

# India Union Budget 2023-24

## Point of view

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## Healthcare

## Key announcements for the sector

The Union Budget 2023-24 allocated INR 89,155 cr to the Ministry of Health and Family Welfare, nearly 3.4 percent increase in comparison to INR 86,200 cr in FY 2022-23 driven by increased allocation to central sector expenditure to continue building sustainable healthcare infrastructure and ensure system preparedness to handle increasing healthcare needs of the country. In the line with the government's continuous efforts for overall health system strengthening, the below announcements were made:

- **Department of Health and Family Welfare:** The Budget for 2023-24 allocated INR 86,175 cr to Department of Health and Family Welfare, a nearly 3.8 percent increase in comparison to budget of INR 83,000 cr in 2022-23
  - National Health Mission (NHM) was allocated INR 29,085 cr under the centrally sponsored component, which is 21 percent less than INR 37,000 cr allocated in 2022-23. Under the Central Sector component of NHM, INR 341 cr was allocated to National Digital Health Mission, which is an increase of 70 percent compared to INR 200 cr allocated under previous year's budget
  - Human Resources for Health and Medical Education was allocated INR 6,500 cr, a decrease of 13 percent from previous year's allocation of INR 7,500 cr. The amount allocated will be provided to states/UTs for establishing new medical colleges/upgrading district hospitals, upgrading/strengthening of nursing services, establishing pharmacy schools or paramedical institutions, increasing UG and PG seats in existing medical colleges, etc.
  - Prime Minister Ayushman Bharat Health Infrastructure Mission (PM-ABHIM) was allocated INR 645 cr was under the Central Sector component, a decrease of 34 percent in comparison to the INR 979 cr allocation in the previous year. Under the Centrally sponsored component of PM-ABHIM, INR 4,200 cr was allocated to focus on developing capacities of health systems and institutions across the continuum of care at all levels, for preparedness in current and future pandemics/disasters
  - Central Sector Schemes under the Department of Health and Family Welfare were allocated INR 8,820 cr in 2023-24, a decrease of 41.8 percent from INR 15,163 cr allocation in 2022-23. This was primarily due to the significant decrease of 66.4 percent in allocation to Pradhan Mantri Swasthya Suraksha Yojana (PMSSY) from INR 10,000 cr in the previous budget to INR 3,365 cr this year. However, the amount of INR 6,835 cr has been reallocated for the establishment expenditure of 22 new AIIMS, under Autonomous Bodies as a part of Other Central Sector Expenditures
  - Aligned with the vision of Universal Health Coverage, Ayushman Bharat-Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) was allocated INR 7,200 cr this year (12 percent increase from INR 6,412 cr in 2022-23)
  - To support the CGHS pensioners in their medical treatments, INR 3,864 cr is allocated under Medical Treatment of CGHS Pensioners (PORB), an increase of 46 percent compared to previous year (INR 2645 cr)

- National AIDS and STD Control Programme was allocated INR 3,080 cr, an increase of 17.4 percent in comparison to the last year's budget (INR 2,623 cr). This will support in augmenting the infrastructure and bolstering the workforce through capacity building for AIDS and STD control
- Development of Nursing Services was allocated INR 33 cr, an increase of 67 percent in comparison to the last year budget (INR 20 cr). This is aimed to strengthen the nursing sector, in line with establishment of 157 new nursing colleges in the country
- National Tele Mental Health Programme was allocated INR 134 cr with the vision of providing universal access to quality mental healthcare through 24x7 tele-counselling services
- Family Welfare Schemes were allocated INR 517 cr, an increase of 6.7 percent from allocation of INR 484 cr under previous budget
- Grant of INR 495 cr received through the Global Fund under Covid-19 Response Mechanism will be utilised for mobile PSA units, advanced life support ambulances, PSA plants, and for conducting trainings on different aspects of oxygen management
- With an allocation of INR 55 cr, there was a decrease of 23 percent (INR 72 cr under budget 2022-23) in the allocation for combined scheme of establishment & strengthening of NCDC branches, Inter Sectoral coordination for Zoonotic Diseases and other neglected tropical diseases, surveillance of viral hepatitis, and anti-microbial resistance
- Allocation for insurance of Covid-19 healthcare workers under Pradhan Mantri Garib Kalyan Package has dropped significantly from INR 226 cr in 2022-23 to only INR 0.01 cr in 2023-24. Similarly, no amount was allocated for blood transfusion services under this year as compared to INR 404 cr in previous year
- Marginal decrease of 1.4 percent was observed in the allocation to Disaster Preparedness and Response and Human Resources Development for Emergency Medical Services from INR 130 cr in the previous year to INR 128.14 cr
- National Pharmacovigilance Programme was allocated INR 8.5 cr, a decrease of 14.7 percent from previous allocation of INR 10 cr
- **Department of Health Research:** The Budget 2023-24 allocated INR 2,980 cr to the Department of Health Research, a decrease of almost 7 percent in comparison to INR 3,201 cr allocated under Budget 2022-23. As a part of this, INR 2,360 cr was allocated to Indian Council of Medical Research (ICMR), an increase of 7.4 percent from INR 2,198 allocated under budget 2022-23. Further it was announced that the facilities in ICMR will be made available for research by public and private medical college faculties and private sector R&D teams for encouraging collaborative research and innovation.
- **Direct Taxes**
  - Only 85% of the funds contributed to other charitable organisations out of current year's income shall be allowed as an application for the contributing charitable organisation
  - Exit tax provision expanded to include charitable organisations who have not re-registered under new provisions by 25 November 2022 or do not apply for renewal of registration post expiry of current registrations
  - No deductions for re-depositing into corpus / repayment of loans where application from such sources were made prior to 1 April 2021. Deduction shall be available provided funds are re-deposited back to the corpus / loans are repaid within 5 years
  - Rationalisation of double registration requirements, i.e. provisional and regular registrations, where organisations have commenced their activities to permit single regular registration valid for 5 years
  - Inaccurate furnishing of information during provisional registration shall be grounds for cancellation of registration.

