

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:3958
ANSWERED ON:26.08.2011
ROLL BACK OF SERVICE TAX ON HOSPITALS
Singh Shri Ravneet

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government proposes to roll back the service tax imposed on hospital services including all diagnostic services;
- (b) if so, the details thereof; and
- (c) the other fiscal steps taken by the Government to bring healthcare within the reach of poorer section of the society who are already burdened by the exorbitantly high cost of medical services in the country?

Answer

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

(a) & (b): Sir, Service tax leviable on hospital services including all diagnostic services, has been exempted vide Notification No. 30/2011-ST dated 25.04.2011

(c): Detailed information is provided in the enclosed Annexure.

Annexure

Lok Sabha Unstarred Question No.3958 raised by Shri. Ravneet Singh, M.P. admitted for answer on 26th August, 2011 on the 'Rollback of Service Tax on Hospitals' – regarding.

Reply to part (c): fiscal steps taken by the Government to bring healthcare within the reach of poorer section of the society are as follows:

I. Service Tax Exemptions: Service tax exemption has been extended to many low-cost health insurance schemes meant for the poorer section of the society. The details are as follows:

Service Tax exemption	Notification No. and Date
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Jan Arogya Bima Policy	12/97-ST dated 14.02.1997
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Universal Health Insurance Scheme	16/2003-ST dated 11.07.2003
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Rashtriya Swasthya Bima Yojana	07/2011-ST dated 01.03.2011
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II. Customs and Central Excise concessions: In addition, several concessions of Customs and Central Excise duties have been extended to medical equipments, so that cost of medical service can be affordable. Medical equipments such as CT Scan, MRI, X-Ray etc., classified in Chapter 90, are liable for BCD 7.5% + CVD 10% + SAD 4%. Certain exemptions have been provided from time to time on such equipments and after a comprehensive review in the Budget 2010-11, a uniform rate has been prescribed. Notification No. 21/2002-Cus., dated 01.03.2002 provides for concessional rate of import duty @ 5% for the goods required for medical, surgical, dental or veterinary use and their parts and accessories (sr. no. 357A & 357B). Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof are fully exempted from BCD as well as CVD vide Sr. no. 358 of the said notification. Notification no. 10/ 2006-CE, dated 01.03.2006, as amended, provides for Central Excise duty at a concessional rate of 5% on such goods and equipments. Notification no. 20/2006 has also been suitably amended to extend

SAD(Special Additional Duty) benefit to these items. Education cess and secondary and higher education cess of 2% &1% respectively on the duties collected are also applicable. On the basis of recommendation of Ministry of Health and Family Welfare, concessional rate of Basic Customs Duty @ 5% and NIL rates of CVD / Excise Duty, as the case may be, have been extended to various life saving drugs, to make them affordable to the common man.

III. Income Tax incentives: Under the Income-tax Act, 1961(the Act) following incentives are made available for the health care sector.-

(i) Section 10(23C)(iiiac) of the Act provides full exemption in respect of any income received by any person on behalf of any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit, and which is wholly or substantially financed by the Government.

(ii) Section 10(23C)(iii ae) of the Act provides full exemption in respect of any income received by any person on behalf of any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit, if the aggregate annual receipts of such hospital or institution do not exceed Rs. One crore.

(iii) Section 10(23C)(via) of the Act provides full exemption in respect of any income received by any person on behalf of any hospital or other institution, approved by the prescribed authority, for the reception and treatment of persons suffering from illness or mental defectiveness or for the reception and treatment of persons during convalescence or of persons requiring medical attention or rehabilitation, existing solely for philanthropic purposes and not for purposes of profit, other than those mentioned in sub-clause (iii ac) or sub-clause (iii ae) of section 10(23C).

(iv) Under section 2(15) of the Act, "Charitable Purpose" includes Medical Relief. Thus the institutions engaged in the activities which qualify as medical relief can seek registration under section 12A of the Act. Once such registration is granted, the institution may avail the benefits of exemptions available under section 11 of the Act, subject to the prescribed conditions.

(v) Section 80-IB (11C) of the Act provides profit-linked tax incentive by way of allowing hundred per cent deduction to an undertaking deriving profits from the business of operating and maintaining a hospital with at least one hundred beds for patients and located anywhere in India, other than the excluded area, commencing operations between 01-04-2008 and 31.03.2013, for a period of five consecutive assessment years.

(vi). Section 35AD of Act provides investment-linked tax incentive by way of allowing hundred 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. The business of building and operating, anywhere in India, a hospital with at least one hundred beds for patients commencing operations on or after the 01.04.2010 is one of the specified businesses eligible for availing this investment-linked deduction."