

M/s. Rajarajeswari Hospitals Private Limited

Authority for Advance Ruling — Tamil Nadu

Advance Ruling No. 10/ARA/2025

Dated 29.01.2026

Q Questions Before the Authority

- Whether the supply of medicines, consumables, implants, and medical items to In-patients as part of the treatment provided by the hospital is exempt under Entry No. 74 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 as a composite supply of healthcare services?
- Whether the supply of medicines, consumables, implants, and medical items to Out-patients as part of the treatment provided by the hospital is exempt under Entry No. 74 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017 as a composite supply of healthcare services?

F Facts

The applicant is a multi-specialty hospital that provides comprehensive healthcare services to both inpatients and outpatients. The hospital operates an in-house pharmacy that dispenses medicines and consumables exclusively to patients receiving treatment based on valid prescriptions. These supplies are integrated into the hospital's billing system and are not sold as independent retail transactions.

H Ruling

Supply to In-patients	Exempt	Qualifies as a composite supply of healthcare services under Entry No. 74 of Notification No. 12/2017-Central Tax (Rate)
Supply to Out-patients	Taxable	Not considered an integral part of a composite supply of healthcare services

The Authority ruled that the supply of medicines and consumables to inpatients as part of their treatment constitutes a composite supply of healthcare services and is exempt from GST. Conversely, it held that the supply of medicines and consumables to outpatients does not qualify as part of a composite supply and is therefore taxable.

R Reasoning

The Authority relied on the definition of 'healthcare services' and 'clinical establishment' under Notification No. 12/2017-Central Tax (Rate). It determined that inpatient services are a **composite supply** where the principal supply is healthcare, making the ancillary supply of medicines exempt. For outpatients, the Authority reasoned that patients are not mandated to purchase medicines from the hospital pharmacy, meaning these supplies are independent and not an **integral part** of the healthcare service. It cited Section 2(30) of the CGST Act, 2017, to distinguish between bundled services and independent supplies.

P Provisions Relied On

Section 2(30) of the CGST Act, 2017

Section 97(2) of the CGST Act, 2017

Entry No. 74 of Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017

Circular No. 32/06/2018-GST dated 12.02.2018

! For the Practitioner

This ruling confirms that hospitals can claim **GST exemption** on medicines and consumables provided to inpatients as part of a composite healthcare service. However, it clarifies that the same exemption does not extend to outpatient pharmacy sales, which remain taxable. Practitioners should use this to advise clients on the necessity of segregating billing and tax treatment between inpatient and outpatient pharmacy operations.

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 -> 10-rajarajeswari hospitals aar order compressed.pdf

Prepared 12-10-2026.

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