

**AUTHORITY FOR ADVANCE RULING, TAMILNADU
INTEGRATED COMMERCIAL TAXES OFFICE COMPLEX, DOOR NO.32,
5TH FLOOR, ROOM NO. 503, ELEPHANT GATE BRIDGE ROAD,
CHENNAI - 600 003.
PROCEEDINGS OF THE AUTHORITY FOR ADVANCE RULING U/s.98 OF THE
GOODS AND SERVICES TAX ACT, 2017.**

Members present are:

1. Shri T.G.Venkatesh, I.R.S., Additional Commissioner/Member,
Office of the Principal Chief Commissioner of GST & Central Excise, Chennai -34
2. Tmt. K.Latha., M.Sc., (Agri), Joint Commissioner (ST)/ Member,
Office of the Authority for Advance Ruling, Tamil Nadu, Chennai-3.

ORDER No. 29/AAR/2022 DATED: 29.07.2022

GSTIN Number, if any / User id		33AAQFK1154R1ZT
Legal Name of Applicant		KUMARAN MEDICAL CENTER
Trade Name of Applicant		KUMARAN MEDICAL CENTER
Registered Address/Address provided while obtaining user id	SF No. 499/500	
	Sathy Main Road, Kurambampalayam, Annur, Coimbatore. 641 107.	
Details of Application		GST ARA- 01 Application Sl.No.14/2022/ARA dated: 06.04.2022
Concerned Officer		Centre: Coimbatore Commissionerate State: Saravanampatti (West) Assessment Circle.
Nature of activity(s) (proposed / present) in respect of which advance ruling sought		
A	Category	Service Provision
B	Description (in Brief)	The Petitioner is a Registered Partnership firm, has a Multi-Speciality Hospital providing Health Care Services in Coimbatore. They offer wide range of services including Anaesthesiology, Cardiology, Dermatology, Diabetes, Emergency & Trauma, ENT, Gastroenterology, General Surgery, General Medicine, Obstetrics & Gynaecology, Intensive Care, Radiology, Nephrology, Neurology,

	Physiotherapy, Neuro Surgery, Orthopaedic, Paediatric, Pulmonology, Urology.
Issue/s on which advance ruling required	1. Classification of any goods or services or both 2. Determination of the liability to pay tax on any goods or services or both.
Question(s) on which advance ruling is required	1. Whether the supply of medicines, drugs and other surgical goods to In-Patients during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."? 2. Whether the supply of medicines, drugs and other surgical goods to Out-Patients during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."? 3. Whether the supply of Implants, Prosthetics and Mobility aids during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."?

Note: Any appeal against the Advance Ruling order shall be filed before the Tamil Nadu State Appellate Authority for Advance Ruling, Chennai under Sub-section (1) of Section 100 of CGST ACT/TNGST Act 2017 within 30 days from the date on which the ruling sought to be appealed against is communicated.

At the outset, we would like to make it clear that the provisions of both the Central Goods and Service Tax Act and the Tamil Nadu Goods and Service Tax Act are the same except for certain provisions. Therefore, unless a mention is specifically made to such dissimilar provisions, a

reference to the Central Goods and Service Tax Act would also mean a reference to the same provisions under the Tamil Nadu Goods and Service Tax Act.

Tvl. KUMARAN MEDICAL CENTER, SF No. 499/500 Sathy Main Road, Kurumbampalayam, Annur, Coimbatore. 641 107. (hereinafter called the Applicant) are registered under GST with GSTIN 33AAQFK1154R1ZT. The applicant has sought Advance Ruling on the following questions:

1. Whether the supply of medicines, drugs and other surgical goods to In-Patients during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."?
2. Whether the supply of medicines, drugs and other surgical goods to Out-Patients during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."?
3. Whether the supply of Implants, Prosthetics and Mobility aids during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."?

