

# Cut in GST can make vaccines cheaper, say experts

Finance Minister had said GST exemption to vaccine would be counterproductive without benefiting consumer

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An array of measures, including reduction in GST (Goods and Services Tax) rates, zero GST rate on critical raw materials, permitting GST-free imports as well as direct cash incentives to producers, can be used by the Central government to make COVID-19 vaccines and other critical supplies cheaper, say tax experts.

At present, GST is levied at the rate of 5% on vaccines and 12% on COVID-19 drugs and oxygen concentrators for domestic supplies and commercial imports. For oxygen concentrators imported for personal use, the government has reduced GST rate from 28% to 12% and

waived Customs duties.

Union Finance Minister Nirmala Sitharaman on Sunday launched a staunch defence of the GST levies on COVID-19 relief supplies after West Bengal Chief Minister Mamata Banerjee wrote to Prime Minister Narendra Modi mooted an exemption from these taxes amid the pandemic's escalating second wave.

The Finance Minister had said that exemption to vaccine from GST would be counterproductive without benefiting the consumer.

"If the government is exploring free vaccination to all the citizens, then the consumer of such vaccine will be the government. Thus, no matter at what rate it is



**Tax talk:** A concessional GST rate of 1% can be levied for COVID-19 vaccines, says an expert • FILE PHOTO

taxed, it may not directly impact the pocket of common man. It would be more of a revenue sharing issue between the Centre and the States," notes Siddharth Surana, adviser at tax consultancy RSM India.

Under the present policy,

the Centre is providing free vaccines to those above 45 years, while the States and individuals have been asked to foot the bill for the rest. Tax implications matter not just for vaccines, but also other critical drugs and equipment.

A taxation expert, on condition of anonymity, says reducing the GST on final products as well as raw materials, or zero-rating supplies, will be a better option than an outright GST exemption.

Saket Patawari, executive director (indirect tax) at advisory firm Nexdigm, observes that the government could take measures to slash costs, including a possible special incentive scheme to refund taxes, outside the ambit of the GST law.

"A concessional GST rate of 1% can be levied for COVID-19 vaccines. Suppliers would be allowed GST credit benefit, which could be claimed as refund under an 'inverted duty structure re-

fund', typically claimed by pharmaceutical companies," Mr. Patawari states.

Alternatively, the entire COVID-19-related supply chains can be taxed at 5%, he suggests.

The tax expert quoted earlier asserts that reducing GST rates of raw materials could minimise the input tax credit issues and other options could also be considered to cut prices of COVID-19 supplies.

Experts have also called for easing of imports of critical medical equipment and materials by exempting them from Integrated GST, by putting end-use conditions in certain cases, if needed, to ensure they are not misused.