NATION TAX MARKET	**KERALA AUTHORITY FOR ADVANCE RULING** **GOODS AND SERVICES TAX DEPARTMENT** **TAX TOWER, THIRUVANANTHAPURAM**	KERALA GST State Goods & Services Tax

BEFORE THE AUTHORITY OF : Shri. Jomy Jacob, IRS&

: Shri. Mansur M.I.

Legal Name of the applicant	BELIEVERS CHURCH INDIA
GSTIN	32AAATB4723D1ZF
ARN	AD320121012726R
Address	Kuttapuzha, Pathanamthitta- 689103
Advance Ruling sought for	**Whether GST is leviable on the value of supply of medicine, implants and other supplies issued to our patients during the course of treatment:-** 1. Who are admitted as in-patients in the following situations:- 1.1 In the case where a package is offered to patient which cover the treatment, required medicines, required supplies etc. for a consolidated amount. This amount was pre-fixed by the Hospital with respect to treatment of a particular disease or surgery and charged to patient irrespective of the type and quantity of medicine, supplies etc. issued to patients. 1.2 In the case where a package is offered to patient which covers the treatment for a consolidated amount and this amount is pre-fixed by the Hospital with respect to treatment of a particular disease or surgery. But the supply of medicine and certain other supplies like implants are not included in this package and will be billed extra, according to the type, brand (when choice available to patient) and quantity of items issued to the patient.

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	1.3 In the case where package is not applicable and the treatment, medicines, other supplies and other items are charged to patients separately at actuals. In this case supply of medicine and other supplies are being charged separately according to the type, brand (when choice available to patient) and quantity of items issued to the patient. 1.4 In the case where the percentage of value of medicines and other supplies represents major portion of the total expenditure billed to a patient. 2. Who are not admitted but undergoing treatment as out-patients in the following situations:- 2.1 In the case where the patients are not being admitted in Hospital but the Hospital is providing treatment to those patients at the hospital as an outpatient. Example- Dialysis, Dressing, Chemotherapy, Minor surgeries, other treatments and procedures that require no admission and Pre-admission services like causality. 2.2 Issue of medicine and other supplies based on our Doctor's prescription to patients for consumption at home and follow-up. In this case the hospital accepts any such medicines returned by the patient for cessation of the treatment or for replacement, as per the instructions of the treating doctor.
Date of Personal Hearing	02-04-2025
Authorized Representative	Tony C Kallukalam, Chartered Accountant

ADVANCE RULING No.KER/02/2025 Dated 02.04.2025

1.Believers Church India is a public religious and charitable trust engaged in rendering medical and educational services through its multi-specialty hospital

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and affiliated institutions. The hospital employs qualified professionals, including doctors, nursing staff, lab technicians, pharmacists, and others, to provide comprehensive healthcare services. As part of its operations, the hospital supplies medicines, implants, and other consumables to patients who are either admitted for in-patient care or treated as out-patients. These items are issued strictly against prescriptions provided by the hospital's treating doctors, and only to individuals who are registered patients of the hospital. Patients have the freedom to procure their prescribed medicines and other required supplies from external pharmacies if they so choose, subject to quality verification by the hospital. In certain medical scenarios where alternative choices are available-such as selecting between different brands or types of implants (e.g., titanium vs. metal)- patients are permitted to make an informed choice, and billing is done accordingly. However, this option is not available for services offered under fixed, all-inclusive treatment packages. The hospital issues tax invoices for the supply of medicines and related items, both to in-patients and out-patients, in compliance with the GST law. The applicable GST, where charged, is clearly disclosed in the invoice, and the tax is duly paid to the government.

2. In this Ruling, a reference hereinafter to the provisions of the CGST Act, Rules or the Notifications issued thereunder shall include a reference to the corresponding provisions of the KSGST Act, Rules or the Notifications issued thereunder.

