

AUTHORITY FOR ADVANCE RULING – MADHYA PRADESH
GOODS AND SERVICE TAX

O/o THE COMMISSIONER, COMMERCIAL TAX,

MOTI BUNGALOW,

MAHATMA GANDHI MARG, INDORE (M.P.) - 452007

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PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING
U/S,98 OF THE GOODS AND SERVICES TAX ACT, 2017

Members Present

1. Manoj Kumar Choubey
Joint Commissioner

Office of the Commissioner of Commercial Tax, Indore Division-1

2. Shri Virendra Kumar Jain
Joint Commissioner

Office of the Commissioner CGST and Central Excise, Indore

GSTIN Number. If any/User-id	23AAGCD0903Q1ZO
Name and address of the applicant	M/s. Dadaji Hospitals Private Limited, 932, Plot No.64/1 Opposite Chanchalla Bai College, Gole Bazar, Jabalpur(MP) 482001.
Point on which advance ruling sought	(b) Applicability of Notification issued under the provisions of this Act. (c) Determination of liability to pay tax on any goods or services or both.
Present on behalf of applicant	Mr.Deepak Asrani,CA
Case Number15./2020
Order dated	06-10-2021

Order Number

13/2021

PROCEEDINGS

(Under sub-section (4) of Section 98 of Central Goods and Service Tax Act, 2017 and the Madhya Pradesh Goods & Service Tax Act, 2017)

1. M/s. Dadaji Hospitals Private Limited, 932, Plot No.64/1 Opposite Chanchalla Bai College, Gole Bazar, Jabalpur(MP) 482001 (hereinafter referred to as the Applicant) is multispecialty Hospital, equipped with latest infrastructure and competent medical staff. The Applicant is having a GST registration with GSTIN 23AAGCD 0903Q1ZO.

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2. The provisions of the CGST Act and MP GST Act are identical, except for certain provisions. Therefore, unless a specific mention of the dissimilar provision is made, a reference to the CGST Act would also mean a reference to the same provision under the MP GST Act. Further, henceforth, for the purposes of this Advance Ruling, a reference to such a similar provision under the CGST or MP GST Act would be mentioned as being under the GST Act.

3. BRIEF FACTS AND SUBMISSION OF APPLICANT IN THE CASE ARE AS UNDER –

3.1 M/s. Dadaji Hospitals Private Limited, 932, Plot No.64/1 Opposite Chanchalla Bai College, Gole Bazar, Jabalpur(MP) 482001 (hereinafter referred to as the Applicant)) is multispecialty Hospital, equipped with latest infrastructure and competent medical staff. It aims at providing the best end to end primary health care and secondary health care services including diagnostics, basic and special medical and surgical services, treatments, etc. to patients. The Applicant is having a GST registration with GSTIN 23AAGCD 0903Q1ZO for providing Health care services.

3.2 The applicant submitted that for effective operational and functional management/administration of provision of health care services, the applicant has categorized the patients as Out-patient and in-patient described as under :

Outpatient are people with health problem who visit the hospital for diagnosis or treatment, but do not require a bed at this time or to be admitted for overnight care.

In-patients :- on the other hand are people whose diagnosis (done in the hospital or otherwise) requires admission to the hospital for the required treatment. They stay in the hospital for requisite medical facility under the care/supervision of a nurse or doctor and are provided with medicine consumables, surgical, dietary foods and other surgeries/procedure required for the treatment.

In order to ensure better accounting and costing (by bundling/matching the revenues and expenses arising from a distinct service) the applicant has put in place separate billing system /series of the in-patient pharmacy and out-patient pharmacy with separate records and accounting. For the in-patients, all the medicines, etc are issued through the in-patient Billing series only and strictly under the prescription of the doctors aimed at curing, restoring or maintaining the health of a patient, which is incidental to the health care services rendered in the hospital.

For out-patients, the medicines are issued separately through the outpatient billing series. Copy of the sample invoices of inpatient billing system and outpatient bill systems are attached herewith for your reference.



The applicant further submitted that :-

- (i) Health care services provided by a clinical establishment, an authorised medical practitioner or para medics are exempted vide SL No.74 of Notification No.12/2007-CT(Rate) dated 28.06.2017 .
- (ii) Pharmacy is an outlet to dispense medicines or allied items based on prescription. Patients are admitted to a hospital only when they are extremely ill or have severe physical trauma for their physical stability and improvement.
- (iii) 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.
- (iv) Inpatients receive medical facility as per the scheduled procedure and have strict restriction to ensure quality /quantity of items for consumption. Hence the medicine or allied goods supplied to inpatients are indispensable items and it is a composite supply to facilitate health care services and it not taxable.

4. QUESTION RAISED BEFORE THE AUTHORITY

The following two questions have been raised by the applicant:-

- (i) Whether the medicines, consumables, Surgical, etc. used in the course of providing health care services to the patient admitted in the hospital for treatment, surgery or diagnosis would be considered as composite supply of health care services.
- (ii) Supply of medicines, consumables etc. to patients admitted in hospitals exempted under notification No.12/2017 read with Section 8(a) of GST?