The Applicant has submitted the copy of application in Form GST ARA - 01 and also submitted a copy of Challan evidencing payment of application fees of Rs.5,000/- each under sub-rule (1) of Rule 104 of CGST rules 2017 and SGST Rules 2017.

2.1 The applicant is a Registered Partnership Firm, has a Multi-Speciality Hospital providing Health Care Services in Coimbatore. They offer wide range of services including Anaesthesiology, Cardiology, Dermatology, Diabetes, Emergency & Trauma, ENT, Gastroenterology, General Surgery, General Medicine, Obstetrics & Gynaecology, Intensive Care, Radiology, Nephrology, Neurology, Physiotherapy, Neuro Surgery, Orthopaedic, Paediatric, Pulmonology, Urology. In order to provide healthcare services the applicant also maintains Pharmacy, Clinical Laboratory, X-Ray & Scanning facility, Ambulance Services, Dietary Services etc. The applicant has stated that they have categorized the Patients as Out-Patients and In-Patients

for their convenience; The Out-Patients are those who visit the Hospital for Routine check-ups, clinical visits and the Hospital provides diagnosis to them. Medicines are prescribed to them as part of treatment. Whereas the In-Patients are those who are admitted to the hospital for the required treatment. They are provided with stay facilities, dietary food for the treatment. They are also provided with medicines, drugs, stents, implants, other surgeries/ procedures etc. as incidental to the Health Care Services rendered in the hospital.

2.2 The applicant has three different procurement mechanisms for the patient's need where separate accounting records are maintained

- **General Store:** Procures stocks of implants, Stents (Charged for In-patients), Surgical & hygiene consumables (charged as CSSD for In-patients as well as emergency out-patients)
- **KMC Pharma:** Procures and Supplies Medicines for In-Patients including IV Fluids, specific surgical items etc.
- **Prabhat Pharma:** Procures and Supplies Medicines Exclusively for Out-Patients.

They have stated that the Medicines, consumables, implants and mobility aids used in the course of providing health care services to patients for diagnosis or treatment in the hospital or clinical establishment is naturally bundled and supplied in conjunction with each other in the ordinary course of the business where Health Care Service is the principal supply. Furthermore, in this sector there is a conflict that, whether all services provided by a hospital are to be bundled as a composite service or each of the services and supply of goods are to be treated as separate supplies. The applicant has however discharged Tax Liability on sale of medicines for both In-Patients and Out-Patients up to December 2020. With Effect from January 2021 onwards, the applicant has relied upon various Court Proceedings and AAR rulings and has decided not to levy GST on Medicines and implants to In-Patients, thereby setting up a separate division for tracking and supplies to In-Patients exclusively under the guise of 'KMC Pharma'.

2.3 On interpretation of law, they have referred to the definition of 'Health Care Services' under clause (zg) and Clinical Establishment under clause (s) of Notification 12/2017 CT(rate) dated 28.06.2017. They have stated that as per the above mentioned notification it is noticed that the Health Care Services rendered by them to In-Patients as well as Out-Patients are exempt from payment of GST. The

concern in the course of providing health care services also supplies Medicines, consumables and implants for diagnosis or treatment in the hospital. The applicant has submitted that as per Section 8 of the CGST Act, 2017 a composite supply comprising of two or more supplies, one of which is a principal supply, shall be treated as supply of such principal supply. Further Section 2(30) of the said Act defines a composite supply to mean a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled, and supplied in conjunction with each other, in the ordinary course of business, one of which is a principal supply. Principal Supply as per Section 2(90) to mean the supply of goods or services which constitutes the predominant element of a composite supply and any other supply forming part of that composite supply as ancillary. Further in reference to Fees and other charges charged by the hospital in regards to ancillary charges, nursing care, infrastructure facilities, paramedic care, emergency services and Food supplied to patients, the applicant has placed reliance on the Circular No: 32/6/2018-GST dated 12.02.2018 wherein it is clarified that they would form part of composite supply for Health Care Services.

