

## **Budget 2008-09 satisfactory, says industry**

March 11, 2008, Bio Spectrum

### **Budget 2008-09 satisfactory, says industry**

*Union Budget 2008-09 has been positive for healthcare on the macro level, given brownie points to the pharmaceutical industry, agriculture and banking sector in particular, which can have a ripple effect on the biotechnology industry. The who's who from the biotech industry voice their thoughts on Finance Minister (FM) Mr P Chidambaram's populist budget and its repercussions in the coming financial year*

**Kiran Mazumdar-Shaw, CMD, Biocon, Bangalore**

The healthcare sector is a major beneficiary of Budget 2008. India's emerging role as being the preferred destination for drug development coupled with an increasing need to bring down drug prices have been the key factors in this year's budget sops. The sops have come as a pleasant but welcome surprise and have more than met the industry's expectations. An 8 percent reduction in export duties along with export duty exemption for indigenous life saving drugs and 5 percent customs duty reduction for imported LSDs will certainly reduce drug prices. This is a better way to address healthcare costs rather than drug price control. Perhaps the most important tax benefit announced for the sector is the 125 percent weighted average tax deduction on outsourced R&D, which sends a strong signal of the potential that discovery research holds for the Indian pharma and biotech industry.

Talent and skill building has also received due attention. INSPIRE is a good initiative which if implemented well will have a significant value add to our talent creation efforts.

Finally the concept of gender budgeting is a welcome initiative, which will have positive societal impact

**Dr Cyrus S Poonawalla, Chairman, Serum Institute, Pune**

I feel the budget could have been much better for the biotechnology industry. The finance minister has brought out a budget which has done precious little for this industry. While concentrating on other sectors he could have also focused more and allocated more to this industry.

**Supreet Deshpande, CEO, VLife Sciences Technologies, Pune**

From the perspective of biotechnology sector, the one major positive I am seeing in this budget is a risk capital fund under SIDBI planned for 2008-09. This is critical for the biotech sector given the inherent risk in the discovery process. We will have to

read the fine print once available to understand practicality in this endeavor but it certainly is a good starting point. If the fine print does not deter SIDBI investing in longer 'Investment to Return' business model, this initiative can go a long way in helping the Indian biotech sector in optimally commercializing their intellectual property (discoveries) through licensing after completing 'higher value inflection' milestone."

Absence of industry-ready scientific research workforce is one of the major constraints in the growth of biotech sector in India, in spite of large number of graduates and postgraduates who are academically qualified. An initiative like Institutes of Biotechnology on the lines of IITs, focused on practically ready workforce could have been a great resource.

#### **K V Balasubramaniam, MD, Indian Immunologicals, Hyderabad**

The Union Budget has a number of positives for the pharma biotech industry, mainly the reduction of Cenvat to 8.24 percent, the 125 percent weighted deduction to outsourced research, reduction in customs duty on raw materials for ELISA kits to 18.72 percent and select vaccines and select bio-therapeutics to 9.36 percent. It has not done much on the service tax side, especially for export related services and on the Fringe Benefit Tax. We were expecting some relief on the corporate tax due to buoyancy in tax collections, but were disappointed. Nevertheless, it is a positive budget for the pharma biotech industry.

#### **Dr GSK Velu, MD, Trivitron Group, Mumbai**

It seems like the government has again failed to recognize medical technology as an industry, which is reeling under unprecedented tax burden (36 percent ). There was no special mention made for the industry and no reduction in custom duties for the Import of medical equipments/ devices. The government has not given any incentives like capital grants and subsidies for local manufacturing of medical devices as well.

The Finance Minister has proposed to increase its healthcare allocation by 21.9 percent and has extended a 5 year tax holiday for setting up hospitals in non- urban cities, but this however will not reduce the cost of healthcare in the country, until the cost of medical equipments are reduced. Health of the common man has been neglected and so has been the government's attitude to the Indian medical equipment manufacturer.

#### **Habil Khorakiwala, Chairman, Wockhardt, Mumbai**

This year the FM has very generously accepted a little more from our wish list. With a tax holiday for the next 5 years for setting up hospitals in tier II cities and rural India, the improvement of healthcare services in the country will get a major boost with the active participation from the private sector.

**V S Upadhye, Director, Labindia, Gurgaon**

This is certainly a historic budget. I am sure the health care sector and pharmaceutical sector will be greatly benefited. I am not sure exactly what is in it for biotechnology, but in general the corporates will be happy even though the structure for direct corporate taxes is not altered.

