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# India Union Budget 2024-2025

Point of view

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Healthcare

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## Key announcements for the sector

The Government of India has allocated a total of ~INR 90,958 crore (Cr.) in FY2024-25 budget for the country's healthcare sector, which is marginally more (2 percent) from INR 89,155 Cr. in FY2023-24. Out of the overall budget, nearly INR 87,656 Cr. as compared to INR 77,624 (an increase of ~12 percent) and INR 3,301 Cr. as compared to INR 2,892 Cr. (an increase of 13 percent) have been allocated to Department of Health and Family Welfare and Department of Health Research respectively. The focus of this FY's budget was on continuing last few years investment in healthcare infrastructure augmentation, strengthening implementation of the Centrally Sponsored Schemes, and convergence of some key public health programmes in maternal and child health under the National Health Mission. In line with the government's continuous efforts for overall health system strengthening, the following announcements were covered in the Union Budget of FY 2024-25:

Department of Health Research (DHR):

- The Department of Health Research in India received an increased budget allocation of 13 percent (~INR 3,301 Cr.) from last FY (INR 2,892 Cr.) for strengthening the Indian Council of Medical Research, various central sector initiatives and capacity building of human resources. However, budget allocated for bio-security preparedness and strengthening pandemic research and One Health decreased by nearly 35 percent from last FY.
- Allocation for biotechnology research and development was increased from INR500 crore in 2023-24 to INR1,100 crore in 2024-25.

Healthcare Coverage Budget:

- The Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY) allocation was raised from INR6,800 crore in 2023-24 to INR7,300 crore in 2024-25 (an increase of 7 percent).
- Healthcare coverage under Ayushman Bharat was extended to all ASHA workers, Anganwadi workers and helpers.

Healthcare Infrastructure Development:

- The government aims to strengthen some of the key medical colleges in the country like AIIMS, NIMHANS, PGIMR, KHS, Wardha, other autonomous bodies and other tertiary care programme schemes. However, there was an approximate 28 percent dip in budget allocation for creation of new AIIMS and other healthcare institutes in research, nursing, etc.
- Allocation for Pradhan Mantri Ayushman Bharat Health Infrastructure Mission was increased from ₹2,300 Cr. in 2023-24 to INR 3,756 Cr. in 2024-25 (an increase of 63 percent).

Key public health and other allied programmes:

- Increased budget allocation of nearly 23 percent (~INR 28,783 Cr.) in maternal and child health from INR 23,331 Cr. from last FY, National Health Mission from INR 31,550 Cr. in FY 2023-24 to INR 36,000 in FY 2024-25 (~14 percent increase) and National Urban Health Mission, tertiary care programmes (27 percent), and National Drugs Deaddiction Programme (~INR 23 Cr. as opposed to 4 percent of last FY).
- Prominent programmes like Ayushman Bharat Digital Mission got the equivalent budget allocation of INR 200 Cr. as last FY, whereas Pradhan Mantri Swasthya Suraksha Yojana got an increased financial provision by 16 percent (INR 2,200 Cr. in FY 2024-25 as compared to INR 1,900 last FY), and National Tele Mental Health Programme by 38 percent (INR 90 Cr. in FY 2024-25 and INR 65 Cr. in FY 2023-24).

Disease Surveillance Systems and Outbreak Management:

- With MoHFW's focus on strengthening disease surveillance systems and outbreak management after COVID, there was a 93 percent increase in budget allocation in FY2024-25 with INR 52 Cr. as compared to INR 27 Cr. in last FY to National Centre for Disease Control and overall, Health Sector Disaster Preparedness and Response.
- The overall Health Sector Disaster Preparedness and Response and Human Resources Development for Emergency Medical Services also got an increased allocation of INR 94 Cr. in FY 2024-25 as compared INR 71 Cr. last FY.

Human Resources for Health:

- Budget allocated to human resources for health and medical education dipped by nearly 16 percent from INR 1,519 Cr. to INR 1,274 Cr. in FY 2023-24 and FY 2024-25 respectively. However, for capacity building of HR in Department of Health Research, an increased allocation by 69 percent (INR 147 Cr. in FY 2024-25 as compared to INR 87 Cr. in last FY)

Cancer Treatment and Medical Devices:

- Full exemption on custom duties of three cancer drugs (Trastuzumab Deruxtecan, Osimertinib, Durvalumab) declared along with changes in the in the Basic Customs Duty (BCD) on polyethylene for use in manufacture of orthopedic implants, X-ray tubes & flat panel detectors. Budget expenditure on performance linked incentive scheme (PLI scheme) for pharmaceutical industry increased from ₹1,200 crores in 2023-24 to ₹2,143 crores in 2024-25.

Other allied sectors:

- Increased provision has been made in the health and medical education verticals of Pradhan Mantri Awas Yojna, Saksham Anganwadi and POSHAN 2.0 and Ministry of AYUSH.

