

**THE AUTHORITY FOR ADVANCE RULING  
IN KARNATAKA  
GOODS AND SERVICES TAX  
VANIJYA THERIGE KARYALAYA, KALIDASA ROAD  
GANDHINAGAR, BENGALURU - 560009**

**Advance Ruling No. KAR ADRG 05/2024**

**Date: 29.01.2024**

Present:

1. Dr. M.P. Ravi Prasad  
Additional Commissioner of Commercial Taxes . . . . Member (State)
2. Sri. Kiran Reddy T  
Additional Commissioner of Customs & Indirect Taxes . . . .Member (Central)

1.	Name and address of the applicant	M/s SPANDANA PHARMA, No.546/46, 6 <sup>th</sup> Main, 4 <sup>th</sup> Block, Rajajinagar, Bengaluru-560010.
2.	GSTIN or User ID	29ABXPS1971N1ZF
3.	Date of filing of Form GST ARA-01	31-07-2023
4.	Represented by	Shri Mohammed Shabbir, GST Practitioner
5.	Jurisdictional Authority - Centre	The Commissioner of Central Tax, Bengaluru West GST Commissionerate, West Division-2, RANGE-CWD2, Bengaluru
6.	<b>Jurisdictional Authority - State</b>	ACCT, LGSTO-140, Bengaluru
7.	Whether the payment of fees discharged and if yes, the amount and CIN	Yes, discharged fee of Rs.5,000/- under CGST Act & Rs.5,000/- under KGST Act through debit from Electronic Cash Ledger vide reference No. DC2907230338455 dated 21.07.2023

**ORDER UNDER SECTION 98(4) OF THE CGST ACT, 2017  
& UNDER SECTION 98(4) OF THE KGST ACT, 2017**

M/s Spandana Pharma, No.546/46, 6<sup>th</sup> Main, 4<sup>th</sup> Block, Rajajinagar, Bengaluru-560010, (hereinafter referred to as 'The applicant') having GSTIN 29ABXPS1971N1ZF, have filed an application for Advance Ruling under Section 97 of CGST Act 2017 and KGST Act 2017 read with Rule 104 of CGST Rules 2017 & KGST Rules 2017, in FORM GST ARA-01 discharging the fee of Rs.5,000/- each under the CGST Act and the KGST Act.

2. The applicant is a Proprietorship Concern, registered under the provision of Central Goods and Services Tax Act, 2017, as well as Karnataka Goods and Services Tax Act, 2017 (herein after referred to as the CGST Act and KGST / SGST Act respectively. The applicant is engaged in the activity of providing health care services. The applicant also runs a hospital in the name of Spandana Pharma.

3. The applicant has sought advance ruling in respect of the following questions:

i. *Whether the supply of medicines, drugs and consumables used in the course of providing health care services to in-patients during the course of diagnosis and treatment during the patients admission in hospital would be considered as "Composite Supply" qualifying for exemption under the category of "health care services" as per Services Exempt Notification No. 12/2017-Central Tax (Rate) dated: 28-06-2017 read with Section 8(a) of the CGST Act, 2017 / KGST Act, 2017?*

ii. *Whether the supply of food to in-patients would be considered as "Composite Supply" of health care services under CGST Act, 2017 & KGST Act, 2017 and consequently, can exemption under Services Exempt Notification No. 12/2017-Central Tax (Rate) dated: 28-06-2017 read with Section 8(a) of GST be claimed?*

iii. *Retention Money: Whether GST is applicable on money retained by the applicant?*

iv. *Whether GST is exempt on Fees collected from nurses and psychologists for imparting practical training?*

**4. Admissibility of the application :** The question is about the "Determination of the liability to pay tax on any goods or services or both", which is covered under Sections 97(2)(e) of the CGST Act 2017.

**5. BRIEF FACTS OF THE CASE:** The applicant furnishes some facts relevant to the issue.

5.1 The applicant has stated that they are engaged in the activity of providing health care services. The applicant also runs a hospital in the name of Spandana Pharma.