- **Indirect Taxes**

- Input tax credit of GST paid towards CSR expenditure under Companies Act restricted
- Conditional concessional rate of 5 percent customs duty on 89 specified drugs, medicines, diagnostics kits or equipment, bulk drugs used in manufacture of such drugs or medicines is extended up to 31 March 2025
- Customs duty exemption on lifesaving drugs / medicines and diagnostic test kits, bulk drugs used in manufacture of life-saving drugs or medicines continued up to 31 March 2025
- Customs duty exemption continued up to 31 March 2024 in respect of following imports subject to fulfillment of specified conditions:
  - Import of specified drugs and medicines supplied free of cost to patients under Patient Assistance programme of pharma companies
  - Import of specified equipment, instruments, raw materials, components, pilot plant and computer software imported for R&D projects
  - Import of research equipment by publicly funded and non-commercial research institutions, Government department, laboratory, I.I.T., etc.
  - Portable X-ray machine / system
  - Medicines/drugs/vaccines supplied free by United Nations International Children's Emergency Fund (UNICEF), Red Cross or an international organisation
  - Lifesaving drugs/medicines for personal use, supplied free of cost by overseas supplier
- Concessional rate of customs duty benefit continued up to 31 March 2024 in respect of following imports subject to fulfillment of specified conditions:
  - Ostomy products, its accessories and parts required for manufacture of such medical equipment
  - Parts and components required for manufacture of blood pressure monitors and blood glucose monitoring system (glucometers).

## Implications for the sector

- There was an increase of 12 percent this year in the allocated budget to AB-PMJAY scheme highlighting the government's focus on rolling out the world's first comprehensive health insurance scheme and expanding the AB-PMJAY health coverage to over 400 million more people who are currently not covered under any government or private health insurance scheme. This might gain the interest of hospitals/investors and provide a boost to the healthcare sector
- The announcement of establishing 157 new nursing colleges in colocation with 157 existing medical colleges, has highlighted the Government's shifting focus on augmenting the nursing workforce in the nation. Private participation can be leveraged in this initiative for setting up and operationalising nursing colleges as well as for training and skilling the nurses
- Although the initiation of dedicated multidisciplinary courses in existing institutions for bolstering skilled manpower for futuristic medical technologies and high-end manufacturing/research is a step in the right direction, training and skilling more workers is no longer sufficient, nor is it sustainable. Instead, India needs to strategise and develop a roadmap for upskilling the existing workforce and expanding the healthcare workforce by fixing the medical and paramedical education infrastructure shortage
- The initiative of making select ICMR labs to be made available for research by public and private medical college faculty and private sector R&D teams is expected to encourage collaborative research and innovation. This will also encourage tech startups to develop solutions especially focused on healthcare

- The launch of a unified Skill India Digital platform is expected to aggregate public and private sector and academic institutes to provide healthcare skilling courses, contents and certifications along with MoHFW, state governments, National Skill Development Corporation (NSDC) and the private sector
- While the government has shown an interest towards infrastructure development by launching the Aspirational Blocks Programme covering 500 blocks, clear guidance on incentivisation of the private sector in infrastructure development for medical education and healthcare service delivery has not been provided. The increased allocation of 79 percent for autonomous bodies is expected to foster the upgradation of AIIMS, etc. and improve quality of medical education in the country
- Relief to healthcare sector participants with exemptions from Basic Customs Duty on following healthcare and pharmaceutical goods is extended up to 31 March 2024.
  - on specified drugs and medicines supplied free of cost to patients under Patient Assistance programme of pharma companies
  - on goods imported by Regional Cancer Centre.
- Organisations with large historical spends from corpus funds and borrowings will need to evaluate application requirements for the year
- Investment in R&D by the Government and the private industry players can create a lot of jobs and make India a global player in R&D
- Having skilled workforce means more productivity, whereas more training for unskilled workers may be necessary, this somehow takes more time and money to upskill them
- The extension in period of Customs duty benefit for import of drugs, medicines, instruments and equipment will help in maintaining the cost of treatment for patients.

The healthcare sector is currently witnessing an increase in access to patients and citizens via the launch of digital health and mental health programmes providing opportunities to human resources, hospitals and investors in the sector.

The need of the hour is a clear implementation roadmap of the new and flagship schemes with a focus on monitoring the impact and outcomes in India. Additional funding and a national agenda around these crucial development schemes is needed to enhance the quality of care in the public and private sector of the country.

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