

India Union Budget 2021-22

Point of view

Healthcare

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Health and Wellbeing has been squarely positioned as one of the key pillars of the budget, with an unprecedented enhancement in national public healthcare spending, given that improving health outcomes, while obviously being a primary public policy goal, is also an essential prerequisite for fostering greater economic growth.

Key announcements for the sector

- **The budget 2021-22 has allocated INR2,23,846 cr towards one of its six key pillars - Health and Wellbeing, representing a 137 percent increase over the previous year's allocation of INR94,452 cr.**
 - **Ministry of Health and Family Welfare** has been allocated INR71,269 cr in FY2021-22, an increase of 10 percent over previous year (INR65,012 cr). This includes the budgetary allocations to National Health Mission (INR36,577 cr), Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (INR6,400 cr), Centrally Sponsored Schemes (INR22,044 cr) and Establishment Expenditure (INR6,245 cr).
 - **Department of Health Research** has been allocated INR2,663 cr, an increase of 27 percent over previous year (INR2,100 cr).
 - **Ministry of AYUSH** has been allocated INR2,970 cr, an increase of 40 percent over previous year (INR2,122 cr).
 - INR35,000 cr has been announced for **COVID-19 vaccination** expenditure, with the flexibility to be increased as required.
 - Allocation for **Drinking Water, Sanitation and Nutrition** has been increased to INR62,730 cr, a jump of 149 percent over last year (INR25,218 cr).
 - A new allocation has been made this year for **grants for Water & Sanitation and Health**, worth INR36,022 cr and INR13,192 cr respectively.
- The budget for **National Health Mission (excluding the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY)** stands at INR36,577 cr, an **increase of 9 percent** over the previous year (INR33,439 cr). Considering the decadal growth, the budget has increased by 76 percent, when compared to INR20,822 cr allocated only to National Rural Health Mission (NRHM) in FY2012-13.
- Allocation for **Pradhan Mantri Swasthya Suraksha Yojana (PMSSY)** under National Health Mission stands at INR7,000 cr in FY2021-22, an increase of 16 percent over the allocation of INR6,020 cr last year.
- A new allocation of **INR30 cr has been made for National Digital Health Mission (NDHM)** this year under the Centrally Sponsored Schemes.
- **Significant budgetary allocation for vaccine development and administration:**

- At present, India has two vaccines available and is spearheading the discovery of a few more, which enables extension of medical support and protection against the COVID-19 virus to not just its own citizens, but also to almost 100 other nations.
- Apart from the INR35,000 cr announced for COVID-19 vaccination, the Made in India Pneumococcal vaccine, currently available in 5 states, will be rolled out pan-India, potentially averting 50,000 child deaths annually.
- **Strengthening primary, secondary and tertiary healthcare:** INR64,180 cr will be invested over six years to improve primary, secondary and tertiary healthcare, as part of the newly announced PM AtmaNirbhar Swasth Bharat Yojana. This will be in addition to National Health Mission. The interventions under this scheme are:
 - Providing support to more than 17,788 rural and 11,024 urban health and wellness centres;
 - Setting up integrated health labs in all districts and 3,382 block health units in 11 states;
 - Establishing critical care hospital blocks in 602 districts and 12 central institutions;
 - Setting up a National Institution for One Health, a Regional Research Platform for the WHO South East Asia Region, 9 Bio-Safety Level III laboratories and 4 regional National Institutes of Virology;
 - Capacity augmentation of the National Centre for Disease Control (NCDC), its 5 regional branches and 20 metropolitan health surveillance units;
 - Expansion of the Integrated Health Information Portal to all States/UTs for connecting all public health labs;
 - Operationalization of 17 new Public Health Units; strengthening of 33 existing Public Health Units at Points of Entry, that is at 32 Airports, 11 Seaports and 7 land crossings; and
 - Setting up of 15 Health Emergency Operation Centers and 2 mobile hospitals.
- **Announcement of Mission Poshan 2.0:** With the objective of strengthening nutritional content, delivery, and outreach for improved health outcomes, the Supplementary Nutrition Programme and the Poshan Abhiyan will be merged, thereby, launching the Mission Poshan 2.0. The Government will undertake a proactive strategy for enhancing nutritional outcomes across 112 Aspirational Districts.
- Blanket tax exemptions for hospitals have been expanded to include hospitals with total receipts up to INR5 crore (vis-à-vis earlier limit of INR1 crore).
- Utilisation of corpus funds or borrowed funds to not be considered as an application for charitable purposes. Replenishment of such corpus or repayment of borrowed funds shall be treated as application of income.
- Set off against any excess spend/deficit not permitted to be adjusted in future years for charitable institutions