5.2 The applicant states that they provide the following type of services:

A. Psychiatry:

1. All Emergencies in psychiatry
2. Electroconvulsive therapy (BPCST)
3. Narco Analysis (Hypnotherapy)

4. Behavior therapy
5. Child guidance clinic
6. Psychotherapy and Counselling
7. Psychometric, I.Q. tests and others.
8. Relaxation therapy
9. Mental Retardation Clinic
10. Occupational therapy and Day care Services
11. De addiction to Drugs, Alcohol and Smoking
12. Marital Counselling
13. Industrial Counselling
14. Group counselling – ALCOHOLICS
15. Carer's Meet – SCHIZOPHRENICS

**B. Other Services:**

1. Medicine
2. Surgery
3. Obstetrics and Gynecology
4. Neurology
5. Neurosurgery
6. E.N.T
7. Ophthalmology
8. Orthopedics
9. Endocrinology
10. Urology
11. Pediatrics

**C. Facilities**

1. Physiotherapy
2. X-Ray 300ma & amp; Portable
3. Laboratory having tie-up with Kanva Diagnostic Services Pvt Ltd
4. Electrocardiography(ECG)
5. Cardiac Monitor with defibrillator
6. Minor and Major O.T/ Labour Ward with C-Arm facility
7. Casualty
8. Electroencephalography(E E G)
9. Nerve Conduction Studies(E N M G)
10. Computerised Stress Test(Treadmill Test)
11. Pulseoxymeter
12. Ambulance
13. SPANDANA PHARMA WITH SCHEDULE-X; ND-V Licenses.
14. ICU CARE WITH VENTILATORS.
15. Training Centre for GNM, B.Sc N), University Students, PG Students of RFS; Diploma Students)

## **6. Applicant's Interpretation of Law:**

6.1 With regard to Question (i), the applicant has submitted their view as under:

- 1) The applicant states that they are engaged in providing treatment to in-patients and outpatients suffering from psychic disorder, substance use disorder (addiction of drugs), Neurology and other specialties. They provide treatment to in-patients who suffer from mental disorder that affects a person's brain and behaviour leading to person's inability to control their use of substance such as legal or illegal drugs, alcohol or medications. Symptoms range from moderate to severe with addiction being the most severe form of substance use disorder. Applicant provides psychiatric services under the supervision of specialised Medical Doctors to in-patients aimed at curing, rehabilitating, restoring and / or maintaining the health of in-patients.
- 2) Patients undergo a counselling session with qualified psychiatrist. Further, parameters such as sexual history, drug addiction, source of drug etc., are assessed and patients are motivated to discontinue drugs. Applicant strives to cure illness caused by mental disorder and rehabilitate patients.
- 3)
  - (i) A routine check-up is conducted by the psychiatrist wherein blood pressure and pulse rate of the patient is examined. Further, if required other test such as blood test, ultrasound etc are suggested for further diagnosis to identify the nature of illness.
  - (ii) Where the out patients and in-patients have already been treated earlier, previous prescriptions and their results are also assessed.
  - (iii) On the basis of above, patients are examined by a psychiatrist who assesses the severity of illness, dependence of patient on drugs and his ability to withdraw from drugs.
  - (iv) On the basis of such examination, psychiatrist prescribes medicines and the duration for which the medicines are required to be consumed.
  - (v) Details of substance used by the patient and other parameters are also captured in the patient's file.
  - (vi) Applicant has maintained pharmacy, clinical laboratory, X-ray and scanning facilities, ambulance service, Dietary services etc.
- 4)
  - (i) The applicant submits that on the admission of patient as in-patient a general consent form duly signed by the caretaker of the patient is taken.

(ii) A billing card is maintained recording all the details of visits and diagnosis by Doctors, various types of treatment including electric shock given to patients.

(iii) Doctor's daily progress report containing details of prescriptions of tests and medicines and other care to be undertaken is maintained.

(iv) A drug chart is maintained at the wards / rooms having details of drugs given to the in-patients during their stay as in-patients.

(v) Investigations chart is prepared during the course of various tests done.

(vi) Bills are prepared for all types of health care services provided by the Hospital for day to day health care services during the period of stay as inpatient.

(vii) Final discharge bill will be prepared at the time of discharge of the in-patient.

(viii) Discharge summary during the discharge of in-patient from the hospital will also be prepared.

5) (i) Section 2 (30) composite supply is defined as

*(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"*

(ii) Section 2 (90) "principal supply" means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary.

