

BUDGET 2011-12 WISHLIST
PHARMA INDUSTRY

Tax disparities need to go, treat IPR as asset

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TRIBUNE NEWS SERVICE

CHANDIGARH, FEBRUARY 22

Removal of tax anomalies for drug manufacturers located in non-tax exempt states is one of the key demands of the pharmaceutical sector in the region. The industry also wants that intellectual property rights value should be treated as a fixed asset to encourage research and development.

The industry also looks forward to an increase in abatement, hike in excise exemption limit and encouraging public private partnership in research and development. Drug exporters from the region hope that the government extends the sunset clause on the income tax exemption to drug manufacturers.

NR Munjal, president, Indian Drug Manufacturers Association, said that instead of abolishing the exemption on income tax to the pharmaceutical export oriented units (EOUs) from April 1 this year, which would be detrimental to the cause of the pharmaceutical exporters, the government can start imposing income tax in a gradual manner.

Besides, steps should be taken by the government to boost R & D in the drug manufacturing business. Since innovation is the only

way forward, the government can encourage this by coming out with a mechanism to create the IPR value and treat it as fixed assets, which will help us get soft loans," he added.

Vinod Gupta, president of Association of Pharmaceutical Manufacturers and Entrepreneurs of Haryana, said: "We hope that the abatement is increased from the present 35.5 per cent to 60 per cent, as taxes, retail and wholesale margin, and the cost of promotion of a drug is nearly 60 per cent of the MRP," he said.

Jagdeep Singh, president, Punjab Drug Manufacturers Association, said the government must encourage small scale pharmaceutical manufacturers.

"Anomalies in tax structure between the manufacturers in tax exempt states and non tax exempt states should be removed. Manufacturers in the excise free zones are misusing the tax holiday, by selling their medicines at higher MRP. Since there is no existing price control mechanism on new brands (except on scheduled drugs which are less than 10 per cent of the total medicines), the result is large scale price increase for profiteering. We hope that the MRP-based Excise regime abolished," he said.

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