## Indirect Tax

Customs

- Exemption from Basic Customs Duty ('BCD') has been extended up to 31 March 2026 on various goods viz. X-Ray Baggage Inspection Systems and parts thereof, Portable X-ray machine / system etc.
- Exemption from Basic Customs Duty ('BCD') has been extended up to 31 March 2029 on the specified Drugs and materials, Lifesaving medical equipment etc.
- Specific amendment brought under the Customs Act specifying that certain manufacturing process or other operations, as specified, will not be eligible for benefit of Manufacturing and Other Operation in Warehousing Regulation ('MOOWR'), 2019 (No.2), which appears to deny the benefit of setting of solar power plant in MOOWR.

Goods and Services Tax:

- GST Amnesty: Section 128A is introduced to provide for a conditional waiver of interest and penalty for GST demand issued under section 73 and pertaining to the financial years 2017-18, 2018-19, and 2019-20, subject to payment of full tax liability by the taxpayer.
- Relaxation in timeline for taking input tax credit pertaining to the Financial Years 2017-18, 2018-19, 2019-20, and 2020-21 is extended till filling of GSTR-3B return up to the 30th day of November 2021.
- Specific provision introduced to empower the government to regularise non-levy or short levy of GST due to any general practice prevalent in trade. Similar provisions are proposed under IGST Act, UTGST Act and GST (Compensation to States) Act.
- Section 17 of the Central Goods and Services Tax ('CGST') Act, 2017 is amended to remove the restriction of input tax credit if the GST is paid under Section 74, 129 and 130 of the CGST Act, 2017 from 2024 onwards. Thus, the restriction under the above provision will only be applicable for tax paid under Section 74 for the Financial Year ('F.Y.') up to 2023-24.
- Section 73 and 74 of CGST Act, 2017 are amended to limit the applicability of these sections to demands up to FY 2023-24, since from FY 2024-25 onwards, GST demands will be issued under the new Section 74A of the CGST Act, 2017.
- A new Section 74A of the CGST Act, 2017 is inserted in the CGST Act, 2017 to issue demand of GST within the time frame of 42 months from the due date of furnishing returns. Furthermore, the tax authority will be required to pass the order within 12 months from the date of issuance of SCN.

  Employment Linked Incentive: The Government proposes following three schemes for 'Employment Linked Incentive' which will be based on enrolment in the EPFO, and focus on recognition of first-time employees, and support to employees and employers.

  - Scheme A: First Timers: This scheme will provide one-month wage to all persons newly entering the workforce in all formal sectors.
  - Scheme B: Job Creation in manufacturing: This scheme will incentivise additional employment in the manufacturing sector, linked to the employment of first-time employees. An incentive will be provided at specified scale directly both to the employee and the employer with respect to their EPFO contribution in the first 4 years of employment.
  - Scheme C: Support to employers: This employer-focused scheme will cover additional employment in all sectors. All additional employment within a salary of INR1 lakh per month will be counted.

## Direct Taxes

- Domestic corporate tax rates remain unchanged. Tax rate for foreign companies (branch office, project office and permanent establishment) has been reduced from 40% to 35%.
- Single tax exemption regime applicable from 1 October 2024. All exempt organisations registered under 10(23C) to transition to the single regime specified under Section 11 to 13.
- Tax on accreted income shall not apply on merger of trusts if the other trust / institution has same / similar objects, is registered for tax exemption and merger fulfills conditions as may be prescribed.
- Principal Commissioner / Commissioner of Income-tax granted powers to condone delay in filing application for obtaining charitable status in cases of genuine hardship.
- TDS rates across various sections rationalised for ease of doing business and better compliance for taxpayers.
- W.e.f 1 October 2024, no TCS / TCS at a lower rate to be collected from certain classes of person whose income is exempt from tax, as notified by the Central Government.

# Implications for the sector

- The Indian government's focus on strengthening infrastructure is expected to bolster medical colleges and augment the healthcare workforce improve access and quality of care and address the existing shortage of medical professionals. This on the parallel end, would expand the healthcare education sector, improve quality of medical training, and ensure a robust supply of skilled healthcare professionals to meet the nation's needs.
- The reporting and management of various programmes under maternal, child and adolescent health in the public healthcare sector is fragmented. Focusing in this area could foster synergy among the programs which is likely to enhance programme efficiency through streamlined services, improve health outcomes for mothers and children, and simplify administrative processes allowing resources to be directed towards healthcare service delivery. This will foster in further consolidation of efforts by other programmes by allied ministries like AYUSH and fast-tracking of Anganwadi Centers.
- Cancer treatment is a costly burden on individuals often resulting in significant financial strain. Thereby, reduction of custom duty on cancer care medicines is a welcome step by the government to enhance affordability and accessibility of critical treatment, directly benefiting patients by reducing the out-of-pocket expenditure.
- Streamlining of exemption regimes to simplify administration of exempt organisations for both, the assessee and tax department.

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