3. The details of the questions on which advance ruling is sought are given above and are not being reproduced.

4. The contentions of the applicant:

4.1 As per Section 9(1) of the CGST Act, 2017, GST is applicable on all intra-State supplies of goods or services, excluding alcoholic liquor for human consumption. Entry No. 74 of Notification No. 12/2017–Central Tax (Rate) dated 28.06.2017 exempts health care services provided by a clinical establishment,

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authorised medical practitioner, or paramedics. It also exempts patient transportation services. Section 2(30) of the Act defines "composite supply" as a combination of two or more taxable supplies naturally bundled in the ordinary course of business, with one being the principal supply. Clinical establishments such as hospitals and clinics offer services for diagnosis, treatment, or care of illnesses or injuries. This includes services in recognised systems of medicine, diagnostic procedures, and investigations. In the case of inpatients, medicines, consumables, food, and accommodation are integral to treatment and not optional. They are used during the course of medical care and therefore form part of a composite supply, with health care service being the principal supply. As such, the entire supply is exempted from GST. This has been upheld in Advance Ruling Order No. KER/16/2018 and reaffirmed by the Appellate Authority in Order No.AAR/03/2018. However, the definition of composite supply under GST must be read in light of CBIC Circular No. 47/21/2018-GST dated 08.06.2018. According to the circular, goods and services are considered part of a composite supply only if they are usually provided together in the ordinary course of business and are not supplied or charged separately. If they are shown separately in the invoice, GST may apply to each component individually.

4.2 This has been confirmed in rulings such as KER/58/2019, where supply of parts and repair services were taxed separately, and KER/33/2019, where individual elements of a tour package were separately taxed when quoted individually. In the case of outpatients, hospitals typically issue a prescription, and patients may choose to buy medicines from any pharmacy. Since the medicine supply is independent of the consultation and is not necessarily bundled with treatment, it is considered a separate supply and is taxable, as affirmed in Order No. KER/16/2018 and AAR/03/2018.

4.3 However, situations involving emergency care, day-care procedures, dialysis, or treatment in minor operation theatres without formal admission raise ambiguity. In such cases, it is unclear whether the supply of medicines and consumables forms part of the health care service. These scenarios are not directly addressed in current laws or rulings and require further clarification.

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Thus, GST applicability varies based on the nature of the treatment, whether the patient is admitted, and how the supply is structured. The applicant needs clarity in the matter.

5. Comments of the Jurisdictional Officer

The application was forwarded to the jurisdictional officer as per provisions of Section 98 (1) of the CGST Act. The Jurisdictional officer reported that no proceedings related to issue raised in the advance ruling application pending in that office. Hence it is construed that no proceedings are pending on the issue against the applicant.

6. Personal Hearing:

The applicant was granted an opportunity for a personal hearing on 02.04.2025. Shri. Tony C Kallukalam, Chartered Accountant represented the applicant in personal hearing. In the hearing, the contentions raised in their written submission were reiterated by the representative.

7. Discussion and Findings:

7.1 Let us first consider the taxability of medicines and medical supplies to patients. Such items fall under the category of goods and are *per se* not exempted from GST and are taxable under Notification No 1/2017-Central Tax(Rate) dated 28-06-2017. However, vide entry No 74 of Notification No 12/2017- Central Tax (Rate) dated 28-06-2017, exemption is applicable to the following services, viz.

(a) Services by way of-(a)health care services by a clinical establishment, an authorised medical practitioner or para-medics; and

(b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.

7.2 Health care services is defined vide 2(zg) of the Notification No. 12/2017-Central Tax (Rate) dated 28.06. 2017 as –"*health care services*" means "*any service by way of diagnosis or treatment or care for illness, injury, deformity,*

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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."

7.3 Since the applicant has submitted that the supply involved herein is a composite supply, let us examine what a composite supply is. As per Section 2 (30) of the CGST Act, 2017, "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;

Illustration.- Where goods are packed and transported with insurance, the supply of goods, packing materials, transport and insurance is a composite supply and supply of goods is a principal supply;

7.4 In accordance with the provisions of Section 2(30) of the CGST Act, where the supply of medicines or medical items is naturally bundled with healthcare services-such as in the course of *diagnosis, treatment, or care for illness, injury, deformity, abnormality, or pregnancy* in any recognised system of medicine in India-the entire supply qualifies as a composite supply. In such cases, the principal supply is the *provision of healthcare services by a clinical establishment, an authorised medical practitioner, or paramedics.* Consequently, any medicines and medical supplies that are naturally bundled with such healthcare services inherit the nature of the principal supply and therefore become eligible for GST exemption.

This interpretation is also supported by Circular No. 32/06/2018-GST dated 12-02-2018, wherein it was clarified that *"Food supplied to the in-patients as advised by the doctor/nutritionist is a part of the composite supply of healthcare and not separately taxable."* Accordingly, the underlying principle is that healthcare

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services are exempt from GST. When medicines and medical products are supplied as part of a naturally bundled package with healthcare services, the entire supply is treated as a composite supply, and the exemption available to healthcare services under GST applies to the entire transaction, including the medicines and medical products.

