the stated policy of the Government of India. Industry members fully support this and remain committed to partner with the Government on this agenda.

The GST rate structure for Pharma products

No	Drug	GST rate
1	Pharma products	12%
2	Specified life-saving drugs	5%
3	GST on majority of Industrial inputs & Chemicals (API)	18%

Industry members of FICCI Lifesciences are completely prepared for implementing the new tax rates. FICCI has facilitated an interaction of its industry members with Department of Pharmaceuticals, NPPA, and the GST Sectoral Council for Drugs & Pharmaceuticals to get their implementation related queries resolved. Further, FICCI also conducted a workshop for its industry members in collaboration with external tax consultants to help them get clarity on billing, invoicing and tax rebates related matter. These initiatives helped our members to get clarity on all aspects of pricing and taxation under GST so that they can align themselves to the new structure and ensure availability of quality medicines

GST is believed to be the most transformative change in the way business have been run in India thus far and to that end the coming times are going to be exciting. For Life Science Industry, it is expected to be relatively less disruptive and demand will likely pick up strongly in Q2 if the implementation post July 01 is smooth. The impact of GST on pharma sector will evolve. Overall it is a great step for boosting investment climate in the country. The requirement of tax compliance to various tax authorities will get reduced and is expected to bring efficiencies in supply chain by removing state barriers.

However, with the existing tax rate of 12% for pharmaceuticals, the net effective tax rate is slated to increase by 2.3% as compared to the earlier indirect taxes regime. It is pertinent to note that the prices of drugs in India has been under stringent price control for decades with the primary objective to ensure availability of quality drugs at affordable prices. The higher rates on drugs would therefore be contrary to India's drug policy as it would eventually lead to higher cost of medicines.

We have therefore made representations to the Government to keep the GST rate for Medicines at 5% tax slab. This will not only help avoid any inflationary pressure in this essential segment but also in many cases will help reduce the medicines prices and act as a booster to the Government's priority of access and affordability.

- **Glenn Saldanha, Chair, FICCI Pharma Committee & CMD Glenmark Pharmaceuticals Ltd.**