



What's New

09.06.2017

GST Impact on pharmaceutical Pricing

The National Pharmaceutical Pricing Authority in its 46th meeting held on 08.06.2017 has decided to notify ceiling prices of scheduled formulations, exclusive of applicable GST rates, after the GST rates are notified by the government, as detailed below :

- a) In case of scheduled formulation, where presently excise duty is levied on MRP, the revised ceiling price exclusive of applicable GST rates would be calculated by applying a factor of 0.95905 to the existing notified ceiling price. The factor has been worked out as follows :

computation of the factor to arrive at the revised ceiling prices		(Rs.)
a	Ceiling price fixed before 30.6.2017(Incl.Excise Duty)	100
b	Add: Local Taxes/VAT on above (@5%)	5
c	MRP (inclusive of all taxes)	105
d	Less: Excise Duty of the 6% on 65% of MRP	4.095
e	Less: Local taxes /VAT as applicable	5
f	Revised Ceiling price to be re-notified (excluding GST)	95.905
	FACTOR(f/a)	0.95905

Accordingly, The impact of the above may be summarised as below:

	Existing MRP structure of Scheduled Formulation	(Rs.)	GST- MRP structure of Scheduled Formulation	(Rs.)
a	Ceiling price fixed before 30.6.2017(Incl.Excise Duty)	100	Ceiling Price to be notified - Conversion Factor - .95905	95.905
b	Add: Local Taxes/VAT on above (@5%)	5	Add: GST on above (@12%)	11.509
c	MRP (inclusive of all taxes)	105	MRP (inclusive of all taxes)	107.41
d			Impact (Increase% /Decrease %)	2.30

- b) in case of schedule formulations, which are exempted from excise duty, no multiplication factor would be applicable. The existing notified ceiling price would be the ceiling price exclusive of GST rates are applicable.
- c) in case of non-scheduled formulation, paragraph 20 of the DPCO,2013 need to be followed irrespective of any change in the tax rates. the companies will have no option but to absorb the net increase, if any in the incidence of tax on implementation of GST within the permissible limit of 10% for increase of Maximum Retail Price compared to the MRP of preceding 12 months as prescribed under paragraph 20 of the DPCO,2013.

However, In case of saving due to lower rate of tax, the benefit may be passed on the consumers as per the anti-profiteering clause in GST rules.

NPPA will work out and notify the ceiling prices of scheduled formulations only After the notification of GST rates by the Government as explained above.

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