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

- What is the tax liability on the medicines supplied to in-patients through the pharmacy?
- What is the 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 (Chittoor Campus) that categorises patients as out-patients and in-patients. Medicines, drugs, stents and implants are supplied through the in-patient and operation theatre pharmacies on doctors' prescriptions, while the out-patient pharmacy serves out-patients, and the central store procures and distributes these items. The applicant contends that these supplies form part of a composite supply of health care in which health care is the principal supply.

H Ruling

Medicines supplied to in-patients through pharmacy	**Not liable to tax (nil rated)**	Treated as part of composite supply of health care services under Sl. No. 74, Heading 9993, Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017.
Medicines, drugs, stents, implants etc. administered to in-patients during treatment or procedure	**Not liable to tax**	Follows the reasoning given for the first question, applying by analogy the principle in Circular No. 32/06/2018-GST.

The authority held that medicines supplied to in-patients through the pharmacy are not liable to tax, as they form part of a composite supply of health care services that is nil rated. It further held that medicines, drugs, stents, implants and other consumables administered to in-patients during treatment or procedures are not liable to tax.

R Reasoning

The authority reasoned that health care services by a clinical establishment are exempt under Sl. No. 74 of Notification No. 12/2017-Central Tax (Rate), and that treatment cannot realistically be delivered without medicines, consumables and implants. It therefore treated the supplies as ancillary to a composite supply whose principal supply is health care, under section 2(30) and section 8 of the CGST Act. It relied on Circular No. 32/06/2018-GST (F.No. 354/17/2018-TRU) dated 12.02.2018, issued on the 25th GST Council's approval, which treats food supplied to in-patients as part of composite health care supply, and applied the same principle to medicines. The order also referred to the applicant's cited Kerala AAR order Ker/16/2018 dated 19.9.2018.

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

P Provisions Relied On

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

! For the Practitioner

Hospitals supplying medicines, implants and consumables to in-patients as part of treatment can cite this order for the position that these supplies are nil rated as part of composite health care. The order is binding only on the applicant and rests on an analogy with the food circular, so it does not settle the position for out-patient pharmacy sales, which the order does not address. Practitioners should check the scan's notification and section references against the official text before relying on them.

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 -> ap_aar_03_2020_17.02.2020_cmcva.pdf

Prepared 18-11-2026.

About Patron Accounting LLP

Patron Accounting LLP is a CA and CS-led accounting and compliance firm working with businesses across India since 2019 — bookkeeping, GST, income tax, payroll, company and LLP compliance, audit and the certificates banks and regulators ask for.

Pune (HQ)
RTC Silver, B4-708, Sai Satyam Park, Wagholi, Pune, Maharashtra 412207

Mumbai
104, Rajshila Building, 597 J.S.S. Road, Marine Lines, Mumbai 400002

Delhi
3rd Floor, B-6/154-155, Sector 5, Rohini, Delhi 110085

Gurugram
Pioneer Urban Square, B109, Golf Course Ext Road, Sector 62, Gurugram…

Ahmedabad
Phoenix Tower, 1107, near Commerce Six Road, Drive In Road, Navrangp…

Talk to us: +91 94594 56700 | sales@patronaccounting.com | patronaccounting.com