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Health Made Less Taxing



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Article Content:

GST Council's bold reform exempts insurance premiums and slashes medical taxes, reshaping affordability and access nationwide

The Goods and Services Tax (GST) Council's September 3 decision marks a watershed in India's healthcare journey. Effective 22 September 2025, health and life insurance premiums will be fully exempt from GST, dropping from 18 per cent to zero. Simultaneously, GST on a wide range of medicines, diagnostics, and medical devices has been reduced to a uniform 5 per cent. Together, these steps promise to ease costs for households, broaden access to care, and boost industry growth.

India's insurance penetration, at 4 per cent compared to the global average of 7 per cent, leaves millions under-protected. Experts say removing GST on premiums will encourage families in tier-II and tier-III cities to embrace insurance. Joydeep Saha, MD and CEO of ManipalCigna Health Insurance, applauded the move: "Exempting GST on health insurance premiums is a critical step forward in making quality healthcare protection accessible for every Indian." He added that rising medical inflation made such relief essential.

Insurance Boost

Gaurav Dubey, Founder and CEO of Livlong 365, called it "a landmark reform that directly addresses affordability, a key barrier for millions of Indians." By removing the tax burden, he said, insurance shifts from being discretionary to an essential safeguard. Nilaya Varma, CEO of Primus Partners, agreed: "The exemption on life and health insurance, including family and senior citizen plans, will encourage more people to seek protection without feeling overburdened by costs."

The sentiment was echoed by Shuchin Bajaj, Founder-Director of Ujala Cygnus Healthcare Services, who said zero GST "will encourage more people to protect themselves and their loved ones, reducing catastrophic out-of-pocket spending." Analysts expect the measure to narrow India's protection gap and advance the national goal of universal health coverage by 2047.

On the medical devices front, GST has been cut to 5 per cent, a big relief for hospitals and patients. Yet, challenges remain. Finished devices are now at 5 per cent, but inputs like APIs, excipients, and packaging continue to attract 12–18 per cent, creating an inverted duty structure that squeezes manufacturers. Nikkhil K Masurkar, CEO of Entod Pharmaceuticals, noted: “This reduces manufacturers’ ability to claim full input tax credits, squeezing margins and disadvantaging smaller producers.” He called for a transition period and a long-term aim of zero GST on critical inputs.

Despite these hurdles, many see momentum for innovation. Deepak Sharma, Co-founder & CEO of Medlern, said: “Simplifying the structure fosters innovation, cost-effectiveness, and broader access.” Similarly, Madhusudhan HK of Aerolase added, “Reducing GST provides relief to manufacturers and consumers, minimises compliance challenges, and promotes investments.”

The med-tech sector is pushing for smoother refund systems. Rajiv Nath, Coordinator at AiMeD Forum, warned: “Swift processing of GST refunds on inverted duty structure is vital. Refunds should also extend to services and capital goods to ensure global competitiveness.”

The pharmaceutical and diagnostics sectors also welcomed the reforms. Ameera Shah, President of NATHEALTH and Chairperson of Metropolis Healthcare, said: “Reducing GST on diagnostic kits, reagents, and medical technology from 12 per cent to 5 per cent enhances access and supports early detection.” Sudarshan Jain, Secretary General of the Indian Pharmaceutical Alliance, emphasised, “Exempting life-saving and cancer medicines from GST brings direct relief to patients and families.”

Hospitals see immediate benefits too. Bajaj of Ujala Cygnus said the cut will lower costs of “angioplasty stents, cancer drugs, dialysis consumables, and diagnostics, making care more affordable.” Himanshu Baid, MD of Poly Medicure, called it a “landmark decision” that expands access to MedTech. Meanwhile, Dr. Harsh Mahajan of Mahajan Imaging & Labs welcomed the reform but urged further cuts on maintenance contracts, arguing that embedded taxes still raise patient costs.

With India’s pharma market poised to grow from USD 45 billion in 2025 to USD 65 billion by 2028, and the medical devices sector valued at USD 17 billion, the stakes are high. Out-of-pocket expenditure remains above 55 per cent of total health spending, underscoring the urgency of reducing patient costs.

Overall, GST 2.0 has offered immediate relief for households and patients while sparking optimism across insurance, pharma, and med-tech. But experts caution that for the benefits to fully materialise, inverted duty structures must be resolved and refund mechanisms streamlined. Still, the reform is widely seen as a pivotal milestone, making health protection and essential care far more accessible to millions of Indians.