M/s. ROYAL CARE SPECIALITY HOSPITAL LTD. (GSTIN 33AAGCR1968R1Z0)

Authority for Advance Ruling — Tamil Nadu

ORDER No.46 /ARA/2019 Dated **26.09.2019**

Q Questions Before the Authority

- Whether the medicines, consumables, surgical items and implants used in the course of providing health care services to patients admitted to the hospital for diagnosis or treatment would be considered a composite supply of health care services under GST, and consequently exempt under Notification No. 12/2017 read with section 8(a) of GST?
- Whether ITC is eligible on obligatory services provided to in-patients through outsourcing: (a) washing and sewage removal, at 100%; and (b) housekeeping and lease rent on machinery, on a proportionate basis?

F Facts

The applicant is a multi-specialty tertiary care hospital that admits in-patients and provides them with stay facilities, medicines, consumables, implants, food and procedures under the direction of its doctors. It runs a separate in-patient pharmacy, from which in-patients receive all medicines and implants, and an out-patient pharmacy, on whose supplies it charges GST. Common input services such as housekeeping, washing, sewage removal and machinery leasing are procured by outsourcing and are used for both exempt and taxable activities.

H Ruling

Q1: Whether in-patient medicines, consumables, surgical items and implants are a composite supply of health care services	**Yes. Composite supply of inpatient services classifiable under SAC 999311.**	Applies to medicines, consumables and implants used in providing health care services to in-patients. The order does not separately address out-patient supplies in this item.
Q1 (continued): Whether such supply is exempt under Notification No. 12/2017 read with section 8(a)	**Exempt from CGST and SGST as health care services under Sl No. 74.**	Exemption is under Sl No. 74 of Notification No. 12/2017-C.T.(Rate) dated 28.06.2017 as amended, and Sl No. 74 of G.O.(Ms) No. 73 dated 29.06.2017 (State). The order's ruling text refers to the exemption under Sl No. 74 rather than to section 8(a).

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

Q2: Whether ITC is eligible on obligatory services to in-patients through outsourcing (washing, sewage removal, housekeeping, machinery lease)	**Not eligible for input services used exclusively for exempt in-patient care, such as laundry. For housekeeping and machinery lease used for both exempt and taxable supplies, ITC is to be determined under Rule 42.**	The 100% and proportionate percentages sought were not adopted. Sewage removal was not ruled on because no input invoices were produced.

The authority held that medicines, consumables and implants used in providing health care services to in-patients form a **composite supply of inpatient services** classifiable under SAC 999311. It further held that such health care or inpatient services are **exempt from CGST and SGST** under Sl No. 74 of the respective exemption notifications. On ITC, it held that input services used exclusively for exempt in-patient services, such as laundry, are not eligible for credit, while common services such as housekeeping and machinery lease are to be apportioned under Rule 42.

R Reasoning

The authority reasoned that in-patient medicines, implants and consumables are naturally bundled with the principal supply of health care, since patients would not otherwise be treated, so the bundle is a composite supply under section 2(30). It relied on the clinical establishment and health care service definitions in the exemption notification and on the SAC 9993 explanation for inpatient services. On credit, it applied section 17(2) read with Rule 42, which allocates common inputs between exempt and taxable supplies. Because laundry was used exclusively for exempt in-patient care, credit on it was denied.

P Provisions Relied On

- Section 2(30) of the CGST Act and TNGST Act (composite supply)
- Section 2(zg) of Notification No. 12/2017-C.T.(Rate) dated 28.06.2017 (health care services) and clinical establishment definit…
- Sl No. 74 of Notification No. 12/2017-C.T.(Rate) dated 28.06.2017 as amended
- Sl No. 74 of Notification No. II(2)/CTR/532(d-15)/2017, G.O.(Ms) No. 73 dated 29.06.2017
- Circular No. 32/06/2018-GST dated 12.02.2018 (hospital retention money and in-patient food)
- Explanation to classification of services: SAC 9993 and 999311 (inpatient services)
- Section 17(2) of the CGST/TNGST Act 2017
- Rule 42 of the CGST Rules 2017

! For the Practitioner

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Hospitals billing in-patients for bundled medicines, implants and consumables can cite this order for treating those supplies as part of exempt inpatient health care under SAC 999311. The order is binding only on the applicant and does not decide sewage-removal credit, which was not ruled on for want of invoices. Laundry credit tied exclusively to exempt in-patient care is denied, and common services need a Rule 42 apportionment rather than the 100% or proportionate figures the applicant proposed. Any appeal lies to the Tamil Nadu State Appellate Authority within 30 days.

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 aar 46 2019 rcshl 26.09.2019.pdf

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