

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:3288  
ANSWERED ON:13.08.2010  
INFRASTRUCTURE STATUS TO HEALTH SECTOR  
Gangaram Shri Awale Jaywant

**Will the Minister of FINANCE be pleased to state:**

- (a) whether the health sector has been accorded various benefits like infrastructure status and tax holidays;
- (b) if so, the details thereof and if not, the reasons therefor;
- (c) whether suggestions have been received by the Government in this regard; and
- (d) if so, the details thereof and reaction of the Government thereto?

**Answer**

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) to (d): The following tax incentives are currently available for the health sector under the provisions of the Income Tax Act, 1961:

(1) With a view to encouraging investment in hospitals in non-metro cities, the Finance Act, 2008 has inserted a new sub-section (11C) in section 80-IB of the Act which provides for a tax holiday for five consecutive assessment years, beginning from the initial assessment year, to an undertaking deriving profits from the business of operating and maintaining a hospital located anywhere in India, other than the excluded area subject to specified conditions. Sub-section (11C) of section 80-IB, inter-alia, seeks to provide that,-

(i) the tax benefit shall be with respect to the profit derived from the business of operating and maintaining a, hospital for a period of five consecutive assessment years, beginning from the initial assessment year;

(ii) the tax benefit will be available to a hospital which is constructed and has started or start functioning at any time during the period beginning on the 1st day of April, 2008 and ending on the 31st day of March, 2013;

(iii) the hospital should have at least one hundred beds for patients;

(iv) the excluded area shall mean an area comprising the urban agglomerations of Greater Mumbai, Delhi, Kolkata, Chennai, Hyderabad, Bangalore and Ahmedabad, the districts of Faridabad, Gurgaon, Ghaziabad, Gautam Budh Nagar and Gandhinagar and the city of Secunderabad;

(v) the area comprising an urban agglomeration shall be the area included in such urban agglomeration on the basis of the 2001 census.

(2) With a view to improving healthcare facilities in the north-eastern region of India, deduction in respect of the profits and gains is available under section 80-IE of the Act at the rate of 100 per cent for 10 consecutive assessment years for undertakings in North-Eastern States commencing operations between 1.4.2007 to 31.3.2017 and carrying on any eligible business. 'Eligible business' includes providing medical and health services in the nature of nursing home with a minimum capacity of 25 beds; running an old-age home; and operating vocational training institute for hotel management, catering and food craft, entrepreneurship development, nursing and para-medical, civil aviation related training, fashion designing and industrial training.

(3) In order to further promote the establishment of new hospitals with at least 100 beds for patients throughout the country, the recent Finance Act, 2010 has provided investment linked incentive to the hospital sector, irrespective of location, under section 35AD of the Act. The investment-linked tax incentive allows 100 per cent deduction in respect of the whole of any expenditure of capital nature (other than on land, goodwill and financial instrument) incurred wholly and exclusively, for the purposes of the 'specified business' during the previous year in which such expenditure is incurred.

(4) Also, the income of charitable hospitals is exempt from taxation under sections 10 and 11 of the Act.

(5) Further, tax incentives available to individuals on account of expenditure incurred on medical insurance and treatment of various ailments under sections like 17, 80D, 80DD, 80DDB and 80U of the Act also indirectly benefit the healthcare sector by promoting use of medical facilities by the citizens.

Generally, a facility is identified as an `infrastructure facility` if it fulfills the following characteristics:-

- a. It is a natural monopoly;
- b. It involves high sunk costs or asset specificity;
- c. Its output is non-tradable;
- d. It is non-rival (upto congestion limit) in consumption;
- e. There exists a possibility of price exclusion;
- f. It bestows externalities on the society.

Since the health sector does not possess these characteristics, it cannot be categorised as `infrastructure`. Further, a conscious policy decision has been taken to move away from profit-based tax incentives and expansion of the scope of the definition of `infrastructure`. Therefore, suggestions received from various quarters for according infrastructure status to the health sector has not been found acceptable during the last budgetary exercise.