2.4 The applicants interpretation of law in respect of the questions raised in their Advance Ruling Application is as below:

- In respect of Q.No.1 - As far as an in-patients are concerned, hospital is expected to provide continued care to the patients by regular doctor visits, duty doctor consultation, Nursing, supply of patient food and other periodical tests wherever required till the time of discharge of the said patient. The patients are expected to undertake supplement of medicines as well as relevant consumables as required to make sure that an appropriate diagnosis and the best possible treatment is provided for. Only on administering these medicines, consumables and implants will the treatment be complete *in toto*. Moreover these supplies are collectively billed together. On the basis of these relevant facts they contend that the Medicines, consumables and drugs used in the course of providing health care services to in-patients for diagnosis and treatment in the hospital or clinical establishment is naturally bundled and supplied in conjunction with each other in the ordinary course of the business and therefore constitute exempt supply. The applicant is of the view that these supplies are exempt vide Sl. No 74 of Notification No.12/2017 CT (rate) dated 28.06.2017.

- In respect of Q.No.2 - The hospital provides diagnosis and treatment to out-patients. Medicines are prescribed to them as part of the treatment and care for illness. The prescribed medicines are provided to the patients from the pharmacy division - **"Prabhat Pharma"**. The patients are expected to undertake supplement of the prescribed medicines and consumables to make such that an appropriate diagnosis and the best possible treatment is provided for. These medicines form an essential part for the patient's recovery for the time being of the illness and the disease. Since these medicines, drugs and other consumables also form part of the health care services, The Applicant is of the view that these supplies are also exempt vide Sl. No 74 of Notification No.12/2017 CT (rate) dated 28.06.2017.
- In respect of Q.No.3- Hospital in its course of diagnosis and treatment also includes surgical procedures to be performed on the patients which might include the use of Implants, prosthetics and mobility aids. Pace-Maker, steel plates for fractures, coronary stents are certain implants used in the course of surgical procedures. Wheel Chairs, Crutches and Walkers etc. are certain mobility aids provided in the course of treatment and diagnosis. The Applicant contend that these are essentially required by the patients to make sure that an appropriate diagnosis or the best possible treatment is given. Herein the main contention is that these implants are indispensable items to the treatment of the patients. In certain scenarios, mobility aids form part of the patient(s) body part in itself or a support system of life for the person till due recovery has taken place. Thus the contention to treat implants, prosthetics and mobility aids provided in the due course of diagnosis and treatment to be treated as a composite supply to facilitate health care services. Therefore the Petitioner is of the view that these supplies are also exempt vide Sl. No 74 of Notification No.12/2017 CT (rate) dated 28.06.2017.

3.1 The applicant was addressed through the Email Address mentioned in the application to seek their willingness to participate in a virtual Personal Hearing in Digital media. The applicant consented and the hearing was held on 29.4.2022. The Authorised Representative Shri. Shankesh Jain, (Manager N.RAKESH JAIN & Co.) appeared for the hearing and reiterated the submissions made. The applicant was asked to furnish the following documents:

- i. Documents supporting full sequence of admissions, diagnosis, treatments and discharge along with the billing for same for a sample in-patient.

- ii. Documents supporting the full sequence of treatment extended to the Out-patients along with supporting billing.
- iii. Trial balance and statement of accounts for the hospital, pharmacy and general store.
- iv. Practice followed with supporting bills/invoices prior to January 2021 and after January 2021.
- v. Documentation for the goods supplied from general stores to in-patients and out-patients.

