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Spare life-saving, cancer drugs from duties: Biotech industry

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Our Bureau
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The biotechnology industry lobby ABLE has sought duty exemptions on anti-cancer drugs, life-saving drugs and devices in Budget 2011-12.

It has asked for longer tax holidays for companies and higher, broad-based R&D incentives which, it said, would promote the country as a global hub for pharma and biotech research.

Cancer drugs form a bulk of the costly treatment. Drug cost will increase more than 36 per cent due to the impact of customs duty at 12.5 per cent, excise/ CVD at 16.32 per cent, education cess at 2 per cent and additional duty on customs at 4 per cent.

"Anti-cancer drugs should be considered life-saving drugs and be exempted from all taxes and duties," the Association of Biotechnology-Led Enterprises said in a copy of its wish-list presented to the Finance Minister ahead of the February 28 Budget.

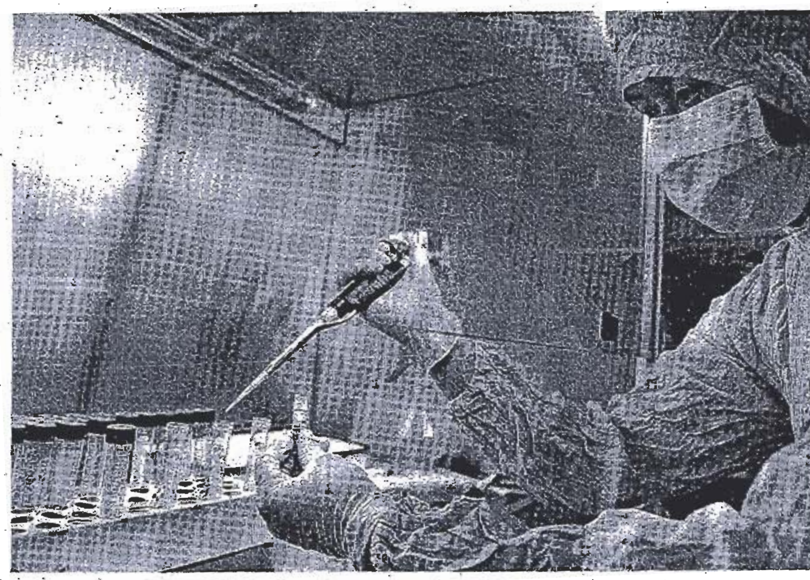
DUTY ANOMALY

There was now a duty anomaly by which domestic makers of life saving drugs and diagnostics paid customs and excise duties on imported raw materials; the same products when imported were duty-free. Indigenous LSD manufacturers should be encouraged with duty exemptions or refunds, it said.

The duty relief on diagnostic kits used to detect HIV antibodies should be extended to locally-made diagnostic kits for other infectious diseases such as Hepatitis C, malaria, tuberculosis.

TAX HOLIDAYS

ABLE said the sunset clause for claiming tax holidays under Section 10B should be extended by a year until March 31, 2012. The ten-year tax exemption on profits of R&D companies should be extended for companies that get approval until March 2012. Currently, the benefit is given to companies approved before April 1, 2007. The 100 per cent tax-free status for biotechnology and pharma SEZs should be increased from the present five to ten



years.

The weighted deduction available to manufacturing firms should be raised to 300 per cent (from the present 200 per cent) and extended to CROs (contract research organisations). The industry takes a long time to break even and such incentives are being offered by other countries, it reasoned.

Weighted deduction should be allowed for many more activities such as outsourced clinical trials, preparations of dossiers, consulting/legal fees for new chemicals entities and abbreviated new drug applications filed with the US FDA. This would enable the companies to outsource part of research activity and reduce costs.

Weighted deduction for R&D activities, etc should be allowed while computing the MAT (minimum alternative tax) liability as the current 18 per cent MAT rate was very high. All approved clinical research companies should be exempted from MAT.

BIOTECH REVENUE

Citing the latest BioSpectrum-ABLE survey, it said the domestic biotech industry touched revenues of Rs 15,000 crore in 2010-11. It was expected to reach a turnover of around Rs 45,000 crore by 2015 and was looking for a growth rate of 30 per cent year on year. This year's wish list was compiled with inputs from member companies and the PricewaterhouseCoopers analysis 2011, it said.

Service tax should not be levied on any activity directly or indirectly relating to clinical trials and R&D, it said.

About transfer pricing, it said an Indian company that provides a low-end clinical trial related support services should not be compared with full-fledged CROs for transfer pricing purposes. Safe harbour mark-up percentage should be prescribed for contract research and development services.

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