(iii) Section 8 deals with tax liability on composite and mixed supplies:-

The tax liability on a composite or a mixed supply shall be determined in the following manner, namely

(a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply; and

(b) a mixed supply comprising two or more supplies shall be treated as a supply of that particular supply which attracts the highest rate of tax.

- 6) The entry at sl.no. 74 of Services Exempt Notification No. 12/2017 Central Tax (Rate) dated: 28-06-2017 reads as follows:

Sl. No.	Chapter	Description of Services	Rate	Condition
74	Heading 9993	<p>Services by way of:</p> <p>(a) healthcare services by a clinical establishment, an authorized medical practitioner or paramedics:</p> <p>(b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.</p>	Nil	Nil

- (iv) The term "healthcare services" is defined in Para 2 (zg) of Services Exempt Notification No.12/2017 Central Tax (Rate) dated 28.06.2017 as follows; "healthcare services" means any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized 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.

- (v) The term "clinical establishment" is defined in Para 2(s) of the Services Exempt Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 as follows; "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 investigate services of diseases.

- (vi) The Explanatory Notes to the Scheme of Classification of Services (SCS) under GST pertaining to Health Care services is reproduced below;

SCS 9993 Human Health and Social Care Services

SCS 99931 - Human Health Services

SCS 999311 - Inpatient services

This service code includes:

- (a) surgical services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and / or maintaining the health of a patient.
- (b) 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.
- (c) Psychiatric services delivered under the direction of medical doctors to inpatients, aimed at curing, restoring and / or maintaining the health of a patient.
- (d) 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 anaesthetic services etc.

Thus, Inpatient services falling under SAC 999311 means services provided by hospitals to inpatients 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.

- (vii) The primary purpose of the hospital is to provide treatment to the patients approaching them. The basic Intention of the patients visiting the hospital is to get treatment for their ailment mainly mental disorder. Depending upon the severity of the illness the patient may require immediate medical attention, continuous monitoring etc. Therefore, according to their health condition they will be admitted in hospital as inpatient. The patients admitted to a hospital are treated with proper diagnosis of the disease / illness and treatment including appropriate medicines, surgical procedures if necessary, consumables required along with proper diet is administered to them in the most efficient manner so that they can regain their health within the shortest possible time and resume their activities. Therefore, the medicines, consumables and foods supplied in the course of providing treatment to the patients admitted in the hospital is an integral part of

the health care service extended to the patients. Hence the room, medicines, consumables and food supplied in the course of providing treatment to the patients admitted in the hospital is undoubtedly naturally bundled in the ordinary course of business and the principal supply is health care service which is the predominant element of the composite supply and the other supplies such as room, medicines, consumables and food are incidental or ancillary to the predominant supply.

- (viii) On the basis of the facts and the provisions of law as discussed above, the applicant's understanding is that the applicant is a clinical establishment as defined in Para 2(s) of the Services Exempt Notification No. 12/2017 Central Tax (Rate) dated 28-06-2017 and the supply of medicines, surgical items, food and other consumables to inpatients admitted to the hospital for diagnosis, or medical treatment or procedures is a composite supply where the principal supply is healthcare services falling under SCS 999311 which is exempted as per entry at Sl. No. 74 of Services Exempt Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017.

7) The applicant has placed reliance on the Advance Ruling on similar fact delivered by various Authorities for Advance Ruling.

- (i) That in the case of Malankara Orthodox Syrian Church Medical Mission Hospital reported in 2021 (53) G.S.T.L. 434 (A.A.R-GST-Ker) it was held that:

*"The first question raised by the applicant is regarding the GST liability in respect of the supply of medicines, implants and other items to patients undergoing treatment as inpatients in different situations. In the situation specified in Question 1.1 above the applicant is offering a package to the inpatients covering the treatment including all required medicines and other supplies for a consolidated amount that is prefixed. In such cases the combination of goods and/or services included in the supply are naturally bundled in the ordinary course of business and hence it is a composite supply of which the principal supply is health care services and the other supplies are only incidental or ancillary to the supply of health care services. Therefore, the supply of medicines, implants, and other items to the inpatients admitted to the hospital for treatment as per the package offered by the applicant is a composite supply where the principal supply is health care services falling under SAC 999311 which is exempted as per entry at Sl. No. 74 of Services Exempt Notification No. 12/2017 Central Tax (Rate), dated 28-6-2017"*

