An Ophthalmologists’ Perspective

Digvijay Singh & Sudipto Pakrasi
**What is GST?**

Goods and Services Tax (GST) is an indirect tax that replaces the earlier Central taxes and duties such as Excise Duty, Service Tax, Counter Veiling Duty, Special Additional Duty of Customs, central charges and cesses and local state taxes, i.e., Value Added Tax, Central Sales Tax, Octroi, Entry Tax, Purchase Tax, Luxury Tax, state cesses and surcharges and Entertainment tax.

The duty is levied at the consumer end and is a dual levy with a State/Union territory GST and Central GST. Inter-state supplies would attract an Integrated GST, which would be the sum total of CGST and SGST/UTGST.

The industry is gearing up for this tax after its implementation on 1st July 2017 and confusion exists regarding its final impact on various services. This article gives a low down on the possible impact of GST on healthcare with a focus on ophthalmology.

**Impact on Ophthalmology Practices**

All doctors including ophthalmologists are exempt from GST under the following entry: GST is exempt on healthcare services by a clinical establishment (includes hospitals, nursing homes and clinics), or a medical practitioner or paramedical staff. Additionally, transportation of a patient by an ambulance is also a service exempt from GST. This implies that in general all ophthalmologists and their clinics (registered with the government authority) are not required to charge GST for most services. The common services which are unaffected by GST include, outpatient consultation, inpatient treatment and surgical treatment by way of cure.

**Care not Cure: GST is applicable**

Services for cure will not attract GST but services being given for care will attract GST. Entry 82 mentions that OPD services will not be under GST and practices that are mostly OPD based including ophthalmology are therefore exempt. For OT and inpatient services such as in patient pharmacy, laundry for hospital clothes, nursing care, blood tests etc., GST is nil. This implies that we don't need to pay any GST for nearly all of the work being done at our clinical establishments. Certain services like outsourced canteen will attract a GST of 18% though food and beverage services included in an in patient’s bill (who has undergone a curative treatment) will be exempt from GST.

Surgery for enhancing cosmesis or cosmetic treatment (such as hair transplant or skin treatment) comes under the purview of GST. From the ophthalmologist’s standpoint, this may refer to certain oculoplastic surgeries such as blepharoplasty or nevus excision etc. Plastic surgeries including hair transplant come under exemption form GST when mandatory for restoring or reconstructing anatomy or function of a body part. This may need to be certified by the doctor. Thus, in cases where the end result of a surgery is cosmetic correction, it is advisable to mention that it is being done to restore normal anatomy of the body part.
This may hold true for cosmetic squint surgeries, eyelid surgeries and even for pure cosmetic procedures such as blepharoplasty. Probably the only situations in ophthalmology where a surgeon would need to bill under the GST gambit may include surgical procedures for changing the color of the iris etc. Refractive surgeries such as LASIK, though being done for cosmetic purposes may be exempt, under the pretext of restoring emmetropia in the eye. This however stands open to interpretation particularly for low refractive errors.

**Optical shops and Pharmacies**

GST will be applicable on optical shops and medical pharmacy shops selling medications to outpatients even if they are on the clinical establishment premises. Very few products (not very useful for ophthalmologists though) attract 0% GST. These include human blood products and contraceptives. It may extend to other human based tissue such as amniotic membranes etc. where only a processing charge is levied. Most common medications attract 5% GST including hepatitis detection and few other diagnostic kits. Bandages, gauze and packaged surgical goods would come under the 12% GST bracket. These did not attract any tax till date. The costs of these have increased.

**Intraocular Lens**

Intraocular lens was to attract a GST of 18% as per the May 2017 GST council meeting, but now the tax has been scaled down to 12% in the June 2017 meeting. IOL’s earlier had a variable amount of tax based on where it was manufactured and additional import duties (if applicable) etc. Certain IOL prices are likely to see a change.

**Spectacles and rehabilitative devices**

The revised rates for GST hold true for cost of corrective spectacles and the glass/lens used in them. They too now attract 12% GST as against the 18% announced earlier. Overall, the GST incidence is now lower for a few products as compared to earlier including corrective spectacles and spectacle Lens and flint buttons, intraocular lens. From the rehabilitation perspective, Braille paper, braille typewriters, braille watches, hearing aids and other appliances to compensate for a defect or disability would attract a GST of 5% which is similar to the taxation levied on them before the GST reforms.

**Renting Equipment**

Rental service, whether it involves leasing out a medical shop or an optical shop or renting equipment for use in hospital or outside would attract a heft GST of 18% under entry 36. Equipment such as lasers or phacoemulsification machines which some surgeons rent for few cases are likely to cost more. However, GST cab be exempt if the cost of the rental equipment is reflected in the patient bill.
Waste Management
GST rate for management of hospital waste including plastics, metals, glass and rubber will be 18%. No GST would be applicable on biomedical waste generation, transport and management.

Input Tax Credit
For existing stocks of optical items and IOL’s, input tax credit can be taken by giving the GST receipt to the government as per section 27.

Reverse Charge Mechanism
One final thing to highlight is the reverse charge mechanism. If doctor receives services from a person in non-taxable territory or from advocates of government authority, he has to pay GST at 18%. Services received from advocates or under government schemes would be exclusive of taxes and GST would have to be paid by the receiver. For GST unregistered distributors, the receiver will have to pay the GST.

Do I register for GST?
All doctors coming under the gambit of GST in their business/clinic should register themselves if their annual turnover is more than 20 lakhs. If the doctor has centres in different states then they need to register in all the concerned states. Likewise for a distributor providing services in different states, they have to register separately for different states. GST should be applied on assessable value. It is best to get in touch with the accountants to help demystify GST further and ensure a smooth transition.

Disclaimer: The views in this article are those of the author, who is an ophthalmologist and not of the institution or society. The exact figures and taxation rules may differ from those mentioned herein as these are derived by the author’s research. It is best to consult your chartered accountant for the finer details.

Dr Digvijay Singh
Consultant
Division of Ophthalmology
Medanta-The Medicity
Gurgaon, HR, India

Dr Sudipto Pakrasi
Chairman
Division of Ophthalmology
Medanta-The Medicity
Gurgaon, HR, India