

Pharma units for extension of tax sops, MAT rollback

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CHANDIGARH, MARCH 11

Spurring R&D in the pharmaceuticals sector by continuing tax rebates on units involved in research beyond the sunset clause of March 31 this year, rollback of minimum alternative tax (MAT); and a quick rollout of the goods & services tax (GST) regime to provide a level playing field to units located in non tax exempt states top the wishlist of the pharma industry in the region.

With just five days left for the Finance Minister Pranab Mukherjee to table his budget proposals for FY2012-13, pharma exporters, especially those hit by the meltdown in the United States and Europe, are hoping for some incentives

from the government to help them consolidate their growth plans. With the pace of growth in pharma exports slowing down because of the crisis in the West, many of them, especially those located in the tax free states of Himachal Pradesh, Kashmir and Uttaranchal, hope the government will extend the tax rebate in these states beyond the sunset clause of March 31, 2012.

N.R. Munjal, chairman of the Pharmaceutical Export Promotion Council (Pharmexcil), told *The Tribune* the council was hoping for some rationalization in excise duty imposed on bulk drugs and formulations. "Presently, excise duty applicable on the formulations is 4% while on bulk drugs it is

10% which leads—to a loss of input credit. Besides, we hope that the budget has some scheme for involving public private partnership in pharma colleges/ institutes, with proper industry linkages, so that the shortage of skilled

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manpower is met. The FM should also work on reducing the cost of funds to the industry, so as to make us internally competitive," he said.

Seconding him, Dheeraj Aggarwal, CFO of Baddi-based drug firm Venus Remedies, said most drug exporters were still recovering from the pricing pressures they are facing in the crisis hit the US and

European markets. "In this scenario, we hope the government extends the sunset clause on tax exemptions given to drug manufacturers in the hill states. In this budget, we're also hoping the surcharge on income tax is waived and the safe harbour rules are notified to help smooth international transfer between two organizations," he added.

Vinod Gupta, president of the Haryana chapter of the SME Pharma Industries Confederation, hopes for some rationalization in taxes on medicines. "The government is keen on bringing down prices of medicines so that poor patients get affordable treatment. For this the government should rationalize taxes like central excise and CST while

urging the state governments to do the same in VAT and octroi. Besides, rather than putting more essential medicine under the price control order the government should cap the post manufacturing expenses of drugmakers at 300% while fixing the MRP," he added.

Alka Arora, MD of Kairi based Anjee Pharmaceuticals is hoping the budget will raise the excise exemption limit from the present Rs 1.50 crore to Rs 5 crore. "Since drug makers in non tax exempt states like Punjab and Haryana have suffered huge losses because of cheaper medicine supplied by units located in tax exempt states, the government should now roll out GST fast as it will provide a level playing field to all," she added.

Industry