- (ii) That in case of St. Thomas Hospital reported in 2021(52)GSTL474 (AAR-GST-Ker) on similar set of facts it was held by the AAR Authority as follows :

*Healthcare services to inpatients - Composite Supply - Supply of medicines, surgical items, implants, stents and other consumables to inpatients - HELD : Assessee's clinical establishment as defined in Para 2(s) of Services Exempt Notification No. 12/2017-C.T. (Rate) - dated: 28-06-2017 Medicines, implants and consumables supplied in course of providing treatment to patients admitted in hospital, integral part of healthcare service extended to patient. Hence, supplies made in course of providing treatment to patients admitted in hospital undoubtedly naturally bundled in ordinary course of business - Principal supply i.e. healthcare service is predominant element of composite supply and other supplies such as room, medicines, implants, consumables and incidental or ancillary to predominant supply. These goods supplied to inpatients, component of composite supply, where principal supply i.e. healthcare services falling under SCS 9993 11, exempted as per entry at Sl. No. 74 of Services Exempt Notification No. 12/2017-C.T. (Rate). The patients admitted to a hospital for treatment expect that proper diagnosis of the disease is made and treatment including appropriate medicines, surgical procedures if necessary, consumables and implants required along with proper diet is administered to them in the most efficient manner so that they can regain their health within the shortest possible time and resume their activities, [paras 8.7, 8.8, 8.9]*

- (iii) That in case of KIMS Health Care Management Ltd reported in 2018 (18) GSTL 831 (AAR GST) it was held by the AAR authority that Composite supply - Health care services, Medicines, consumables and implants used in the course of providing health care services to in-patients for diagnosis or treatment hospital or clinical establishment - Indispensable items of treatment and naturally bundled in ordinary course of business with health care services - Clarification in C.B.I. & C. Circular No. 27/01/2018 - GST, dated 4-1-2018 that room rent in hospital is exempted - Also clarifications issued based on approval of 25th GST Council Meeting (F.No. 354/17/2018-TRU, dated 12-2-2018) that food supplied to inpatients as advised by doctor / nutritionist part of composite supply of health care and not separately taxable - Same principle applicable in case of dispensing of medicine also - Said supplies amounted to composite supply and eligible for exemption under category "health care services". - Nature of the various services in a bundle of services will help in determining whether the services are bundled in the ordinary course of business. If the nature of services

*is such that one of the services is the main service and other services combined with such service are in the nature of incidental or ancillary services which help in better utility of main service then the various elements of the service are said to be naturally bundled in the ordinary course of business, [paras 5, 6, 7, 8, 9]*

## 6.2 With regard to question No. B

(i) The applicant states that as per explanatory notes "inpatient services" means services provided by hospitals to inpatients 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. The complete gamut of activities required for well-being of a patient and provided by a hospital under the direction of medical doctors is a composite supply of service and is covered under 'In-patient services' classifiable under SCS 999311. From a joint reading of the explanatory notes pertaining to in-patient services and the exemption stated above, 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. Further the CBIC in Circular No.32/06/2018 - GST dated 12.02.2018 clarified that food supplied to the inpatients as advised by the doctor / nutritionist is a part of composite supply of healthcare and not separately taxable.

(ii) As per Sl. No. 74 of Services Exempt Notification No. 12/2017 Central Tax (Rate) dated 28.06.2017 health care service has been exempted from payment of GST. The healthcare services will be the predominant element of this composite supply whereas medicines, surgical items, implants, stents and other consumables used in the course of providing such health care services to the inpatients are ancillary to it and does not itself become principal supply. The tax liability on a composite supply shall be the rate of tax applicable on principal supply. In the case of health care, the principal supply of health care services is exempted from payment of tax and hence the supplies of other items ancillary to the principal supply of health care services are also exempt from payment of tax. The applicants relies on the decision of advance ruling authorities in the following cases:

(a) Advance Ruling Order No. KER/16/2018 dated 19.09.2018 in the case of M/s. Ernakulam Medical Centre Pvt. Ltd. which was upheld by Appellate Authority for Advance Ruling, Kerala vide Order No. AAR/03/2018 dated 14.12.2018

(b) Advance Ruling Order No. KER/47/2019 dated 12.04.2019 in the case of M/s. Kindorama Health Care Pvt. Ltd.

