

**GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA**

UNSTARRED QUESTION NO:6709
ANSWERED ON:17.05.2012
ZERO TAXING FOR SALE OF ESSENTIAL DRUGS
Mani Shri Jose K.

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

- (a) whether the Government has any plan to introduce zero-taxing for the sale of essential drugs;
- (b) if so, the details thereof;
- (c) whether the Government proposes to provide subsidies to people living below poverty line for imported life saving medicines;
- (d) if so, the details thereof;
- (e) if not, the reasons therefore; and
- (f) the steps taken by the Government to control the price of drugs?

Answer

MINISTER OF THE STATE (INDEPENDENT CHARGE) IN THE MINISTRY OF STATISTICS & PROGRAMME IMPLEMENTATION AND MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (SHRI SRIKANT KUMAR JENA)

(a) No, Sir. Taxes on the sale or purchase of goods are a State subject and do not lie within the domain of the Central Government.

(b) Does not arise.

(c) to (e) Ministry of Health and Family Welfare has informed that Government has started a new initiative, namely, 'Free medicines for all through Public Health Facilities' during the 12th Five Year Plan with a view to ensure that out of pocket expenditure in health care is reduced significantly by the end of 12th Five Year Plan. The total estimated cost of the initiative for the Plan period is Rs.20000 crores. For the financial year 2012-13, a provision of Rs.100 crores has been made. The scheme would cover facilities up to the District Hospitals covered under the National Rural Health Mission (NRHM). The scheme would be implemented throughout the 12th Five Year Plan in phases based on an implementation framework. This provision would not only meet the social objective of providing affordable healthcare to the poor and the vulnerable but would also bring in efficiency gains by bulk procurement of drugs.

(f) Under the provisions of the Drugs (Prices Control) Order, 1995 (DPCO, 1995) the prices of 74 bulk drugs as listed in its First Schedule and the formulation containing any of these scheduled drugs are controlled. National Pharmaceutical Pricing Authority (NPPA) fixes or revises prices of scheduled drugs / formulations as per the provisions of the DPCO,1995. No one can sell any scheduled drug / formulation at a price higher than the price fixed by NPPA / Govt.

The NPPA fixes / revises the prices of the scheduled medicines by considering the formula given in the para 7 of DPCO,1995. Accordingly, MAPE (Maximum Allowable Post-Manufacturing Expenses) is allowed not exceeding 100% to the manufacturer from the stage of ex-factory cost to the retailing and includes trade margin and margin for manufacturers for indigenously produced scheduled formulations. In case of prices of the imported finished scheduled medicines the margin not exceeding 50% of the landed cost is allowed to cover the selling and distribution expenses including interest and importer's profit.

Apart from purchase of samples by the officers of NPPA from different parts of the country, complaints by individuals/ NGOs and report from the State Drug Controllers are utilized to ensure compliances of the prices fixed / notified by the NPPA/ Government. Price list submitted by the companies in Form V are scrutinized for the purpose. In case a company is found selling any scheduled formulation at a price higher than notified / approved by the NPPA / Government, action is taken against such companies as per the provision of DPCO, 1995 for recovery of the overcharged amount.

In respect of drugs not covered under the DPCO, 1995 i.e. non scheduled drugs, manufacturers fix the prices by themselves without seeking the approval of Government / NPPA. However, as a part of price monitoring activity, NPPA regularly examines the movement in prices of non-scheduled formulations. The monthly reports of IMS Health and the information furnished by individual manufacturers are utilized for the purpose of monitoring prices of non-scheduled formulations. Whenever a price increase beyond 10% per annum is noticed, the manufacturer is asked to bring down the price voluntarily failing which, subject to prescribed conditions action is initiated under paragraph 10(b) of the DPCO, 1995 for fixing the price of the formulation in public interest. This is an ongoing process. Based on monitoring of prices of non-scheduled formulation, NPPA has fixed prices in case of 30 formulation packs under para 10(b) and companies have reduced price voluntarily in case of 65 formulation packs. Thus in all, prices of 95 packs of non-scheduled drugs have

got reduced as a result of the intervention of NPPA.

Further, Ministry of Finance, Department of Revenue has informed that that a concessional excise duty of 6% ad valorem (compared to the standard rate of 12% ad valorem) is applicable to bulk drugs as well as formulations. In addition, at present, chemicals, bulk drugs, drug formulations falling under Chapter 28, 29, 30 and 38 of the Customs Tariff in general attract customs duty at 7.5% or the peak rate of 10%. However, specified drugs/medicines and bulk drugs for their manufacturer attract Nil or 5% basic customs duty with nil Countervailing Duty (CVD) by way of excise duty exemption. Moreover, specified life saving drugs/medicines including their salts, esters and diagnostic test kits are totally exempted from customs duty and CVD.