**Dr Krishna M Ella, chairman, FICCI's National Biotechnology Committee and CMD, Bharat Biotech, Hyderabad**

We rate the budget very highly since it deals four pillars of our society and human kind. The following points can be highlighted.

Higher Education was emphasized in the budget. 16 central universities and 3 IISc are going to be set up which will be good sign for human resource development. Innovation fund as fellowship was created for fuelling new ideas for young people to explore their ideas. Thus for the first time, the budget has recognized innovation.

The budget increase for Polio Eradication program will also help some vaccine companies.

Customs duty for raw materials used to manufacture of ELISA kits reduced to 5 percent. Custom duty on following drugs/ kits used for treatment of cancer, diabetes, asthma, Hepatitis B, etc, and bulk drugs for their manufacture, reduced to 5 percent including CVD for these products made zero. Final import duty will be less than 10 percent which is good sign for diagnostic companies in the country.

Many vaccine companies will also benefit due to reduction in custom duty. This will benefit many MNC who are importing the various combination vaccines into the country. In case of all drugs (formulations), excise duty rate has been reduced to 8 percent. This is good for biopharmaceutical manufacturers in the country. In general, the budget is a very good sign.

**Ranjit Shahani, VC & MD, Novartis India, Mumbai**

Overall, Budget 2008 for the healthcare and education sectors is positive. The increase in healthcare allocation by 15 percent to Rs 16,354 crore is a welcome move. Further, the increased focus on the healthcare sector with a five-year tax holiday being granted for setting up hospitals in non-urban areas is good for the economy. This will ensure healthcare reaches those who have no access for even minor ailments. The allocation of Rs 992 crore for the National AIDS programme is a step in the right direction.

Reduction in excise duty on all pharmaceutical products from 16 percent to 8 percent is welcome as is the proposed reduction in customs duty on life-saving drugs. We hope that customs duty on these drugs will soon be down to zero levels. All these efforts

together with the reduction in Central Sales Tax from 3 percent to 2 percent should help bring down drug prices. Industry wishes that more was done for R&D. We had hoped for a 10 year holiday of 200 percent weighted tax deduction for both in-house and outsourced R&D. This would have provided a boost to local R&D and help companies active in this space move up the value chain.

In the near future, we hope the Finance Minister pays heed to the long standing request of industry to do away with FBT on physician samples and also tones down the penalties on transfer pricing adjustments.

**Ashwin Thacker, CMD, Flamingo Pharmaceuticals, Mumbai**

The budget is good for pharma industry as such due to reduction of excise duty from 16 to 8 percent and nil for anti AIDS drugs. Also on bulk drugs the custom duty has decreased from 10 percent to 5 percent . Interstate purchase of goods will be cheaper due to reduced cost. The increased focus on the health sector is welcome.

**Shailesh Gadre, MD, ORG IMS**

This is a very positive budget for healthcare, hospitals and pharma, with new tax exemptions for hospitals, pharma excise duty reduced, Anti-AIDS drugs exempted from excise duty and life saving drugs custom duty reduced to zero.

Finance Minister has also proposed to allocate Rs 16,534 crore to healthcare sector, which contributes to 6.05 percent of GDP, for FY09.

Its indeed a good step, Government contributes only 0.52 percent of GDP for the healthcare sector, whereas most established economies spend 7-10 percent of GDP on healthcare like forexample, US spending on the healthcare is over 14 percent of GDP. The Indian healthcare delivery market is estimated at USD 18.7 billion. Nearly 65 percent of the healthcare services market has been captured by the private sector. The industry is growing at about 13 percent annually and is expected to grow at 15 percent over the next four to five years.

**Tapan Ray, Director General, OPPI**

The Finance Minister has rightly focused in improving the healthcare infrastructure building: by increasing healthcare allocation by 15 percent to Rs 16,354 crore; by extending the 5-year tax holiday for setting up hospitals in tier-2 and tier-3 regions for providing healthcare in rural areas from April 1, 2008; and by proposing new Indian Institutes of Science Education and Research at Bhopal and Thiruvanthapuram to provide additional scientific talent required by the industry.

The pharma industry also thanks the finance minister for reducing the transaction costs of medicines by reducing the excise duty pharmaceuticals from 16 percent to 8

percent; by reducing Central Sales Tax from 3 percent to 2 percent and for reducing customs duty on specified Life Saving Drugs from 10 percent to 5 percent.

<http://biospectrumindia.ciol.com/content/UnionBudget/10803111.asp>