



PHARMACEUTICALS EXPORT PROMOTION COUNCIL

(Set up by Ministry of Commerce, Govt. of India)

COPY

Date : 26-02-2010

News / Story reproduced with thanks:- **Pharmabiz**

Life sciences sector calls duty rationalisation and infrastructure status in new budget

Friday, February 26, 2010 08:00 IST
Nandita Vijay, Bangalore

Direct link to the News/Story:-

<http://www.pharmabiz.com/article/detnews.asp?articleid=54276§ionid=>

Removal of excise duty on bulk drugs & formulations for life-saving drugs, inclusion of pre-clinical studies under the ambit of service tax exemption and accordance of priority or Infrastructure status to the healthcare sector are some of the recommendations for the Budget 2010 made by the life sciences sector.

According to Sujay Shetty, associate director, Pharma Practice, PricewaterhouseCoopers (PwC), lowering of central excise duty on medicines from 8 to 4 per cent in late 2008 has resulted in growth of pharma industry by 15 per cent over the last fiscal year. Prior to that excise duty was as high as 16 per cent. This has also levelled the playing field for companies that had their plants outside the excise-free states. There is a recommendation by the Department of Pharmaceuticals to further continue the 4 per cent excise relief this fiscal year. Besides, the industry is also seeking to removal of excise duty on bulk drugs & formulation of Anti-AIDS, Anti-Cancer, Anti-TB and other life-saving drugs to make these medicines more affordable to common man.

Although basic customs duty on nine life-saving drugs (used for treating breast cancer, hepatitis B, rheumatic arthritis, etc), bulk drugs and on Influenza vaccine reduced from 10 to 5 per cent with 'Nil' additional customs duty, the basic customs duty on artificial heart was lowered from 7.5 to 5 per cent. Now with the rise in lifestyle diseases, lowering customs duty would help needy patients.

The Tax holiday for 100 per cent Export Oriented Units extended for one year upto March 31, 2011 came as a big relief on international business which was badly hit during the global financial crisis on account of volatility in the Rupee. This tax holiday needs to be further extended as the withdrawal of the exemption beyond 2011 could adversely affect those companies which are in the process of converting their existing undertaking into a 100 per cent EOU, said Shetty.

For pharma manufacturing units, there is an additional weighted deduction of 150 per cent for expenditures relating to in-house research and development. Further, recently, a new provision has been added to provide 125 per cent weighted deduction for expenditure incurred towards outsourcing of R&D activities. Since outsourcing in India is moving up the value chain and there is a greater R&D collaborations with the big pharma companies, industry seeks greater R&D sops in the forthcoming budget, said the PwC associate director.

For the biotech sector, Dr Vijay Chandru, president, Association for Biotechnology Led Enterprises (ABLE) and chairman & CEO, Strand Life Sciences said that government should recognise anti-cancer drugs as life-saving drugs and bring pre-clinical studies under the ambit of service tax exemption and called

for a robust regulatory mechanism and world-class accreditation agency.

Airing his recommendation for the healthcare sector which is a US\$ 55 billion industry, Vishal Bali, CEO, Fortis Hospitals said that this Budget should accord Priority or Infrastructure status to hospital sector. If we have the intention of not being a 'sick' country then healthcare has to be given as much importance as roads, ports, highways, airports and IT. Massive investment is required to bring up the quality of health care in India. The budget needs to focus on ways to incentivise private sector to accelerate investments, he added.

Bali also called for a direction towards a public and private combined healthcare spend to reach 7 per cent of GDP over the next three years. The National Rural Health Mission plan needs higher outlay and its expanse should go beyond the current 18 states.