

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:1569
ANSWERED ON:01.12.2006
TAX CONCESSION TO MEDICAL INSTITUTES
Mediyam Dr. Babu Rao

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government provides concessions in taxation to some medical institutes;
- (b) if so, the details thereof;
- (c) whether the Ministry considers to exclude service tax on medical profession;
- (d) if so, the details thereof;
- (e) whether there are variations in the rates of taxation on medical profession in states; and
- (f) if so, the details thereof State-wise?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): Yes, sir.

(b): The following concessions are available under the Income-tax Act, 1961 in respect of medical institutes:-

1. Section 10(21): Any income of a scientific research association approved under section 35(1) (ii) of the Act is exempt, subject to the fulfillment of conditions specified in the section which, inter alia, include application or accumulation of its income for purposes of scientific research, and investment or deposit of its funds in specified modes.
2. Section 10(23C): Exemption is available to any income of any hospital or other medical institution existing solely for philanthropic purposes and not for purposes of profit -
 - (i) which is wholly or substantially funded by the Government; or
 - (ii) where the aggregate annual receipts of such hospital or institution does not exceed Rs. 1 crore; or
 - (iii) where the aggregate annual receipts of such hospital or institution exceeds Rs. 1 crore and which may be approved by the Chief Commissioner or Director General. In respect of hospital or other medical institution referred to in item (iii) above, this exemption is subject to the fulfillment of certain specified conditions which, inter alia, include application or accumulation of its income in the specified manner, and investment or deposit of its funds in specified modes.
3. Sections 11 and 12: Income derived from property held under trust wholly for charitable purposes in India or held in part only for such purposes, is not included in the total income, subject to the fulfillment of certain specified conditions which, inter alia, include application or accumulation of its income in the specified manner, investment or deposit of its funds in specified modes, non-distribution of income for the benefit of interested persons like trustee, founder etc. In terms of section 2(15), 'charitable purpose' includes, inter alia, medical relief.
4. Section 35(1): In respect of expenditure on scientific research, the following deductions are allowed while computing income from profits and gains of a business:
 - (i) any expenditure (not being in the nature of capital expenditure) laid out or expended on scientific research related to the business.
 - (ii) an amount equal to one and one-fourth times of any sum paid to an approved scientific research association having its object as the undertaking of scientific research or to an approved university, college or other institution to be used for scientific research.
 - (iii) any capital expenditure on scientific research (other than expenditure incurred on the acquisition of land) related to the business of the assessee, subject to certain conditions.
5. Section 35(2AA): An amount equal to one and one-fourth times of any sum paid to a National Laboratory or a University or an Indian

Institute of Technology or a specified person (with a direction that such sum shall be used for scientific research under an approved programme) is allowed as a deduction while computing income under the head `Profits and gains of business or profession`.

6. Section 35(2AB): An amount equal to one and one-half times of the expenditure incurred upto 31.3.2007 on scientific research

(not being expenditure in the nature of cost of any land or building) on an approved in-house research and development facility by a company engaged in the business of bio-technology or in the business of manufacture or production of any drugs, pharmaceuticals, electronic equipment, computers, telecommunication equipments, chemicals or any other notified article or thing.

7. Section 80G: 100% deduction for any sum paid to any fund set up by a State Government to provide medical relief to the poor, to the National Illness Assistance Fund etc., and 50% deduction for any sum paid to any approved fund or institution established in India for charitable purpose, the income of which is exempt under the provisions of section 11 and 12 or under clause (23C) of section 10 of the I.T.Act.

8. Section 80GGA: 100% deduction for any sum paid to a scientific research association having as its object, the undertaking of scientific research or to an approved university, college or other institution to be used for scientific research. The deduction is available to a donor not having income chargeable to tax under the head `Profits and gains from business and profession`.

9. Section 80 IB (8A): 100% deduction of profits and gains is allowed for a period of 10 consecutive assessment years to any Indian company having as its main object, scientific research and development, and approved between 1.4.2000 and 31.3.2007 by the prescribed authority, subject to the fulfillment of prescribed conditions.

10. Section 80 IB (11B): 100% deduction of profits and gains is available for a period of 5 consecutive assessment years to an undertaking deriving profits from the business of operating and maintaining a hospital having at least one hundred beds for patients and constructed between 1.10.2004 and 31.3.2008 in a rural area, subject to certain conditions.

(c), (d), (e) & (f): At present, Service Tax is not leviable on services provided by medical personnel in their professional capacity.