(c) Advance Ruling Order No. KER/57/2019 dated 05.09.2019 in the case of M/s. Baby Memorial Hospital Ltd.

Thus the applicant is of the understanding that supply of food to in-patients admitted to the hospital for diagnosis or medical treatment or procedure is a component of the composite supply where the principal supply is healthcare services falling under SCS 999311 which is exempted as per entry at Sl. No. 74 of Services Exempt Notification No. 12/2017 Central Tax (Rate) dated: 28-06-2017 read with clarification of CBIC in Circular No.32/06/2018 - GST dated 12.02.2018 wherein it has been clarified that food supplied to the inpatients as advised by the doctor / nutritionist is a part of composite supply of healthcare and not separately taxable.

### 6.3 With regard to question No. C

i. The applicant submits that the term "*Retention Money / charges*" means those charges that are deducted by the Hospitals while making payment to Consultant Doctors & Technicians. Applicant invites consultant doctors with specialisation in mental health for diagnosing mental illness of patients and to suggest medicine, tests, rehabilitation etc.

Prima facie this is a health care service. As per Circular No. 32/06/2018 – GST dated: 12-02-20218 issued by Government of India the entire amount charged from patients including the retention money is exempt from tax which reads thus:

Sl. No.	Issues	Clarification
5.(2)	Is GST leviable in following cases :  Retention Money: Hospitals charge the patients, say, Rs. 10000/- and pay to the consultants/ technicians only Rs. 7500/- and keep the balance for providing ancillary services which include nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood	Healthcare services have been defined to mean any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized system of medicines in India [para 2(zg) of notification No. 12/2017-CT(Rate)]. Therefore, hospitals also provide healthcare services. The entire amount charged by them from the patients including the retention money and the fee/payments made to the

pressure etc. Will GST be applicable on such money retained by the hospitals?	doctors etc. is towards the healthcare services provided by the hospitals to the patients and is exempt.
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Thus applicant's understanding is entire amount charged as retention money from the patient for payment to doctors and technicians towards health care service provided by the hospital is exempt from tax.

#### 6.4 With regard to Question No. D.

i. The applicant submits that they provide practical training to Nursing Students and Psychologists who are on the verge of completing course in recognized Educational Institutions. What Nursing students and Psychologists study in Educational institutions is theory. They need practical training to gain knowledge.

ii. Mental health is often comorbid with many physical health problems such as Cancer, HIV, AIDS, Diabetes, Tuberculosis among others. The presence of substantial comorbidity has serious implications for identification, treatment and rehabilitation of affected patients. When Nursing students and Psychologist receive mental health training on successful completion of their course in the hospital run by the applicant they can attend to mental health and neurological illness of patients with mental disorders as well as the mental health needs of those suffering from infectious and chronic diseases. This will lead to better health outcomes. Equipping students of nursing and psychologists with mental health skills promotes a more holistic approach to patient care and ensure both improved diction and prevention of mental disorders.

iii. Thus, the applicant is of the understanding that training imparted to Nurses and Psychologists forms part and parcel of health care service. Hence GST is exempt on fees collected from Nurses and Psychologists.

#### **PERSONAL HEARING / PROCEEDINGS HELD ON 07.09.2023**

7. Shri Mohammed Shabbir, GST Practitioner and duly authorised representative of the applicant appeared for personal hearing proceedings held on 07.09.2023 and reiterated the facts narrated in their application.

#### **FINDINGS & DISCUSSION**

8. At the outset we would like to make it clear that the provisions of CGST Act, 2017 and the KGST Act, 2017 are in pari-materia and have the same provisions in like matter and differ from each other only on a few specific provisions. Therefore, unless a mention is particularly made to such dissimilar provisions, a

reference to the CGST Act would also mean reference to the corresponding similar provisions in the KGST Act.

9. We have considered the submissions made by the applicant in their application for advance ruling. We have also considered the issues involved on which advance ruling is sought by the applicant and the relevant facts along with the arguments made by the authorized representative and also their submissions made during the time of hearing.

