



**KERALA AUTHORITY FOR ADVANCE RULING  
GOODS AND SERVICES TAX DEPARTMENT  
TAX TOWER, THIRUVANANTHAPURAM**

**BEFORE THE AUTHORITY OF:** *Shri. S. Anil Kumar IRS &  
: Shri. B.S. Thyagarajababu B.Sc, LL.M*

Legal Name of the applicant	M/s. Starcare Hospital Kozhikode Private Limited
GSTIN	32AAVCS3801P1ZU
Address	No.30/35/, Aradhana, P.O. – Medical College, Kovoov, Calicut – 673008.
Advance Ruling sought for	Whether the supply of medicines, consumables, surgical items, items such as needles, reagents etc. used in laboratory, room rent used in the course of providing health care services to in-patients for diagnosis or treatments which are naturally bundled and are provided in conjunction with each other, would be considered as “Composite Supply” and eligible for exemption under the category ‘health care services’ under Sl No.74 of Notification no.12/2017-CT(R) dated 28 <sup>th</sup> June, 2017.
Date of Personal Hearing	12.04.2019
Authorized Representative	Mr. Naveen Raj Purohit

**ADVANCE RULING No. KER/ 49 /2019 Dt.12.04.2019**

M/s. Starcare Hospital Kozhikode Private Limited is rendering medical services with experienced professionals. They have categorized the patients as in-patient and out-patient for administrative convenience. The out-patients are those who visit the hospital for routine check up or clinical visit. The in-patients are those who are admitted into the hospital for required treatment. The in-patients are provided with facilities like accommodation, medicines, consumables, implants, dietary foods including surgical procedures required for the treatment. As per Service Classification Code 9993, healthcare services by a clinical establishment, an authorized medical practitioner or paramedics have been exempted from tax. Accordingly, the applicant has requested advance ruling on the following:

Whether the supply of medicines, consumables, surgical items, items such as needles, reagents etc. used in laboratory, room rent used in the course of providing health care services to in-patients for diagnosis or treatments which are naturally bundled and are provided in conjunction with each other, would be considered as "Composite Supply" and eligible for exemption under the category 'health care services' under Sl No. 74 of Notification no.12/2017-CT(R) dated 28<sup>th</sup> June, 2017

The authorized representative of the company was heard. It has been pointed out that the hospital has central pharmacy from where the procured stocks of medicines, surgical items, consumables, etc are supplied to its concerned in-patient outlets and out-patient pharmacy. The in-patient outlets supply medicines and consumables only to in-patients. Whereas, the out-patient pharmacy attached to the hospital entertain the medical prescription of out-patients and outside customers with valid prescription. As far as an in-patient in concerned, the hospital is expected to provide lodging, medical care, medicine and food as part of treatment under supervision, till the patient is discharged from the hospital. In-patients receive medical facility as per the scheduled procedure and have strict restriction to ensure quality/ quantity of items for consumption. Medicines supplied through pharmacy, to both in-patients and out-patients, under the prescription of doctors are incidental to health care services rendered in the hospital and exempted from levy of GST as per the above notification.

The medicines, consumables and surgical items used in the course of providing health care services to the in-patients admitted for diagnosis or treatment in the hospital or clinical establishment are naturally bundled in ordinary course of business. Without administering the medicines and use of the consumables or surgical items, appropriate health care service cannot be bundled, thereby exposing the in-patients to fatality. Being a composite supply, treatment is the principal supply which is predominant and the room-rent / medicines / consumables / surgical items / items such as needles, reagents etc. used in laboratory, provided to in-patients are ancillary to the main supply of health care service.

The matter was examined in detail. The patients visit the hospital with the basic intention of getting treatment for their ailment. Based on the severity of ailment and need for immediate or constant medical monitoring and care, the patient is admitted as in-patient. During the period

of admission in the hospital, the patient is under continuous monitoring of doctors and nursing staff and administration and dosage of medication is all under the control of the doctor and the nursing staff. The entire treatment protocol is documented and recorded. The invoice / bill raised for the treatment as an inpatient is a single bill charging for all the facilities / services utilized for the treatment in the hospital including room rent, nursing care charges, laboratory, consumables, medicines, equipment charges, doctor's fee, etc. Thus, it is clear that in case of an inpatient, the hospital has provided a bundle of supplies which is classifiable under health care services.

“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. As per Section 2(90) of the CGST Act, 2017, “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.

The provision of services of supply of medicines, consumables, surgical items, items such as needles, reagents etc used in laboratory, room rent used in the course of providing health care services to in-patients is a composite supply as defined in Section 2 (30) of the CGST Act, 2017 and accordingly tax liability has to be determined in accordance with Section 8 of the CGST Act, 2017.

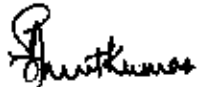
In this case the provision of health care services being the principal supply and the other supplies being dependent on the provision of health care services can only be considered as services ancillary to the provision of health care services.

In view of the observations stated above, the following rulings are issued:

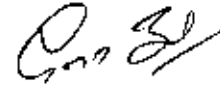
Whether the supply of medicines, consumables, surgical items, items such as needles, reagents etc. used in laboratory, room rent used in the course of providing health care services to in-patients for diagnosis or treatments which are naturally bundled and are provided in conjunction with each other, would be considered as “Composite Supply” and eligible for

exemption under the category 'health care services' under Sl No. 74 of Notification no.12/2017-CT(R) dated 28<sup>th</sup> June, 2017?

The supply of medicines, consumables, surgical items, items such as needles, reagents etc. used in laboratory, room rent used in the course of providing health care services to in-patients for diagnosis or treatments which are naturally bundled and are provided in conjunction with each other, would be considered as "Composite Supply". The in-patient is under continuous monitoring of the doctors and nursing staff and administration and dosage of medication is all under the control of the doctor and the nursing staff. The entire treatment protocol is documented and recorded. Thus, it is clear that in case of an inpatient, the hospital provides a bundle of supplies which is classifiable under health care services eligible for exemption under SLNo.74 of Notification No.12/2017-CT(R) dated 28<sup>th</sup> June, 2017.



**S. Anil Kumar, IRS**  
**Additional Commissioner of Central Tax**  
**Member**



**B.S. Thyagarajababu, B.Sc, LL.M**  
**Joint Commissioner of State Tax**  
**Member**

To

M/s. Starcare Hospital Kozhikode Pvt. Ltd.  
No.30/35/, Aradhana, P.O. – Medical College,  
Kovoor, Calicut – 673008.