3.2 The applicant vide their letter (received on 11.05.2022) submitted the following details/ documents:

- The in-patient (generally requiring care and treatment in excess of 24 hours) is first provided Admission Note(Estimate form). Further his entire diagnosis procedure is recorded and formally documented in the discharge summary. The discharge summary is accompanied with invoices for treatment and separate invoices for medicines ("KMC Pharmacy & Pharma)
- 2 copies of Sample in-patient bills viz. estimate form, in-patient bill-detailed, pharmacy sale bill, pharmacy sale return bill, discharge summary.
- The out-patient (generally requiring care and treatment less than 24 hours) is directly referred to the relevant specialist/doctor. After consultation the out-patient is provided with billing details and prescription note for medicines. They purchase the medicines separately from the pharma located inside the premises (Prabhat Pharma)
- 2 copies of sample out-patient bills viz. cash bill, pharmacy bill, prescription note
- They have submitted that with regard to practice followed with supporting bills/ invoices prior to January 2021 and after January 2021 that the out-patient billing has not undergone any change and in respect of in-patient bills they have furnished copy of sample in-patient detailed bill, pharmacy sale bill and discharge summary.
- They have submitted that generally no transfers are affected from General stores to out- patients and such instances has not yet occurred in the firm till date. In respect of in-patients implants such as stents, pace makers are supplied from General stores to the concerned departments such as CSSD, Cathlab, Operation Theatres etc. They have furnished sample copy of store-indent, goods received note (from General Stores), supplier invoice.

4. The Centre Jurisdictional authority has submitted that as on date there are no pending proceedings on the issue raised by the applicant.

5. The State Jurisdictional Authority, who has administrative control over the applicant, has stated that there are no pending proceedings on the issue raised by the applicant in the Advance Ruling application. They have submitted the following remarks:

Q.No.1-Remarks: The Medicines, consumables and implants used in the course of providing health care services to in-patients for diagnosis or treatment for patient opting with or without packages along with allied services i.e. (room rent/food/doctor fees Etc.) provided by hospital is a "Composite Supply". Supply of in-patient health care services by the hospitals as defined in para 2(zg) of the Notification No. 12/2017-Central Tax (Rate) dated 28.06.2017, as amended, is exempted from CGST as per Sl. No. 74 of the above notification.

Q.No.2 -Remarks: The supply of inpatient health care services by the hospital as defined in Para 2(zg) of the Notification No. 12/2017-Central Tax(Rate) dated 28.06.2017, as amended, is exempted from CGST as per Sl. No. 74 of the above notification. Hence the supply made to out-patients is taxable.

Q.No.3 -Remarks: In this regard, I submit that pacemakers, steel plate for fractures, coronary stunts are not used for making appropriate diagnosis or for giving the best possible treatment. They come into use only after diagnosing the disease. Further purchasing the mobility aids like wheel chairs, crutches and walkers, are at the discretion of the patients. They can procure these aids from outside also. Hence these cannot be termed as composite supply and hence it is subject to tax.

6. We have carefully examined the submissions of the applicant in their application, their oral and written submissions during the Personal Hearing, their further submissions after the PH and the submissions of the centre and State Jurisdictional Officer. The questions on which advance ruling is sought are as follows:

1. Whether the supply of medicines, drugs and other surgical goods to In-Patients during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."?

2. Whether the supply of medicines, drugs and other surgical goods to Out-Patients during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."?

3. Whether the supply of Implants, Prosthetics and Mobility aids during the course of diagnosis and treatment of disease, illness, injuries, deformities and abnormalities would fall meaning of "composite supply" qualifying for exemption under the category of "health care services."?

The above questions being on applicability of notification, are found to be falling within the purview of Section 97(2) of the CGST Act, 2017 and are admitted for consideration.

7. The applicant is a Multispecialty hospital providing health care services and also maintains pharmacy, clinical laboratory, X Ray and Scanning facility, Ambulance Service, Dietary Services etc. They have three different procurement mechanisms for the patients needs viz. General Store, KMC Pharma and Prabhat Pharma and separate accounting records are maintained. They have stated that for administration they have categorized the patients as Out-patients and In-patients.

