



India Union Budget 2024-2025

Point of view

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Life Sciences

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Key announcements for the sector

The life sciences sector, a vital component of India's economy, has been a key focus area in this year's budget. With a vision to foster a holistic and sustainable growth ecosystem, the government has introduced a series of measures aimed at boosting innovation, research, and development in the sector. From providing relief to cancer patients through exemptions on critical medicines to incentivising research and development through initiatives like the Anusandhan National Research Fund, the budget announcements are poised to propel the life sciences sector towards a future of unparalleled growth, innovation, and global competitiveness.

Tax proposals

Direct Tax

- Boost to investment in India
 - Comprehensive review of Income-tax Act expected in a time frame of next 6 months to achieve the objective of simplifying the existing provisions and providing much needed certainty to taxpayers
 - Section 56(2)(viib) abolished from AY 2025-26 for all classes of taxpayers thereby eliminating restrictions on companies to raise capital beyond the fair market value.
- Litigation management
 - Introduction of Direct Tax Vivad se Vishwas Scheme, 2024 to settle pending disputes and thereby reduce litigation
 - Maximum time limit for issue of notice for initiating reassessment proceedings reduced from 10 years to 5 years and 3 months
 - Concept of block assessment re-introduced in search cases to cover a period of six preceding assessment years. Penalty of 50% of tax payable on undisclosed income if assessee fails to offer such income in the return of income filed pursuant to search
 - Monetary limit of filing of appeal before Tax Tribunal, High Court and Supreme Court by the Revenue authorities increased to INR 60 lacs, INR 2 Crore and INR 5 Crore, respectively as against existing limit of INR 50 lacs, INR 1 Crore and INR 2 Crore, to reduce litigation

- No prosecution for delay in deposit of TDS / TCS if the sum is deposited on or before the due date of filing such return for the respective quarter
- Opportunity to withdraw cases transferred from Authority for Advance Rulings to Board for Advance Rulings by October 31, 2024
- Time limit to file appeal before Income Tax Appellate Tribunal has been extended from 60 days of receipt of order to two months from the end of the month in which order is received.
- Rationalisation measures
 - Reduction in rate of tax deduction at source for various categories of payments from 5% to 2% including commission or brokerage
 - Interest on non-payment of tax collected at source increased from 1% to 1.5%
 - No deduction for expenditure incurred to settle proceedings relating to contravention under any law as may be notified by the Central Government
 - Introduction of time limit of 6 years for completing withholding tax proceedings in case of payment to non-residents. Further, the time limit for completing TDS proceedings on payment to residents reduced from 7 years to 6 years. Correspondingly, time limit of 6 years also made applicable to TCS proceedings
 - Scope for obtaining certificate to deduct / collect tax at lower rates expanded to include purchase/sale of goods
 - Time limit for filing correction statement of TDS / TCS restricted to six years.
- Transfer Pricing
 - The Transfer Pricing Officer ('TPO') is being empowered to determine the arm's length price of undisclosed / not referred specified domestic transactions ('SDT'). This proposal will increase the audit enquiries by the TPO on SDT transactions.
 - Coverage of Safe Harbour Rules to be expanded and to be made more conducive.
 - To reduce the pendency of litigation, Vivad Se Vishwas ('VSV') Scheme 2024 is proposed to be introduced - notification awaited.
 - Covers appeals pending before DRP, CIT(A), HC, SC until the specified date (22 July 2024).
 - Relief from interest and penalty - Settlement payment ranges from 100% to 120% of disputed tax.
 - Also extends to disputed interest/penalty - Settlement payment ranges from 25% to 35%.
 - Covers appeals filed by the Revenue/ Tax Department or those with favourable rulings from ITAT/HC/SC in taxpayer's own case, with a 50% settlement payment.