10. The Applicant states that they are engaged in providing health care services to patients suffering from psychic disorder, substance use disorder, Neurology etc. The Applicant has sought advance ruling in respect of questions mentioned in para 3 supra. We proceed to consider one question at a time. First question is 'Whether the supply of medicines, drugs and consumables used in the course of providing health care services to in-patients would be considered as "Composite Supply" qualifying for exemption under the category of "health care services" as per Services Exempt Notification No. 12/2017-Central Tax (Rate) dated: 28-06-2017.

11. In this regard relevant entry of Notification No. 12/2017-Central Tax (Rate) dated: 28.06.2017 is reproduced hereunder:

Sl. No.	Chapter, Section, Heading, Group or Service Code (Tariff)	Description of Services	Rate (per cent.)	Condition
74	Heading 9993	<p>Services by way of-</p> <p>(a) health care services by a clinical establishment, an authorised medical practitioner or para-medics</p> <p>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)]</p>	NIL	NIL

		having room charges exceeding Rs. 5000 per day to a person receiving health care services;		
		(b) services provided by way of transportation of a patient in an ambulance, other than those specified in (a) above.		

12. The term 'health care services' has been defined in para 2(zg) of the above mentioned notification as below:

*(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;*

12.1 The term 'clinical establishment' has been defined in para 2(s) of the above-mentioned notification as below:

*(s) "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 recognised 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;*

The Applicant is running a hospital and providing treatment to in-patients suffering from psychic disorder, substance use disorder, Neurology etc. The Applicant is a hospital hence, the same is covered under 'clinical establishment' as per the definition mentioned supra and since the hospital is providing treatment to in-patients suffering from psychic disorder, substance use disorder, Neurology etc the same is covered under "health care services" as per the definition mentioned supra. In view of the above we can say that the Applicant is providing health care services subjected to the condition that room charges are not exceeding Rs. 5000 per day to a person receiving health care services.

13. Subsection 30 of section 2 of CGST Act 2017 has defined 'Composite Supply' as below:

*(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;*

Tax liability on the composite supply is determined as mentioned in Section 8(a) of CGST Act 2017 as below:

*Section 8. Tax liability on composite and mixed supplies.-*

*The tax liability on a composite or a mixed supply shall be determined in the following manner, namely:-*

*(a) a composite supply comprising two or more supplies, one of which is a principal supply, shall be treated as a supply of such principal supply;*

'Principal Supply' is defined in subsection (90) of section 2 of CGST Act 2017 as below:

*(90) "principal supply" means the supply of goods or services which constitutes the predominant element of a composite supply and to which any other supply forming part of that composite supply is ancillary;*

13.1 The primary purpose of the hospital is to provide treatment to the patients approaching and the intention of the patients visiting the hospital is to get treatment for their ailment. Depending upon the severity of the illness and according to the health condition of the patient, they will be admitted to hospital as inpatient. The patients admitted to a hospital undergo proper diagnosis of the disease / illness and then treatment which includes appropriate medicines, surgical procedures which need necessary consumables required along with proper diet. These are provided to the in-patient so that they can regain their health within the shortest possible time and resume their activities. Therefore, the medicines, consumables and foods supplied in the course of providing treatment to the patients admitted in the hospital is an integral part of the health care service extended to the patients.

Hence the room charges, medicines, consumables and food supplied in the course of providing treatment to the patients admitted in the hospital(in-patient) are undoubtedly naturally bundled in the ordinary course of business and the principal supply is health care service which is the predominant element of the composite supply.

13.2 Para 5(3) of Circular No. 32/06/2018-GST dated: 12.02.2018 clarifies about levy of GST on food supplied to the patients and the same is reproduced below:

Sl. No.	Issues	Clarification
5.	<p><b>Is GST leviable in following cases :</b></p> <p>(3) Food supplied to the patients: Health care services provided by the clinical establishments will include food supplied to the patients; but such food may be prepared by the canteens run by the hospitals or may be outsourced by the Hospitals from outdoor caterers. When outsourced, there should be no ambiguity that the suppliers shall charge tax as applicable and hospital will get no ITC. If hospitals have their own canteens and prepare their own food; then no ITC will be available on inputs including capital goods and in turn if they supply food to the doctors and their staff; such supplies, even when not charged, may be subjected to GS</p>	<p>3) Food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare and not separately taxable. Other supplies of food by a hospital to patients (not admitted) or their attendants or visitors are taxable.</p>

From the above, it is clear that, food supplied to the in-patients as advised by the doctor/nutritionists is a part of composite supply of healthcare and not separately taxable.

