

## Indian budget fails to address pharma, biotech concerns

28 February 2013 | Analysis | By BioSpectrum Bureau



There is little to cheer for the pharmaceuticals and biotechnology industry in India's Budget for 2013-14, unlike the [agricultural sector that got a boost of 22 percent in allocations](#). The pharma and biotech industry associations in the country have long been demanding some relief but no significant measures were announced even as the country's finance minister, Mr P Chidambaram, presented the Union Budget in Parliament.

The biosciences industry has been demanding tax relief in the form of weighted tax deduction on R&D expenditure to provide a push for such activities in the country and reduction in customs duty on imported medical equipment.

### Also read:

- [Reactions of life science industry leaders on Budget 2013](#)
- [What Mr Gautam Khanna \(chair, medical devices forum, FICCI, and executive director, healthcare business, 3M India\) has to say about the budget?](#)

Dr GSK Velu, founder and MD, Trivitron Healthcare, while speaking about the budget said that, "This is another year in which the health sector has been ignored by the government. The healthcare domain wanted status similar to that given to the infrastructure sector, including incentives for local innovation and manufacturing in the medtech industry and higher tax exemption for annual health checkups to achieve the 'Health For all by 2020 Objective'. However, the entire health sector has been ignored with marginal budget allocation increase in the government spending on healthcare. Overall, this was a disappointing budget for the healthcare sector"

Reacting to the budget announcement, Mr Hitesh Sharma, partner and national leader, life sciences, Ernst & Young, India, commented that there was not much for the pharma or the healthcare sector in the budget. "Directionally, the government has shown the commitment towards the healthcare sector by increasing the spend for National Health Mission by 24 percent over RE of last year. Also the continued focus on medical education and training (including through AIIMs) is positive. Otherwise no other direct support has been provided in the Budget to the sector," he said.

The Union Budget has proposed \$6.8 billion (Rs 37,330 crore) allocation to the Ministry of Health and Family Welfare. Also, \$869 million (Rs 4,727 crore) has been proposed for medical education, training and research in the country.

Pointing out the negatives in the budget, Mr Sharma said that the increase in surcharge from five percent-to-10 percent and an increase in royalty rates of tax from 10 percent-to-25 percent (subject to double tax treaty relief) will impact the pharma sector negatively. "Finally, the excise duty on MRP basis (with abatement of 35 percent) for ayurvedic, unani, bio chemic, Siddha and Homeopath medicines, aligns these areas with the present regime for the pharma sector. Most demands of the sector like tax holiday period increase for healthcare, GST roll out, service tax exemption for clinical trials activity, etc have not been addressed in the budget," he added.

Dr Kiran Mazumdar-Shaw, CMD, Biocon, while talking to a New Delhi-based television channel, NDTV, called the budget "popular and prudent" but also mentioned that there was nothing in it for the pharma and biotech industry of the country. "The pharma sector has received scant attention. Overall a positive budget which may not deliver the intended more than six percent growth," she told BioSpectrum.

She said that the finance minister's directional intent was good and the investment signals are positive. "However, implementation and fiscal prudence still remain a concern," she said. Commenting on the provision to recognize corporate investments in technology incubators as corporate social responsibility, she said that it will favor self-employment and entrepreneurship.

Dr Mazumdar-Shaw also pointed out that the outlay for the manufacturing sector was also not satisfactory. "The manufacturing sector has not received the impetus it deserves. The 15 percent investment allowance is inadequate," she said.

#### **Push for innovation and research**

The Ministry of Science and Technology has been allocated \$1.1 billion (Rs 6,275 crore). Commenting on the outlay, the finance minister said, "While we extol the virtues of science and technology (S&T), I think we do not pay enough attention to science and technology for the common man. With the help of the Ministry of Science and Technology and the principal scientific adviser to the Government, I have identified a few amazing S&T innovations."

A fund of \$36.7 million (Rs 200) crore has been set aside for organizations that will scale up and make new innovations available to the people. The National Innovation Council will be tasked with the job of formulating a scheme for the management and application of the fund.

There were some sops for micro, small and medium enterprises as well, which will extend some benefits to the start-ups in the bioscience industry. The finance ministry proposed that micro, small and medium enterprises (MSME) will enjoy their non-tax benefits for up to three years after graduating into a higher category. The budget also proposed refinancing capability of Small Industries Development Bank of India (SIDBI) from the current level of over \$918 million (Rs 5,000 crore)-to-\$1.8 billion (Rs 10,000 crore) per year.

Furthermore, a sum of \$404 million (Rs 2,200 crore) would be provided to setup 15 new tool rooms and technology development centers by the Ministry of Micro, Small and Medium Enterprises. Also, funds provided to technology incubators located within academic institutions and approved by the Ministry of Science and Technology or Ministry of MSME will qualify as corporate social responsibility expenditure.