ujiyari

UPSC & STATE PCS CURRENT AFFAIRS · UJIYARI.COM

EDITORIAL ANALYSIS

Taxing the Cure: Why 18 Per Cent GST on Medical Research and Training Is Self-Defeating

THE HINDU

21 July 2026 · ECONOMY · GS2 · GS3

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

Taxing the Cure: Why 18 Per Cent GST on Medical Research and Training Is Self-Defeating

The Hindu 21 July 2026 GS2 GS3

Every fact web-verified against primary sources

THE LIFT LINE

A tax is a signal as much as a levy: it tells society what to do less of. When the state places its standard rate on medical research and on the training that keeps doctors current, it quietly taxes discovery and competence at the same rate as an ordinary service. In a country still short of both, taxing the cure to raise a little revenue is a bargain that costs far more than it collects.

WHY THIS EDITORIAL MATTERS FOR YOUR EXAM

This issue sits at the meeting point of taxation policy and public health, which makes it valuable across two General Studies papers. It lets you argue about the design of GST while grounding the argument in the real-world goals of healthcare access and innovation.

GS Paper 2: Issues relating to health, government policies and interventions, and the governance of public goods. **GS Paper 3:** the Goods and Services Tax as a fiscal instrument, resource mobilisation, and the effects of taxation on innovation and human capital.

For **Prelims**, hold the specifics: the **Goods and Services Tax (GST)** is administered through the **GST Council**, a constitutional body under **Article 279A**; the standard services slab is **18 per cent**; supplies can be **exempt**, **zero-rated** or **taxed**; core healthcare services are largely GST-exempt, but research services and **continuing medical education (CME)** and conferences are taxed; and CME is the ongoing professional training doctors undergo to stay current.

For **Mains**, argue that research and medical education are public-good investments that merit concessional or zero-rated GST rather than the full standard rate.

BACKGROUND AND CONTEXT

GST was designed as a broad-based consumption tax, and to keep it broad the system taxes most services at standard rates while carving out exemptions for merit goods. Healthcare delivery to patients was treated as one such merit activity and made largely **exempt**, on the reasoning that taxing treatment would burden the

sick. The anomaly is that the activities that improve treatment, namely **medical research** and the **continuing medical education** of practitioners, are not treated the same way and instead attract the standard **18 per cent** levy.

The distinction matters because exemption and zero-rating are not the same. An exempt supply is outside the tax net but cannot claim input-tax credit, while a **zero-rated** supply is taxed at nil and can reclaim input taxes, making it the more favourable treatment. Research institutions and organisers of medical education therefore face tax on their outputs while healthcare providers next door do not, an inconsistency that penalises knowledge creation.

THE CORE ARGUMENT / ISSUE

Research and training are investments, not consumption

Ordinary GST logic treats a service as final consumption to be taxed at the point of use. Medical research and CME do not fit that logic. They are **investments** in the quality and safety of future care: research produces new diagnostics, therapies and evidence, while CME keeps clinicians abreast of them. Taxing these activities is like taxing the seed to raise revenue from the harvest, because the benefit accrues to patients and to the public health system as a whole.

The cost and incentive effects

An 18 per cent levy raises the price of research grants, laboratory services, academic conferences and training programmes. Higher costs mean fewer studies commissioned, fewer doctors able to afford updating their skills, and thinner participation in medical education, especially for practitioners in smaller towns. The tax thus works against the stated goals of innovation, skill-updating and equitable access, producing a policy that is internally contradictory.

ACTIVITY	NATURE	CURRENT GST TREATMENT	BETTER TREATMENT
Patient healthcare service	Merit consumption	Largely exempt	Retain exemption
Medical research service	Public-good investment	Taxed at 18 per cent	Zero-rated or concessional
Continuing medical education	Skill investment	Taxed at 18 per cent	Zero-rated or concessional
Ordinary commercial service	Final consumption	Taxed at 18 per cent	Standard rate is appropriate

Equity and access

Healthcare in India is marked by uneven access, and the workforce is stretched. Anything that makes it costlier for doctors to stay current, or for institutions to generate evidence relevant to Indian conditions, widens the gap between well-resourced urban centres and the rest. A tax that deepens this divide runs against the equity objective that underpins the exemption for healthcare in the first place.

HOW TO THINK ABOUT THIS (ANALYTICAL FRAME)

Use a **public-goods** frame: research and education generate benefits far beyond the immediate buyer, so the market and the tax system should encourage rather than penalise them. Layer on a **tax-design** frame that distinguishes exempt, zero-rated and taxed supplies and asks which best fits a merit activity. Finally apply a **policy-coherence** frame: a government that exempts healthcare delivery while taxing the research and training that improve it is working against its own health objectives.

THE DIAGRAM IN WORDS

```
Medical research + CME (public-good investments) -> taxed at standard 18% GST -> higher cost of studies and doctor training -> fewer studies, less skill-updating, weaker access -> policy contradicts health goals -> reclassify as zero-rated or concessional
```

WAY FORWARD

1. **Reclassify at the GST Council.** Move medical research services and CME from the standard slab to **zero-rated or concessional** treatment, so the tax stops penalising knowledge creation.
2. **Prefer zero-rating over bare exemption.** Where feasible, zero-rate rather than merely exempt, so that institutions can reclaim input taxes and are not left with hidden costs.
3. **Ring-fence genuine merit activity.** Define clearly which research and education services qualify, so relief reaches bona fide institutions and conferences without opening loopholes for commercial promotion.
4. **Align tax with health policy.** Make the taxation of health-adjacent services consistent with the exemption for healthcare itself, so fiscal and public-health goals reinforce rather than undercut each other.

PYQ LINKAGE AND PRACTICE

The theme connects to past questions on GST design and cooperative federalism and to questions on government health policy and public goods. UPSC has asked candidates to evaluate the structure of GST and to assess interventions in the health sector, both of which this issue brings together.

Practice question: An 18 per cent GST on medical research and continuing medical education has been criticised as self-defeating. Critically examine the treatment of health-adjacent services under GST and suggest a rationale for concessional or zero-rated treatment of research and medical education. (15 marks, 250 words)

Sources: The Hindu editorial pages, GST Council on rates and Article 279A

RELATED DAILY ARTICLES

25 Jul NATGASIND: NSE Launches India's First...

24 Jul Thirty Five Years of the 1991 Economic Reforms

23 Jul US Tariffs on Generic Drugs and the Challenge for...

21 Jul Mission for Cotton Productivity and India's White Gold...

CURATED & WRITTEN BY

Bharat Choudhary

UPSC Educator & Content Creator

linkedin.com/in/epicbharat

📖 Read Full Article on Ujiyari →

https://ujiyari.com/editorials/2026/07/th-gst-medical-research-cme-2026/