

What startup firm says on GST and Biomedical industry?

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As India will be launching Goods and Services Tax (GST) with effect from July 1, BioSpectrum spoke to startups, industry captains/ associations and consultants the industry's preparedness towards GST



Dr Nilay J. Lakhkar* on GST and Biomedical industry

Is biopharma / med tech industry ready for this launch?

Biopharma and medical tech industry is a very diverse industry group. Unlike industries like say steel or fertilisers or cement which comprises of very large companies, biopharma and medical tech industry group comprises of a few large companies, many more large small companies and a very large component, one could even say a majority component, of start-ups.

Large companies should be ready for launch of GST since they have the wherewithal in terms of system back-up and requisite skilled manpower in accounts and logistics. But the small companies with manpower of 10-25 persons and the start-ups with manpower of <10 persons (with manpower including the entrepreneurs themselves) are finding it very difficult to understand the implications of GST, let alone get ready for GST implementation !

Especially the start-ups engaged in R&D and pilot manufacturing stages, where the entrepreneurs are 'DIY (Do It Yourself)' jacks of all trades, are finding it extremely difficult to cope up with GST launch which is placing inordinately heavy compliance burdens on them.

If yes how it will help consumers and how your company prepared for it?

Our company, SynThera Biomedical, is a typical start-up at R&D stage. We are trying our best to understand the additional burdens arising from GST launch and to devise mechanisms to cope with them.

Our consumers typically belong to healthcare sector, which is exempted from GST. But the supply chain comprising of wholesalers and distributors forms an important link to reach the ultimate consumers. We will have to understand how GST will be applied to the supply chain as well as the ultimate consumers and it will affect our company.

It will not be out of place to mention here that GST rate of 12% on medical devices as against lower rate of GST to allopathic medicines is clearly discriminatory and needs to be brought on par with GST applied on allopathic medicines.

If not what are challenges before the company?

It is waging war on several fronts – laboratory R&D, product approvals, IP generation and protection, search for suitable facility to locate larger scale production, product promotion through consumer meets & exhibitions, and last but not the least, fund raising from government schemes and investor community.

To all the above burdens is now added the burden of GST – tax invoices, reverse charge mechanism, submission of monthly returns and several other compliances. Will this prove to be the proverbial last straw on the camel's back? In other words, do the start-ups have the bandwidth to cope with burdensome demands disproportionate with the resources at their disposal? Only time will tell how many start-ups will survive the GST launch.

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