

Office Memorandum**Subject:- Impact of GST on Pharmaceutical Pricing.**

The Authority in its 46th meeting held on 08.6.2017 has decided to notify ceiling prices of scheduled formulations, exclusive of applicable GST rates, after the GST rates are notified by the Government, as detailed below:

- a) In case of scheduled formulations, where presently excise duty is levied on MRP, the revised ceiling price exclusive of applicable GST rates would be calculated by applying a factor of 0.95905 to the existing notified ceiling price. The factor has been worked out as follows:

	Computation of the Factor to arrive at the revised ceiling prices	(Rs.)
a	Ceiling Price fixed before 30.6.2017 (Incl. Excise Duty)	100.00
b	Add, Local Taxes/VAT on above (@ 5%)	5.00
c	MRP (inclusive of all taxes)	105.00
d	Less: Excise Duty of the 6% on 65% of MRP	4.095
e	Less: Local taxes/VAT as applicable	5.00
f	Revised Ceiling Price to be re-notified (excluding GST)	95.905
	FACTOR (f/a)	0.95905

- b) In case of scheduled formulations, which are exempted from excise duty, no multiplication factor would be applicable. The existing notified ceiling price would be the ceiling price exclusive of GST rates as applicable.
- c) In case of non-scheduled formulations, paragraph 20 of the DPCO, 2013 needs to be followed irrespective of any change in the tax structure or tax rates. The companies will have no option but to absorb the net increase, if any, in the incidence of tax on implementation of GST within the permissible limit of 10% for increase of Maximum Retail Price compared to the MRP of preceding 12 months as prescribed under paragraph 20 of the DPCO, 2013.

However, in case of savings due to lower rate of tax, the benefit may be passed on to the consumers as per the anti-profiteering clause in GST rules

2. After the notification of GST rates by the Government, the ceiling price of scheduled formulations would be worked out and notified as explained above.

Roshi
9/6/17

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