This position has been consistently upheld by various Advance Ruling Authorities, including:

- Ernakulam Medical Centre (Kerala AAR, 2018)
- Baby Memorial Hospital (Kerala AAR, 2019)
- St. Thomas Hospital (Kerala AAR, 2021)
- CMC Vellore Association (Andhra Pradesh AAR, 2020)

These rulings confirm that the supply of medicines, consumables, etc., when naturally bundled with healthcare services, becomes integrated into the composite supply of healthcare services, which remains exempt from GST under Entry No. 74 of Notification No. 12/2017-Central Tax (Rate) dated 28-06-2017. Importantly, the nature of this supply does not vary based on whether it is offered under a full package, a partial package, or on a non-package basis.

7.5 However, it must be noted that in cases where medicines or other supplies are prescribed to patients but are not naturally bundled with healthcare services, such supplies fall outside the scope of composite supply and therefore become liable to GST. This situation typically arises in the case of outpatients. While neither the GST law nor the relevant notifications expressly distinguish between *inpatients* and *outpatients*, the distinction is drawn on the basis of practical logic. In the case of outpatients, hospitals generally prescribe medicines but do not administer or remain involved in their continuous treatment. It is entirely up to the patient to decide whether to follow the prescription, and if so, from where to procure the medicines. The choice to purchase or not, or to source them from an external pharmacy, lies solely with the patient. Because the hospital does not exercise control over the patient's continuing treatment after the consultation, such supplies of medicines or consumables cannot be said to be naturally bundled with healthcare services. Consequently, they do not qualify as a

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composite supply. As a result, the GST exemption applicable to healthcare services does not extend to such supplies of medicines or allied goods, and these are accordingly treated as taxable supplies under GST.

7.6 Let us examine the question of the applicant in the light of the above discussions. Question No 1.1, 1.2, 1.3 and 1.4 are regarding inpatients where it is evident that the supply of medicines, implants and other supplies are made to patients under the continuous care of the hospital. In such cases, the supply of these items are naturally bundled with supply of health care services as discussed above. Therefore, such supplies are eligible for exemption under Entry No. 74 of Notification No. 12/2017-Central Tax (Rate) dated 28-06-2017 subject to the conditions stipulated in the Notification.

7.7 Question No. 2.1 pertains to supplies made to patients who are not admitted to the hospital but who receive treatment as outpatients. This includes cases such as dialysis, dressing, chemotherapy, minor surgeries, other non-admission treatments and procedures, and pre-admission services such as those provided in the casualty department. There is no ambiguity that the aforementioned services fall squarely within the scope of health care services, which are defined as "*any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognised system of medicine in India, and includes services by way of transportation of the patient to and from a clinical establishment...*". In such instances, medicines and other supplies provided to patients are naturally bundled with the underlying health care services. Importantly, the law does not create a distinction between 'inpatients' and 'outpatients' for the purpose of granting exemption. Instead, the eligibility for exemption must be assessed on the basis of whether the supplies are part of a composite supply of medical services. Therefore, we are of the opinion that where a hospital provides treatment to patients without admitting them, such as in the case of dialysis, dressing, chemotherapy, minor surgeries, or other similar procedures-including pre-admission care like services rendered in casualty-the exemption shall apply, provided that the medicines and supplies are naturally bundled with the delivery of health care services. However, it is important to note that the exemption is limited to cases where the supplies are part of a naturally bundled package of health care services delivered within the hospital.

7.8 Question No. 2.2 pertains to the issue of medicines and other supplies to patients based on a doctor's prescription, specifically for consumption at home and during follow-up care. In such cases, the hospital also accepts returns of unused medicines either due to cessation of treatment or for replacement, as per the instructions of the treating physician. However, as previously discussed, it is clear that these supplies are not naturally bundled with the provision of health care services. Since the hospital's involvement is limited to prescribing and dispensing the medicines-without continuous treatment or direct supervision-the supply of medicines in this context does not constitute a composite supply of health care services. Accordingly, such supplies fall outside the ambit of health care services as defined for GST purposes, and therefore, are not eligible for the exemption granted to health care services.

7.9 However, the exemption from GST on supplies made to inpatients or outpatients as part of their treatment within the hospital does not apply when medicines or other items are sold to them with GST. In such cases, since GST has been collected, it must be paid to the government as per Section 76 of the CGST Act, 2017.