(i) **In-patient health care services:** The patients are admitted to the Applicant's hospital as in-patient. The patients are provided with stay facilities, dietary food for the treatment. They are also provided with medicines, drugs, stents, implants, other surgeries/procedures etc. as incidental to Health Care Services rendered in the Hospital.

(ii) **Out-patient's consultancy:** The out-patients patients visit the hospital for routine checkups, clinical visits and the hospital provides diagnosis to them. Medicines are prescribed to them as part of treatment.

8.1 The health care services rendered to In-patients is first taken up for discussion. On perusal of documents/details submitted by the applicant, it is observed that in-patients (generally requiring care and treatment in excess of 24 hours) are provided with stay facilities, medicines, consumables and other surgeries/procedures required for the treatment. From the In-patient detailed bill and related bills furnished by the applicant in respect of sample in-

patient:UHID:KMC21/36265, it is seen that, in case of in-patients the detailed bill includes Consultation charges, file charges, Lab profile test charges, duty doctor charges, bed charges, nursing charges, food charges, procedure fees, maintenance charges (ward), admission charges, Pharmacy charges, etc. From the pharmacy bill enclosed with the detailed bill, it is evident that the medicines, consumables, etc are procured from IP pharmacy for administering the same to in-patient and such medicines are billed without any discount, i.e., at MRP. It is seen that in patients are provided a comprehensive treatment which includes room rent, nursing care, medicines, consumables etc. The in- patients are charged for all of these when they are admitted to the hospital which provides services to the in patients.

8.2 Section 2(30) of CGST ACT and TNGST ACT states

(30) "composite supply" means a supply made by a taxable person to a recipient consisting of two or more taxable supplies of goods or services or both, or any combination thereof, which are naturally bundled and supplied in conjunction with each other in the ordinary course of business, one of which is a principal supply;

In the case at hand, the applicant undertakes services of diagnosis, treatment which comprises of providing bed/ICU/room, nursing care, diagnostics including lab investigations and treatment surgical or otherwise under the directions of the Doctors. The hospital provides medicines and consumables to the In-patients in the course of treatment on the directions of medical doctor for which the In-patient is billed together by the hospital. The hospital cannot provide health services including diagnostic, treatment surgery etc. without the help of medicines to be taken during treatment and consumables used during the stay of in-patients in the hospital. Only on using these medicines and consumables as required and prescribed by the doctors and administered during their stay the treatment will be complete. Hence, supply of medicines and consumables are naturally bundled with the supply of health services. In this case, supply of health services is the principal supply as that is the reason the in-patients get admitted to the hospital. Therefore, supply of medicines, drugs and other surgical goods to in-patients in the course of their treatment till the patient is discharged is a composite supply of health services. However once the patient is discharged, the composite supply comes to an end and the review of the patient subsequent to discharge cannot be considered as part of the composite supply.

8.3 'Explanation to classification of services' which is a guide to assess the classification of Services given in Annexure to Notification No. 11/2017-C.T.(Rate) dated 28.06.2017, states the following to constitutes 'Inpatient services':

SAC 9993 Human Health and social care services

99931- Covers 'Human Health Services'

999311 Inpatient services

This service code includes:

- i. surgical services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and/or maintaining the health of a patient
- ii. gynaecological and obstetrical services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and/or maintaining the health of a patient
- iii. psychiatric services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and/or maintaining the health of a patient
- iv. other hospital services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and/or maintaining the health of a patient. These services comprise medical, pharmaceutical and paramedical services, rehabilitation services, nursing services and laboratory and technical services, including radiological and anaesthesiological services, etc.

Thus, In-patient services includes services provided by hospitals to in-patients under the direction of medical doctors aimed at curing, restoring and/or maintaining the health of a patient and the service comprises of medical, pharmaceutical and paramedical services, rehabilitation services, nursing services and laboratory and technical services till the patient gets discharged. A complete gamut of activities required for well-being of a patient from admission till discharge, provided by a hospital under the direction of medical doctors is a composite supply of service and is covered under 'Inpatient services' classifiable under SAC 999311.

