# M/s. CMC Vellore Association (CMC Hospital, Ida Scudder Road, Vellore, PIN 632 004)

Authority for Advance Ruling — Tamil Nadu

**ORDER No. 50/AAR/2019 DATED: 25.11.2019** Dated **25.11.2019**

## Q Questions Before the Authority

- Whether the medicines, drugs, stents, consumables and implants used in the course of providing health care services to in-patients admitted to the hospital for diagnosis, or medical treatment or procedures would be considered a composite supply of health care services under GST, so that exemption under Notification No. 12/2017 read with Section 8(a) of GST can be claimed.
- What is the tax liability on medicines supplied to in-patients through the pharmacy.

## F Facts

The applicant is a non-profit association running a multi-specialty tertiary care hospital that treats both in-patients and out-patients. Medicines, implants, stents and consumables are issued to in-patients from an in-patient pharmacy on the treating doctor's prescription, and the cost is billed to the in-patient's final bill together with room, nursing, consultation, investigation, OT and food charges. A separate out-patient pharmacy serves out-patients, and the applicant had been charging GST separately on in-patient medicines.

## H Ruling

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| **Q1: Whether medicines, drugs, stents, consumables and implants used for in-patients are a composite supply of health care services eligible for exemption** | **Yes. They are a composite supply of In Patient Healthcare Service.** | The composite supply finding is made for in-patient use under doctor direction and is linked to the exemption at Sl. No. 74 of the rate notifications. |
| **Q2: Tax liability on medicines supplied to in-patients through the pharmacy** | **Exempt. Inpatient health care services by the applicant hospital are exempt from CGST and SGST under Sl. No. 74.** | The order does not expressly state the tax position of the pharmacy supply in those words. The answer is given through ruling item 2 on the exemption of inpatient health care services, and it is read as covering in-patient pharmacy supplies. |

The authority held that medicines, drugs, stents, consumables and implants used in providing health care services to in-patients are a composite supply of In Patient Healthcare Service. It further held that the supply of inpatient health care services by the hospital, as defined in Notification 12/2017-C.T.(Rate) and the corresponding State notification, is exempt from CGST and SGST under Sl. No. 74.

## R Reasoning

The authority applied the composite supply definition in Section 2(30) of the CGST Act and found that a hospital

cannot deliver diagnosis, treatment or surgery to an in-patient without the medicines, implants and consumables, so the health care service is the principal supply. It relied on Circular No. 32/06/2018-GST dated 12.02.2018, which treats food supplied to in-patients as part of the composite health care supply. It classified in-patient services under SAC 999311 as a composite supply. It then held that Sl. No. 74 of Notification 12/2017-C.T.(Rate) exempts health care services by a clinical establishment under a doctor's direction, read with the definitions of clinical establishment and health care services. The order also relied on the Kerala AAR ruling in Ker/16/2018 dated 19.09.2018.

## P Provisions Relied On

- Section 2(30) of the CGST Act and TNGST Act (composite supply)
- Section 8(a) of the GST Act (as cited in the question)
- Notification No. 12/2017-C.T.(Rate) dated 28.06.2017, Sl. No. 74, and clause 2(s) (clinical establishment) and clause 2(zg) (h…
- Notification No. II(2)/CTR/532(d-15)/2017, G.O.(Ms) No. 73 dated 29.06.2017, Sl. No. 74 (Tamil Nadu counterpart)
- Circular No. 32/06/2018-GST dated 12.02.2018, paras 5(2) and 5(3)
- SAC 999311 (Inpatient services) and the explanation to classification of services under heading 9993
- Kerala AAR ruling Ker/16/2018 dated 19.09.2018 (relied on by the State Jurisdictional Officer)

## ! For the Practitioner

The order is useful for hospitals that bill in-patients for medicines, implants and consumables together with room and nursing charges. It supports treating those items as part of an exempt in-patient health care supply, and it follows the Kerala AAR ruling. It does not expressly deal with out-patient pharmacy sales, which the Kerala ruling as quoted treats as taxable. It also does not address input tax credit, non-clinical-establishment providers, or the position of the hospital's canteen or outsourced food beyond the Circular's guidance. Because question 2 is answered only indirectly, the reader should check the operative wording before relying on it for pharmacy billing.

### 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 -> tn-50-ara-2019.pdf

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