In the light of the facts and legal position as stated above, the following ruling is issued:

RULING

Question:1. Whether GST is leviable on the value of supply of medicine, implants and other supplies issued to our patients (who are admitted as in-patients) during the course of treatment:-

1. Who are admitted as in-patients in the following situations:-

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1.1 In the case where a package is offered to patient which cover the treatment, required medicines, required supplies etc. for a consolidated amount. This amount was pre-fixed by the Hospital with respect to treatment of a particular disease or surgery and charged to patient irrespective of the type and quantity of medicine, supplies etc. issued to patients.

1.2 In the case where a package is offered to patient which covers the treatment for a consolidated amount and this amount is pre-fixed by the Hospital with respect to treatment of a particular disease or surgery. But the supply of medicine and certain other supplies like implants are not included in this package and will be billed extra, according to the type, brand (when choice available to patient) and quantity of items issued to the patient.

1.3 In the case where package is not applicable and the treatment, medicines, other supplies and other items are charged to patients separately at actuals. In this case supply of medicine and other supplies are being charged separately according to the type, brand (when choice available to patient) and quantity of items issued to the patient.

1.4 In the case where the percentage of value of medicines other supplies represents major portion of the total expenditure billed to a patient.

Ruling: In the case of inpatients, the supply of medicines, implants and other supplies during the course of treatment fall under the composite supply of health care services and are exempted under Sl No 74 of Notification No. 12/2017-Central Tax (Rate) dated 28-06-2017. The exemption applies irrespective of how the treatment is charged, whether on full package basis, partial package basis or without any package. The exemption is also applicable even if the cost of medicines constitutes the major share of the treatment expenses so long as the principal supply involved is supply of health care services.

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Question:2.1 Whether GST is leviable on the value of supply of medicine, implants and other supplies issued to our patients during the course of treatment In the case where the patients are not being admitted in Hospital but the Hospital is providing treatment to those patients at the hospital as an outpatient. Example- Dialysis, Dressing, Chemotherapy, Minor surgeries, other treatments and procedures that require no admission and pre-admission services like casualty.

Ruling: Where a hospital provides treatment to patients without admitting them, such as in the case of dialysis, dressing, chemotherapy, minor surgeries, or other similar procedures-including pre-admission care like services rendered in casualty, the supply of medicines, implants and other supplies during the course of treatment fall under the composite supply of health care services and are exempted under Sl No 74 of Notification No. 12/2017-Central Tax (Rate) dated 28-06-2017. However, the exemption is limited to cases where the supplies are part of a naturally bundled package of health care services delivered within the hospital.

Question:2.2 Whether GST is leviable on the value of supply of medicine, implants and other supplies issued to patients during the course of treatment where issue of medicine and other supplies are based on Doctor's prescription to patients for consumption at home and follow-up. In this case the hospital accepts any such medicines returned by the patient for cessation of the treatment or for replacement, as per the instructions of the treating doctor.

Ruling: Yes, GST is leviable in respect of such supplies.

Jomy Jacob IRS
Additional Commissioner of Central Tax
Member

Mansur. M.I.
Joint Commissioner of State Tax
Member

To

M/s BELIEVERS CHURCH INDIA,
Kuttapuzha, Pathanamthitta- 689103.

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OFFICE OF THE COMMISSIONER STATE G.S.T.D KERALA * THIRUVANANTHAPURAM *

Copy submitted to:

1. The Chief Commissioner of Central Tax and Central Excise, Thiruvananthapuram Zone, C.R.Building, I.S.Press Road, Cochin- 682018. [E-mail ID: cccochin@nic.in; ccu-cexcok@nic.in]
2. The Commissioner of State Goods and Services Tax Department, Tax Towers, Karamana, Thiruvananthapuram – 695002.
3. The Commissioner of Central Tax and Central Excise, Thiruvananthapuram Commissionerate, GST Bhavan, Statue, Thiruvananthapuram. (E-mail id: commr-tvmhqrs@gov.in)

Copy to :

1. The Additional Commissioner, TPS, HQ, Thiruvananthapuram.
2. The Deputy Commissioner, ITMD, Thiruvananthapuram.
3. The Assistant Commissioner/State Tax Officer, Tax payer services Circle, Thiruvalla.
4. The Superintendent, Central Tax, Thiruvalla Range, Pathanamthitta Division.