8.4 Health care services provided by a clinical establishment or an authorized medical practitioner or para medics are exempted vide Sl No 74 of Notification no 12/2017-C.T.(rate) dated 28.06.2017 and Sl No 74 of Notification No.II(2)/CTR/532(d-15)/2017 vide G.O. (Ms) No. 73 dated 29.06.2017. For ease of reference, the relevant entry is given below:

74	Heading 9993	Services by way of- (a) health care services by a clinical establishment, an authorised medical practitioner or para-medics; (b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.	Nil	Nil
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On the recommendations of the 47th GST Council Meeting, the above entry of the Notification No. 12/2017 CT(rate) dated 28.06.2017 is amended vide Notification

04/2022 CT(rate) dated 13.07.2022, effective from 18.07.2022 and the same is extracted below for ease of reference.

Sl.No	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent)	Condition
74	Heading 9993	Services by way of- (a) health care services by a clinical establishment, an authorised medical practitioner or para-medics; "Provided that nothing in this entry shall apply to the services provided by a clinical establishment by way of providing room [other than Intensive Care Unit (ICU)/Critical Care Unit (CCU)/Intensive Cardiac Care Unit (ICCU)/Neo natal Intensive Care Unit (NICU)] having room charges exceeding Rs. 5000 per day to a person receiving health care services.";	NIL	NIL

"Clinical establishment" is defined in the said notification under 2(s), which states that

"Clinical Establishment" means a hospital, nursing home, clinic, sanatorium or any other institution by, whatever name called, that offers services or facilities requiring diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized system of medicines in India or a place established as an independent entity or a part of an establishment to carry out diagnostic or investigative services of diseases.

And 'health care services' is defined under 2(zg) as:

(zg) "health care services" means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicines in India and includes services by way of transportation of the patient to and from a clinical establishment, but does not include hair transplant or cosmetic or plastic surgery, except when undertaken to restore or to reconstruct anatomy or functions of body affected due to congenital defects, developmental abnormalities, injury or trauma;

8.5 From a joint reading of the the exemption entry above and the definition of 'health care services' & 'clinical establishments' it is evident that the exemption is

applicable to a "Clinical Establishment", when services by way of diagnosis or treatment or care for illness, etc. are undertaken by such establishment under the directions of a medical doctor for the period upto 17.07.2022, after which the exemption is available only when such services are provided to in-patient who have been housed in rooms, the room charges of which do not exceed Rs. 5000/- per day. The applicant hospital is a Clinical Establishment and for the health care services provided as defined in the Notification above to in-patients from admission till discharge including the supply of medicines, implants and consumables, they are exempt under Sl No 74 of Notification no 12/2017-C.T. (rate) dated 28.06.2017 as amended and Sl No 74 of Notification No.II (2)/CTR/532(d-15)/2017 vide G.O. (Ms) No. 73 dated 29.06.2017 upto 17.07.2017; and subsequent to amendment, effective from 18.07.2022, the exemption is applicable for the health care services provided by them to in-patients only when the room [other than ICU/CCU/ ICCU/NICU] charges do not exceed Rs.5000/- per day. If the room charges exceeds Rs. 5000/- per day then the applicable rate of tax for the health care services is 5% [2.5% CGST & 2.5 % SGST] as per entry No. 31A of the Notification 11/2017 CT(rate) dtd 28.06.2017 amended vide notification 03/2022 Ct(rate) dated 13.07.2022 w.e.f 18.07.2022, subject to the conditions specified in Column(5) of the entry.

