



Budget 2021: Pharma, healthcare expect big sops, higher allocation

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Finance Minister Nirmala Sitharaman to present Union Budget 2021 on February 1

The Union Budget 2021, to be presented by Finance Minister Nirmala Sitharaman in the Parliament on February 1, is likely to provide an unprecedented boost to the healthcare sector in the backdrop of the COVID-19 pandemic, including big incentives and investments in healthcare infrastructure, thrust on technology, research and development and digital health.

With the current inadequate infrastructure in healthcare segments (the doctor to patient ratio of 1:1,456 and beds to patient ratio of 131:1,00,000), there is a larger expectation that budget allocation to healthcare would be around 2% to 2.25% of the GDP, keeping in line with the Government of India policy to increase healthcare spending to 3% of the GDP by 2022, say industry sources.

Parvathavardhini N, Associate Director - Ratings, **Brickwork Ratings** says the government spend on the healthcare sector to be around Rs 50,000-Rs 60,000 crore, which in turn would have a higher share on the budgetary allocation to the sector. "While the budget should continue to ensure wider implementation of schemes like Ayushman Bharat, as against the marginal increase in budget allocation for healthcare every year, the budget this year should put health on top priority and increase spends on public health substantially from previous years," says Nikhil Chopra, CEO & Whole Time Director, J.B. Chemicals & Pharmaceuticals.

The pharmaceutical sector is expecting more reduction in duties to bring down the prices of medicines. Currently, GST on drugs is taxed under four categories - nil, 5%, 12% and 18%. While a few life-saving drugs are taxed at nil rates, some are taxed at 5% and the majority fall under the 12% GST slab. Extensions of a tax deduction on R&D and product development are some of the other demands of the pharma sector. The industry also seeks a 150% deduction in tax on in-house R&D.

Another industry demand is to reduce GST on face masks, hand-wash and hand sanitisers from the current 12-18% GST slab to 5% and treat them as essential commodities. While the budget is expected to earmark substantial funds for Coronavirus vaccination, further additional big investments are required in healthcare infrastructure. "The pandemic laid bare the lacunae in India's healthcare infrastructure. Further, it also underscored the importance of accessible and quality healthcare in a country and the role that it can play in economic growth. Thus, the budget should provide allocations for augmenting primary healthcare capacity and improving the overall quality of healthcare", says Shaji Kumar Devakar, Senior Managing Partner, IIFL Wealth Management.

The medical devices sector in the country, which depends on over 70% on imports, is also expecting incentives from the government. "Diagnostic testing has proved itself indispensable during the pandemic and we hope that the government increases its spending on diagnostics in the upcoming Union Budget 2021. Diagnostics should be viewed strategically to detect early and treat and can help reduce the financial burden of disease management while tremendously improving the quality of life of people", says Narendra Varde, Managing Director, Roche Diagnostics India. Public-Private Partnership (PPP) to make quality affordable diagnostics, rollback of 5% health cess are also expected from the Union Budget 2021-22. Basic exemptions, such as a reduction in customs and IGST rates for imports to support the healthcare sector are other demands from the diagnostics sector.

The healthcare sector is also expecting a large scale push for digital health and telemedicine. "The pandemic has transformed the digital health and home care sector bringing forth the importance of new age solutions and ground infrastructure for the healthcare community to reach patients and reduce the disease burden and investments are needed to create a largescale digital infrastructure", says Carlos Montiel, Vice President, of ResMed, a US-based global leader in digital health. Newer technologies like robotic and automation will be critical in driving the economy to pre-COVID levels and beyond and the budget should focus on enhancing productivity by incentivising the use of technology to make India self-reliant and future-ready, says Anuj Kapuria, Founder & CEO, Hi-Tech Robotics Systemz.

"Incentivising research and development of next-gen technologies such as machine learning, robotics, etc. will help leverage India's cost-effective science and engineering talent to build our strategic capabilities in core scientific and industrial research, and also act as a multiplier for the broader economy", says Jubin Peter, chairman, QThree Venture

"Countries like South Korea and Japan spend 4.3% of their GDP on R&D whereas India's expenditure is as low as 0.6%. Here's a massive potential for the Indian 'HealthTech' sector to improve but it can only happen when research and innovation are given utmost importance," notes Harjiv Singh, Board Member of GlobalPPEMart.