14. Second question is already answered in the above paras. Now we proceed to answer the third question i.e., Retention money: Whether GST is applicable on money retained by the applicant? Applicant states that Retention money is the amount deducted by the hospitals out of the amount collected by the patients while making payment to the consultant doctors or technicians who has been invited by the hospital for diagnosing and treating the patient.

Para 5(2) of Circular No. 32/06/2018-GST dated: 12-02-20218 clarifies about levying GST on retention money and the same is reproduced below:

Sl. No.	Issues	Clarification
5.	<p><b>2) Is GST leviable in following cases :</b></p> <p><b>Retention Money:</b> Hospitals charge the patients, say, Rs. 10000/- and pay to the consultants/ technicians only Rs. 7500/- and keep the balance for providing ancillary services which include nursing care, infrastructure facilities, paramedic care, emergency services, checking of temperature, weight, blood pressure etc. Will GST be applicable on such money retained by the hospitals?</p>	<p>2) Healthcare services have been defined to mean any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy in any recognized system of medicines in India [para 2(zg) of notification No. 12/2017-CT(Rate)]. Therefore, hospitals also provide healthcare services. The entire amount charged by them from the patients including the retention money and the fee/payments made to the doctors etc. is towards the healthcare services provided by the hospitals to the patients and is exempt.</p>

From the above it is clear that the entire amount charged by the hospital from the patients including the retention money and the fee/payments made to the doctors etc. is towards the healthcare services provided by the hospitals to the patients and is exempt.

15. Now we proceed to answer the fourth question i.e., whether GST is exempt on fees collected from nurses and psychologists for imparting practical training.

The Applicant states that they are providing practical training to nursing students and psychologists who are about to complete their course in recognised educational institutions. They allow trainee nurses and psychologists to interact with patients and try to understand the reason for their mental disorder and neurological illness. At the end of the training the Applicant conducts a test and issues certificate to all. The Applicant is of the understanding that training imparted to Nurses and Psychologists forms part of health care service and hence GST is exempt on fees collected from Nurses and Psychologists.

The definition of 'healthcare services' is reproduced in para 12 supra. By going through the definition, we understand that to become a health care service, it should be a service *by way of diagnosis or treatment or care for illness, injury, deformity, abnormality or pregnancy*. But here the Applicant is providing practical

training to nursing students and psychologists and hence the same is not covered under healthcare services.

16. In view of the foregoing, we pass the following

**RULING**

- i. The supply of medicines, drugs and consumables used in the course of providing health care services to in-patients during the course of diagnosis and treatment would be considered as "Composite Supply" of health care services qualifying for exemption as per entry No. 74(a) of Notification No. 12/2017-Central Tax (Rate) dated: 28.06.2017 subjected to the condition mentioned therein.
- ii. The supply of food to in-patients would be considered as "Composite Supply" of health care services qualifying for exemption as per entry No. 74(a) of Notification No. 12/2017-Central Tax (Rate) dated: 28.06.2017 subjected to the condition mentioned therein.
- iii. GST is not applicable on money retained by the applicant.
- iv. GST is not exempted on the fees collected from nurses and psychologists for imparting practical training.

  
**(Dr. M.P. Ravi Prasad)**  
**Member**

  
**(Kiran Reddy T)**  
**Member**

Place: Bengaluru,

Date: 29.01.2024

To,

The Applicant

Copy to:

1. The Principal Chief Commissioner of Central Tax, Bangalore Zone, Karnataka.
2. The Commissioner of Commercial Taxes, Karnataka, Bengaluru.
3. The Commissioner of Central Tax, Bengaluru West GST Commissionerate, Bengaluru.
4. The Assistant Commissioner of Commercial Taxes, LGSTO-140, Bengaluru.
5. Office Folder.