9.1. Now coming to the second question viz., Whether the supply of medicines drugs and other surgical goods used in the course of providing health care services to out-patients by pharmacy unit of M/s Kumaran Medical Center for diagnosis or treatment would be considered as "Composite Supply" of health care services under GST and consequently they are eligible to avail exemption under Notification 12/2017 CT(rate) read with Section 8(a) of GST, the Applicant has submitted that while providing health care related services to out-patients, medicines are prescribed to them as part of the treatment and care for illness. The patients are expected to undertake the prescribed medicines and consumables and the best possible treatment is provided for. In this regard, it is observed that the pharmacy is an outlet to dispense medicines and consumables based on the prescriptions. In the case of Out- patients, it is only of advisory nature and the patients are not mandated to buy from the hospital pharmacy only. They have the freedom to either buy from the hospital pharmacy or other pharmacies of their choice unlike in-patients, where the medicines and consumables are issued by the hospital pharmacy to ensure proper treatment.

9.2 On scrutiny of the bills and invoices submitted by the applicant, it is observed that a Cash Bill is raised for consultation and the pharmacy bill is separately raised. This proves that the consultation and supply of medicines are not naturally bundled and hence the supply of healthcare and the supply of medicines are independent supplies, not naturally bundled and therefore cannot be considered as a 'composite supply'.

9.3 In the case of in-patients, the hospital is expected to provide provide lodging, care, medicine and food as part of treatment under supervision till discharge from the hospital. But in the case of out-patients, there is no such expectation on the hospital and the out-patient just walks in for consultation and advice. Hence it is clear that the supply of medicines and consumables and Service of consultation of out-patients is not inextricably linked and not naturally bundled. Therefore pharmacy run by hospital dispensing medicine to outpatient or bye standers or others can be treated as individual supply of medicine and not covered under the ambit of health care services. Hence such supply of medicines and allied goods are taxable. Further clarifications issued based on the approval of 25th GST Council Meeting held on 18-01-2018 [**F.No.354/17/2018-TRU Dt.12-02-2018**] it was clarified that food supplied to the inpatients as advised by the doctor/nutritionist is a part of composite supply of health care and not separately taxable. Other supplies of food by hospital to patients not admitted are taxable. The same principle is applicable in the case of dispensing of medicines also and therefore, the supply of medicine, consumables, etc to out-patients by the Out-patient pharmacy are not exempted.

10. The third question raised by the applicant is whether the supply of implants, prosthetics and mobility aids during course of diagnosis and treatment of disease would fall under the ambit of composite supply of healthcare service. The applicant has submitted that in the course of diagnosis and treatment the surgical procedures are to be performed for in-patients which might include the use of implants, prosthetics and mobility aids. The applicant has also stated that till date they have not provided any transfer from general stores to out -patients and only for inpatients implants such as stents, pace makers are supplied from General Stores. The supply of implants such as stents, pacemakers etc. which are implanted in the body essentially by means of a surgical procedure to in-patients and required by the patient for effective recovery and maintenance of health is a composite supply where

the principal supply is of healthcare services. However, the supply of prosthetics and mobility aids supply such as wheel chairs, crutches, walkers etc, are not essentially used by in-patients and the patients have the option to choose to purchase the wheel chairs, crutches, walkers, etc independently. Thus, while stents, pacemakers and such other implants are supplied during the course of diagnosis and treatment, mobility aids, prosthetics, etc are generally prescribed and as per the choice of the patient, supplied & these cannot be considered as supply of goods in the course of treatment to be considered a part of the composite supply of 'Health Care Services'. The mobility aids are extended only temporarily and as such the supply of such goods cannot be termed to be naturally bundled with supply of healthcare service by a clinical establishment. Hence, the mobility aids, prosthetics which are in the nature of capable of bought and sold separately and which are not naturally bundled with the provision of treatment of patient in the clinical establishment is liable to GST as individual supply of goods. Thus, the supply of implants which are fitted in the body by a surgical procedure in the course of diagnosis and treatment of illness for in-patients would fall under the ambit of Composite Supply with Healthcare being the principal supply and they are exempt under Sl No 74 of Notification no 12/2017-C.T. (rate) dated 28.06.2017 as amended and Sl No 74 of Notification No.II (2)/CTR/532(d-15)/2017 vide G.O. (Ms) No. 73 dated 29.06.2017 as amended, while the mobility aids, prosthetics being in the nature of individual supplies are not part of the 'Composite supply' of 'Health Care services'.

