



# India Union Budget 2023-24

## Point of view

#UnionBudget2023 | #KPMGBudgetLive



## Life Sciences

## Key announcements for the sector

The Budget has given a great boost to the pharma industry in terms of R&D. Introduction of Pharma Innovation scheme through various centres of excellence (CoE) will also help attract industry players to invest in R&D. Dedicated multidisciplinary courses for medical devices in existing institutions will ensure availability of skilled manpower for futuristic medical technologies, high-end manufacturing and research. Overall, this is a much-needed force for the pharma sector.

- A new programme to promote research and innovation in pharmaceuticals will be taken up through centres of excellence. The Government shall also encourage the industry to invest in research and development in specific priority areas
- Facilities in select ICMR labs will be made available for research by public and private medical college faculty and private sector R&D teams for encouraging collaborative research and innovation
- Dedicated multidisciplinary courses for medical devices will be supported in existing institutions to ensure availability of skilled manpower for futuristic medical technologies, high-end manufacturing and research.

### Corporate Tax

- Amendment in section 194R (i.e., tax deduction on any benefit or perquisite provided) has been proposed to clarify that 'benefit or perquisite' includes any benefit or perquisite 'being in cash or in kind or partly and cash and partly in kind.'
- Further, amendment is proposed to enable levy of penalty and prosecution for non-compliance with, inter alia, section 194R.

### Indirect tax

- Input tax credit of GST paid towards CSR expenditure under Companies Act restricted
- Conditional Concessional rate of 5% 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 life-saving 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).

### **Transfer Pricing**

- The ambit of domestic transfer pricing expanded to include a transaction between cooperative society and closely connected persons
- The time limit to furnish the transfer pricing report reduced to 10 days from 30 days.

## **Implications for the sector**

- 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.

### **Tax proposals**

- The corporate tax amendment proposed u/s 194R and proposed enablement of penal levy and prosecution would further increase the burden of compliance on the sector.
- Non-adherence to the prescribed timeline for furnishing TP report may attract steep penalty.
- 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. Industry to review and represent whether this benefit should be extended, or Government should allow additional incentives for increasing capacity of local manufacturing for making India a manufacturing hub for drugs and medicines.

---

## KPMG in India contacts:

**Harsha Razdan**  
Partner and Head  
Consumer Markets and Life Sciences  
E: [harsharazdan@kpmg.com](mailto:harsharazdan@kpmg.com)

**Vijay Chawla**  
Partner & Head  
Life Sciences  
E: [vschawla@kpmg.com](mailto:vschawla@kpmg.com)

**Santosh Dalvi**  
Partner and Deputy Head  
Indirect Tax  
E: [sdalvi@kpmg.com](mailto:sdalvi@kpmg.com)



[home.kpmg/in/socialmedia](https://home.kpmg/in/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011  
Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

© 2023 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

This document is for e-communication only.