

56th GST Council Meeting

Healthcare sector

September 2025



Key tax changes

Drugs, consumable

Rate rationalisation
from **12% to 5%**

5% GST for job
work from 18%

Job work services

Thermometers,
medical instruments

Rate reduction
from **18% to 5%**

NIL GST for 36
drugs

Life saving drugs

Our comments

The calibrated GST exemption on 36 essential and life-saving medicines, in addition to consolidating all other categories of drugs and medical devices under the 5% bracket, is aimed at lowering the cost of healthcare, thereby enhancing affordability and accessibility.

Maintaining 18% GST on APIs while reducing GST on finished formulations to 5% may lead to temporary working capital blockage. The Council is also prioritising the expedited refunds of accumulated ITC.

The sector will benefit from reduced pricing with the lowering of applicable GST rates, and patients will experience affordable access to critical drugs.

How can Grant Thornton Bharat help



Impact assessment

- Evaluate changes in rates, exemptions and cash flows
- Analyse GST changes on outward liability, input tax credit, etc.
- ITC review to assess input tax reversal requirement and accumulations
- Assessing impact on state budgetary allocations/incentives owing to rate changes
- Highlight immediate risks and priority areas for management attention



Transition planning

- Devise a transition plan for the inventory lying at depots/stockists, relabeling
- Approach plan for new stock transfers to avoid ITC accumulation
- Transition plan for the procurements to reduce tax costs/working capital
- Highlight changes to be done in inventory valuation
- Review the readiness of ERP, billing, and supply chain processes and suggest changes



Commercial and contract review

- Assess the implications for pricing policy, fixed-price, inclusive-rate
- Identify the areas requiring renegotiation or customer/vendor communication



Compliance preparedness

- Compute the benefit to be passed on to customers for changes in rates
- Strengthen records and processes to handle audits or litigation

Grant Thornton's rapid support framework

A core task force under the guidance of the senior leadership, operating as the organisation's nerve center to review workings, validate decisions, analyse impacts, and support timely, well-informed actions where every moment counts.



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