11. To sum up, the Supply of medicines and consumables used in the course of providing health care services to In-patients by pharmacy unit of Kumaran Medical Center for diagnosis or treatment during the patients admission in hospital till discharge is to be considered as "Composite Supply" of health care service under GST and consequently exemption under Notification No.12/2017- CT (Rate) read with Section 8(a) of GST is available for such supplies based on the discussions above. The supply of medicines and consumables used in the course of providing health care services to Out-patients by pharmacy unit at Kumaran Medical Center is an independent supply and cannot be considered as "Composite Supply" of health care service and are taxable as individual supplies as established in the discussion above; Supply of implants during the course of diagnosis and treatment for diseases, illness, injuries, deformities and abnormalities for in-patients is to be considered as "Composite supply" of health care service under GST and

consequently exemption under Notification No.12/2017- CT (Rate) read with Section 8(a) of GST is available for such supplies based on the discussions above, while supply of mobility-aids, prosthetics, etc which are independent supplies are not part of 'Composite supply' of 'Health Care services.

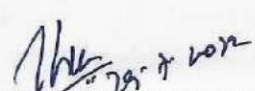
12. In view of the above, we rule as under:-

RULING

1. Supply of Medicines and consumables used in the course of providing health care services to in-patients admitted to the hospital for diagnosis, or medical treatment or procedures till discharge is a composite supply of In Patient Healthcare Service, provided the consolidated bill raised in the name of the patient indicates the supply of medicines and consumables during the course of provision of health care services, as defined in Para 2(zg) of Notification no 12/2017-C.T. (rate) dated 28.06.2017 as amended and Notification No.II (2)/CTR/532(d-15)/2017 vide G.O. (Ms) No. 73 dated 29.06.2017 as amended and the same is exempted from CGST and SGST as per Sl No 74 of the above notifications respectively for the period upto 17.07.2022. Effective from 18.07.2022, if the room charges [excluding ICU/CCU/ICCU/NICU] exceeds Rs.5000/- per day, the applicable rate of tax is 5% as per the Notification 11/2017 CT(Rate) dated 28.06.2017 as amended
2. Supply of Medicines and consumables prescribed in the course of providing health care services to Out-patients of the hospital is not a composite supply and hence taxable to GST.
3. Supply of Implants which are implanted in the body essentially by means of a surgical procedure during the course of diagnosis and treatment for diseases, illness, injuries, deformities, abnormalities for in patients is to be considered as "Composite supply" of health care service, whereas the supply of prosthetics and mobility aids, being in the nature of independent supply are to be considered as individual supplies and taxed accordingly.


Smt. K.LATHA
Member (SGST)




Shri T.G. VENKATESH
(Member CGST)

To
KUMARAN MEDICAL CENTER
Sf No.499/500
Sathy Main Road,
Kurumbampalayam
Annur, Coimbatore 641 107.

// BY SPEED POST WITH ACK.DUE //

Copy Submitted to:

1. The Principal Chief Commissioner of GST & Central Excise,
26/1, Mahatma Gandhi Road, Nungambakkam, Chennai-600034.
2. The Principal Secretary/Commissioner of Commercial Taxes/Member,
IIndFloor, Ezhilagam, Chepauk, Chennai - 600 005.

Copy to:

3. The Principal Commissioner of GST & Central Excise,
Coimbatore Commissionerate, 6/7, A.T.D. Street,
Race Course, Coimbatore - 641 018.
4. The Assistant Commissioner(ST), Saravampatti (West) Assessment Circle,
Commercial Taxes Building, IVth Floor, Dr. Balasundaram Road,
Coimbatore - 641 018.
5. Master File/ Spare - 2.