M/s CMC Vellore Association

Authority for Advance Ruling — Andhra Pradesh

AAR No. 03/AP/GST/2020 dated: 17.02.2020 Dated **17.02.2020**

Q Questions Before the Authority

- Tax liability on the medicines supplied to In-patients through pharmacy.
- Tax liability on the medicines, drugs, stents, implants etc administered to in-patients during the medical treatment or procedure.

F Facts

The applicant is a non-profit society running a multi-specialty tertiary care hospital at its Chittoor campus. Medicines, drugs, stents and implants are supplied to admitted in-patients through the in-patient and operation theatre pharmacies, on doctors' prescriptions, alongside stay, dietary food and procedures. Out-patient pharmacy sales are made separately against prescriptions.

H Ruling

Medicines supplied to in-patients through pharmacy	**Not liable to tax (nil rated)**	Treated as part of a composite supply of health care services under Sl. No. 74, Heading 9993, Notification No. 12/2017-CT (Rate) dated 28.06.2017
Medicines, drugs, stents, implants etc administered to in-patients during treatment or procedure	**Not liable to tax**	Same reasoning as the first question, as explained in the order

The authority held that medicines supplied to in-patients through the pharmacy are not liable to tax because they form part of a composite supply of health care services, which is nil rated under Sl. No. 74 (Heading 9993) of Notification No. 12/2017-Central Tax (Rate). It held that medicines, drugs, stents, implants and other consumables administered to in-patients during treatment or a procedure are likewise not liable to tax.

R Reasoning

The authority noted that health care services are exempt under Sl. No. 74 of Notification No. 12/2017-CT (Rate), read with the definition of health care services in clause (zg) of para 2. It reasoned that treatment in a hospital cannot be conceived without medicines, consumables and implants, which are therefore integral to the treatment. It treated the supply as a composite supply under section 2(30) CGST Act, with health care as the principal supply, and placed the drugs and consumables as ancillary. It then drew an analogy with Circular No. 32/06/2018-GST dated 12.02.2018, which treats food supplied to in-patients on medical advice as part of composite health care supply. The applicant's reliance on the Kerala AAR order was noted, but the finding rests on the statutory exemption and the composite supply analysis.

Prepared as a reading aid. Where this summary and the original order differ, the order governs.

P Provisions Relied On

- Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, Sl. No. 74, Heading 9993
- Para 2(zg) of Notification No. 12/2017-CT (Rate), definition of health care services
- Section 2(30) CGST Act, 2017 (composite supply)
- Section 8 CGST Act, 2017 (tax liability on composite supply)
- Section 11 CGST Act, 2017 (power to exempt)
- Circular No. 32/06/2018-GST (F.No. 354/17/2018-TRU) dated 12.02.2018
- Sections 97 and 98 CGST Act and APGST Act, 2017

! For the Practitioner

This order helps hospitals that bundle in-patient medicines, consumables and implants into a single treatment package, since it treats those supplies as part of a nil-rated health care supply. It does not decide out-patient pharmacy sales, which the Kerala AAR order cited by the applicant treated as taxable and which this order does not address. The ruling binds only the applicant and the revenue authorities for this applicant, and it is not a general determination for other hospitals.

Source

Summary prepared from the published order, which is a scanned document. It is a reading aid and not the authority: where the two differ, the order governs. Verify every provision against the original before relying on it.

Original order: www.gstcouncil.gov.in -> aar_no.3-2020_cmc_vellore_association.pdf

Prepared 18-11-2026.

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