Indirect Tax

- Government working towards simplification and rationalisation of GST tax structure
- Basic Customs Duty has been exempted on following Cancer Drugs:
 - Trastuzumab Deruxtecan
 - Osimertinib
 - Durvalumab.
- Exemption of Basic Customs Duty on following Medical Equipment:
 - All types of polyethylene for use in manufacture of orthopedic implants falling under sub-heading 9021 10
 - Special grade stainless steel, Titanium alloys, Cobalt-chrome polyethylene for use in manufacture of other artificial parts of the body falling under sub-heading 9021 31 or 9021 39
- Reduction of Basic customs duty on following Medical Equipment in phased manner for following:
 - X-ray tubes for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use
 - Flat panel detectors (including scintillators) for use in manufacture of X-ray machines for medical, surgical, dental or veterinary use:
 - 5% till 31 March 2025
 - 7.5% 1 April 2025 to 31 March 2026
 - 10% w.e.f. 1 April 2026
- Concession/ exemption provided vide Notification no. 50/2017- Customs have further been extended up to 31 March 2029 for following:
 - Medicines/drugs/vaccines supplied free by United Nations International Children's Emergency Fund (UNICEF), Red Cross etc. (Sr. No 212A)
 - Drugs and materials (Sr. No 213)
 - Life Saving drugs like Keytruda (Sr. No 607)
 - A lifesaving drugs/medicines for personal use (Sr. No 607A)
 - Lifesaving medical equipment for personal use (Sr. No 577).
- Customs duty concession/ exemption have further been extended upto 31st March 2029 for following:
 - Specified medicines from whole of the duty of customs, when imported for supply under Specified Patient Assistance Programme (Notification No. 16/2017- Customs dated 20 April 2017)
 - Specified equipment, instruments, raw materials, components, pilot plant and computer software when imported for publicly funded R & D projects (Notification No. 50/96- Customs dated 23 July 1996)
 - Scientific and technical instruments, apparatus, equipment, accessories, etc. when imported by publicly funded research institution (Notification No. 51/96- Customs dated 23 July 1996)

- Concession/ exemption provided vide Notification no. 50/2017- Customs have further been extended up to 31 March 2026 for following:
 - Lactose for manufacture of homeopathic medicines (Sr. No 90)
 - Medical use fission Molybdenum-99 (Mo-99) for use in manufacture of radio pharmaceuticals (Sr. No. 183)
 - Pharmaceutical Reference Standard (Sr. No. 184)
 - Goods for manufacture of ELISA Kits (Sr. No. 188)
 - Maltol for manufacture of deferiprone (Sr. No. 191)
 - Medical and surgical instruments, apparatus and appliances including spare parts and accessories thereof (Sr. No 570)
 - Specified Hospital Equipment for use in specified hospitals (Sr. No. 575)
 - Raw materials, for the manufacture of Cochlear Implants (Sr. No. 578A)
 - Portable X-ray machine / system (Sr. No. 581)
 - Goods for the manufacture of specified orthopedic implants (902110) (Sr. No. 260)
 - Raw material for manufacture of Copper-T Contraceptive (Sr. No. 261):
 - Alatheon
 - Copper Wire
- Paracetamol classified under HSN 29242980 and liable to Basic Customs Duty at the rate of 7.5% effective 1 October 2024
- Concession/ exemption provided vide Notification no. 50/2017- Customs which shall lapse on 30 September 2024 for following:
 - Specified goods for use in the manufacture of Flexible Medical Video Endoscope (Sr. No. 565)
 - Specific input goods for manufacture of syringes, needles, catheters and cannulae (Sr. No. 566)
 - Parts and components for manufacture of blood pressure monitors and blood glucose monitoring system (Glucometers) (Sr. No. 568).

Implications for the sector

- Reduction in Basic Customs Duty is a welcome move and certainly help the reduce cost of treatment of patients. These measures are part of the government's broader strategy to enhance healthcare affordability and accessibility.
- Supporting local manufacturing and innovation in the medical sector under the Phased Manufacturing Program to bolster domestic production capacity.
- Increased funding for R&D activities, reducing financial burden on pharma companies. This will also enhance India's position as a global hub for pharmaceutical R&D and innovation.

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