Indirect tax proposals

Customs law

- Amendment in customs notification providing exemption from health cess on medical devices imported by international/diplomatic organization
- Specific tariff entries for pharmaceutical products such as immunological products, vaccines, placebos and blinded clinical trial kits introduced/amended in customs tariff act so as to harmonize it with Harmonized system of Nomenclature 2022 and are proposed to come into effect from 01 January 2022
- Filing of Bill of Entry mandated latest by the end of the day before the day of arrival of goods in India with some exceptions

- Specific amendment brought in Customs Regulation to permit job work, 100 percent outsourcing for manufacturing of goods as a trade facilitation measures where the goods are imported under an exemption notification
- Various conditional exemptions under the customs are proposed to have a sunset life of two years unless otherwise provided
- Time limit of two-years (extendable by another year by the Commissioner) proposed for completion of any proceedings under the Customs Act
- Capital goods imported in accordance with Import of Goods at Concessional Rate of Duty (IGCRD) Rules, 2017 allowed to be cleared on payment of duty on depreciated value along with applicable interest.

Goods and Services Tax

- With an objective to facilitate ease of doing business, the requirement of getting annual accounts audited and reconciliation statement (GSTR-9C) certified by specified professional has been removed. The taxpayer may furnish annual return with self-certified reconciliation statement.
- Retrospective amendment to Section 50 has proposed limiting interest liability on only net cash liability in given circumstances.
- Seizure and confiscation of goods and conveyances in transit to be a separate proceeding from the recovery of tax
- Zero-rated supplies to SEZ unit/ developer will only include supplies for authorized operations
- To curb fraud, etc., Input Tax Credit to be limited to the extent of invoices/ debit notes details furnished by suppliers
- In case of zero-rated supply of goods, refund to be deposited with interest in case of non-receipt of consideration within the prescribed time limit
- The Government may restrict the zero-rated supply on payment of IGST only to a notified class of taxpayers or notified supplies of goods or services
- Section 16 of the IGST Act is being amended so as to link the foreign exchange remittance in case of export of goods with refund.

Implications for the sector

- Healthcare, in all its aspects – preventive, curative and causative – has been one of the predominant themes of the Budget, with unprecedented allocations as well as new programmes and projects, including in related areas like air pollution mitigation, water supply and sanitation in urban areas.
- The healthcare sector witnessed the launch of a new centrally sponsored health programme (PM-AtmaNirbhar Swasth Bharat Yojana) with an outlay of INR64,180 crore over six years, which is in addition to National Health Mission. It will provide support for both urban and rural health centres, establish 12 central institutions, and strengthen the NCDC.
- Continuing on the agenda of health and well-being, the allocation of INR35,000 crore for development of COVID-19 vaccines is expected to move the focus from mass health screening under Ayushman Bharat Health & Wellness Centres (HWCs) and primary centers, towards preventive care by undertaking mass vaccination drives.
- The introduction of the National Commission for Allied Healthcare Professionals Bill, along with the soon to be introduced National Nursing and Midwifery Commission Bill, is expected to bring about transparency, efficiency and governance regulation to the 56 allied healthcare professions.
- Operationalisation of Public Health Units and strengthening them at Points of Entry by setting up of Health Emergency Operation Centers and mobile Hospitals will ensure robust surveillance and containment strategies and will help in screening passengers, especially when tourism and travel resume in the coming months.

- The focus on strengthening primary, secondary and tertiary care services and setup integrated labs, with additional allocation under PM-AtmaNirbhar Swasth Bharat Yojana, might gain interest of hospitals/investors and provide a boost to the sector.
- The initiative of setting up an inter-connected network of public health labs in all districts along with expansion of the health information portal to all States, lends itself to India's digital health agenda. This will also encourage technology startups to develop solutions especially focused on healthcare.
- The increased tax exemption limit is expected to provide relief to smaller hospitals with turnover less than INR5 crore.
- Clarity on issues of application of income is expected to reduce tax litigation and disputes, considering increased reliance on corpus funding and borrowed funds to undertake activities in the healthcare sector.
- In a nutshell, the healthcare sector witnessed an increased public spend on health and well-being. However, addressing the persistent manpower and skill gap and measures to improve private sector participation will augur well for an overall improvement in healthcare delivery as well as education facilities. There is a need to set up a health infrastructure development fund to bridge the viability gap and encourage private health sector to set up healthcare facilities for providing affordable secondary and tertiary care, especially in Tier-II & III cities.
- It will be important to shift the focus towards the quality of implementation of the new programmes and schemes as well as on fostering convergence between publicly funded health programmes and private sector healthcare providers. In sum, the enhanced resourcing for healthcare and allied sectors, along with the regulatory improvements and institutional restructuring that have been proposed, will all hopefully contribute to improving health outcomes and enhancing economic growth, and success would now lie in how these new initiatives are implemented. There is an increasing need to drive convergence across health programmes and also to create a robust, collaborative ecosystem for the public and private healthcare providers to work together in quest of desirable outcomes.

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