5. Department view :-

The additional Commissioner(Tech), CGST Jabalpur vide letter No.GEXCOM/TECH/GST/327/2021 DATED 10.08.2021 received through mail dated 16.08.2021 submitted as under :-

"Point-(i) Whether the medicines, consumables, surgical etc. used in the course of providing healthcare services to the patient admitted in hospital for treatment, surgery or diagnosis would be considered as composite supply of healthcare services? As per Section 2(30) of the CGST act, 2017 "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



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ordinary course of business, one of which is a principal supply; As per the above provisions, the composite supply must consist of two or more taxable supplies of goods or services supplied by a taxable person.. However in the instant case, the applicant has used the term "used" which means applicant has sought answer whether medicines, consumables, surgical etc. used in the course of providing healthcare services would be considered as composite supply or not. On this point, this office is of the view that only in the situation where healthcare service and medicines/surgical/consumable which are necessary for treatment are supplied by the hospital themselves to in-patient can only be considered as composite supply for the purpose of section 2(30) ibid. In case, pharmacy located in the hospital premises is owned by a separate person then medicines/surgical/consumables supplied by such pharmacy to the in-patient for use in the course of health care service provided by the hospital cannot be termed as composite supply. The supply of medicines and allied items provided by the hospital through the pharmacy to the out-patients cannot be considered as composite supply of healthcare services hence the same appears taxable at the applicable rate.

Point-(ii) Supply of medicines, consumables etc. to patients admitted in hospital exempted under notification no. 12/2017 read with section 8(a) of GST. As per the provisions of section 8(a) of the CGST act, 2017, tax liability on 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. If the Supply of medicines, consumables etc. to patients admitted in hospital is a composite supply in terms of section 2(30) of the CGST act, 2017 where principal supply is health care service by a clinical establishment then exemption under sl. No. 74 of notification no. 12/2017-CT(R) may be available."

6. RECORD OF PERSONAL HEARING -

Shri Deepak Asrani, C.A., the authorised representative of the applicant appeared for personal hearing through virtual hearing and they reiterated the submission already made in the application.

7. DISCUSSIONS AND FINDINGS -

7.1 We have carefully gone through the application, provisions and submission of the Applicant, and we proceed to decide as under :

The applicant raised two questions – (i) Whether the medicines, consumables, Surgical, etc. used in the course of providing health care services to the patient admitted in the hospital for treatment, surgery or diagnosis would be considered as composite supply of health care services ? and (ii) Whether supply of medicines, consumables etc. to patients admitted in hospitals are exempt as per Notification No. 12/2017 read with Section 8(a) of CGST Act, 2017 ?

7.3 The applicant submitted that the medicines and other goods and services supplied to inpatients are indispensable items and it is a composite supply to facilitate health care services and is not taxable.

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In this regard, if we go through the definition of Composite supply given under Section 2(30) of CGST Act, 2017 we find that the submission of applicant is partially correct.

If a composite amount is charged from the patient admitted in the hospital for treatment, surgery or diagnosis including for medicines and other goods and services supplied in the course of treatment of the patient, and if the amount of such medicines and other goods and services is not segregable from the composite amount charged from the patient, then it is a Composite supply in terms of the Section 2(30) of CGST Act, 2017 in which healthcare service will be principal supply, and such Composite supply of healthcare services will be exempt from tax as per Sl. No. 74 of Notification No. 12/2017-CT (Rate), dt. 28.6.2017.

But, if composite amount is not charged from the patient, and if the cost of medicines and other goods and services supplied in the course of treatment of a patient admitted in the hospital for treatment, surgery or diagnosis, is segregable from the amount charged for healthcare services, then it is not a Composite supply in terms of the Section 2(30) of CGST Act, 2017 and in that case the supply of medicines and other goods and services will not be exempt from tax as per Sl. No. 74 of Notification No. 12/2017-CT (Rate), dt. 28.6.2017, but will be taxable at the rate applicable to the respective goods and services.

8. Ruling

8.1 On question number (i) - Whether the medicines, consumables, Surgical, etc. used in the course of providing health care services to the patient admitted in the hospital for treatment, surgery or diagnosis would be considered as composite supply of health care services. - This Authority rules that the medicines, consumables, Surgical, etc. used in the course of providing health care services, if it is provided to the patient admitted in the hospital for treatment, surgery or diagnosis would be considered as composite supply of health care services in terms of the Section 2(30) of CGST Act, 2017, if the amount of such medicines, consumables, Surgical, etc. is not segregable from the composite amount charged from the patient for treatment, surgery or diagnosis and is part of the package of the treatment and where principal supply is health care service by a clinical establishment. In case, pharmacy located in the hospital premises is owned by a separate person then medicines/surgical/consumables supplied by such pharmacy to the in-patient for use in the course of health care service provided by the hospital cannot be termed as composite supply. Moreover in the case where package is not applicable and the treatment, medicines, other supplies, and other items are charged to the patient separately at actual, and also in case supply of medicines and other supplies are being charged separately according to the type, brand(when choice available to the





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patient) , and quantity of items issued to the patients then it could not be classified as composite supply of healthcare service. It is also added here.

8.2 On question number (ii) - Supply of medicines, consumables etc. to patients admitted in hospitals exempted under notification No.12/2017 read with Section 8(a) of GST? - This authority rules that supply of medicines, consumables etc to the patients admitted in hospitals are exempted in Para 2(zg) of Notification No. 12/2017-CT (Rate), dt. 28.6.2017, only when it fulfils the condition as explained in ruling of question no-(i) and the conditions given in the said notification.

8.3 The ruling is valid subject to the provisions under section 103 (2) until and unless declared void under Section 104 (1) of the GST Act.


(Manoj Kumar Choubey)
(Member)


(Virendra Kumar Jain)
(Member)

Copy to:-

1. Applicant
2. The Principal Chief Commissioner, CGST & Central Excise, Bhopal Zone, Bhopal
3. The Commissioner(SGST) Indore
4. The Commissioner, CGST & Central Excise, Indore *and Jabalpur*
5. The Concerned Officer
6. The Jurisdictional Officer – State/Central

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