M/s. Shifa Hospitals

Authority for Advance Ruling — Tamil Nadu

Order No.42/AAR/2019 Dated **23.09.2019**

Q Questions Before the Authority

- Whether the medicines, consumables and implants used in the course of providing health care services to in-patients for diagnosis or treatment would be considered as 'Composite Supply' and accordingly eligible for exemption under the category 'HEALTH CARE SERVICES'?

F Facts

Shifa Hospitals is a polyclinic run by a partnership firm. It is not registered under GST and treats both out-patients and in-patients. Its in-patient bills currently cover room, ICU, nursing and laboratory charges, while medicines are bought by patients from a separate Shifa Pharmacy entity, and consumables and implants are billed at discharge. The applicant proposed to stock and supply medicines, consumables and implants itself, in the hospital's name, and to include them in the in-patient bill.

H Ruling

Medicines, consumables and implants used in providing health care services to in-patients: composite supply?	**Composite supply of Inpatient Services classifiable under SAC 999311**	Applies to in-patients only. Out-patient supplies were not ruled upon.
Exemption for health care or inpatient services supplied by the applicant	**Exempt from CGST and SGST under Sl No 74 of Notification 12/2017-C.T.(Rate) dated 28.06.2017 and Notification No. II(2)/CTR/532(d-15)/2017 (G.O.(Ms) No.73 dated 29.06.2017)**	Exemption depends on the applicant being a clinical establishment supplying health care services as defined in para 2(zg), under the direction of medical doctors.

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 this supply of health care or inpatient services by the applicant is exempt from CGST and SGST under Sl No 74 of the respective exemption notifications.

R Reasoning

The Authority relied on the composite supply definition in Section 2(30) of the CGST and TNGST Acts, finding that in-patient treatment cannot be delivered without the medicines, implants and consumables, which are naturally bundled with the health care service that is the principal supply. It read the SAC 999311 explanation,

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

which treats a complete gamut of hospital activities under medical doctors' direction as one composite inpatient service. It then applied the definitions of 'clinical establishment' (para 2(s)) and 'health care services' (para 2(zg)) of Notification 12/2017-C.T.(Rate), and Sl No 74 under Heading 9993, to hold the service exempt. It also drew support from paragraphs 5(2) and 5(3) of Circular No. 32/06/2018-GST dated 12.02.2018 on retention money and in-patient food.

P Provisions Relied On

- Section 2(30) of the CGST Act / TNGST Act (composite supply)
- Section 98 of the CGST Act (advance ruling)
- Para 2(s) of Notification 12/2017-C.T.(Rate) dated 28.06.2017 (clinical establishment)
- Para 2(zg) of Notification 12/2017-C.T.(Rate) dated 28.06.2017 (health care services)
- Sl No 74, Heading 9993 of Notification 12/2017-C.T.(Rate) dated 28.06.2017
- Notification No. II(2)/CTR/532(d-15)/2017, G.O.(Ms) No.73 dated 29.06.2017 (Sl No 74)
- SAC 9993 / 999311 explanation (inpatient services)
- Circular No. 32/06/2018-GST dated 12.02.2018, paras 5(2) and 5(3)

! For the Practitioner

The ruling helps hospitals that bill in-patients for medicines, implants and consumables as part of an inclusive package, because it treats these items as part of the exempt inpatient health care supply under SAC 999311. It does not decide whether medicines sold to out-patients through a hospital pharmacy are taxable. The jurisdictional officer's comment that such out-patient pharmacy supplies are taxable is recorded in the order but was not ruled upon. The ruling also rests on the facts that the hospital bills the package and that services are rendered under medical doctors' direction, so billing practice matters.

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_42_2019_sh_23.09.2019.pdf

Prepared 09-11-2026.

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

Patron Accounting LLP