Link: https://www.expresspharma.in/budget-2023-what-industries-look-forward-to/

Budget 2023: What industries look forward to

Stakeholders from the pharma and nutra industries share their expectations with Express Pharma from the 2023 budget

By EP News Bureau — On Jan 5, 2023

BUDGET 2023 LATEST UPDATES

The Union Budget 2023-2024 will be presented by Nirmala Sitharaman, Union Minister of Finance, on 1st February, 2023.

For the upcoming budget, the pharma and nutra industries urge the government to give adequate importance to the pharma and nutra industries, keeping the precautionary measures in mind to prevent further damage caused by the COVID-19 pandemic.

Below are some of the industry expectations mentioned by industries' stakeholders.

"Focus on pharma innovation": Manoj Saxena, Managing Director, Bayer Pharma

The union budget, this year, should have a stronger focus on pharma innovation. R&D in healthcare requires substantial investments over a long period of time. Dedicated allocation of funds or incentivising research and development will help India to further boost its pharma industry.

We also hope to see increased budgetary allocation to health for programmes that aim to prevent and treat Non-Communicable Diseases (NCDs), such as the National Programme for Prevention and Control of Cancer, Diabetes, Cardiovascular Diseases and Stroke. Additionally, the budget can also encourage investment in women's health and family planning and reproductive health initiatives.

"The government should allocate funds for setting up Special Economic Zones": Saransh Chaudhary, President, Global Critical Care, Venus Remedies, and CEO, Venus Medicine Research Centre (VMRC)

The upcoming budget should aim at establishing India as the "pharmacy of the world" by enhancing the manufacturing and research capabilities of the pharma sector through special allocations, tax concessions, incentives and grants. The government should allocate funds for setting up Special Economic Zones (SEZs) to boost drug manufacturing and research. These SEZs should be exempted from GST with the larger objective of putting up a self-sufficient infrastructure in place to enable Indian companies to move up the global value chain.

The finance minister should address the concerns relating to rising input costs, particularly the steep hike in API prices, by offering incentives to domestic API manufacturers on one hand and bringing about a reduction in GST and import duty on APIs on the other.

Considering that cutting-edge R&D holds the key to value creation, the government should announce incentives and grants for cost-intensive research, particularly in critical care segments, and get the Research Linked Incentive (RLI) scheme going. All the material procured by pharma firms for R&D purposes should be exempted from taxes. We must create a viable ecosystem to enable R&D-driven pharma companies in India to compete globally by offering interest subsidies, extending tax concessions to exporters and doing away with GST on clinical trials and research projects.

We also expect the finance minister to allocate funds to improve the pharma supply chain and distribution infrastructure by syncing it with the latest digital technologies to ensure better access and uninterrupted deliveries in real time. These emerging technologies can go a long way in working our way up the value chain through reduction in costs and improvement in quality, thus, giving Indian pharma companies a decisive edge.

"The budget should emphasise measures to facilitate the ease of doing business": Yogesh Mudras, MD, Informa Markets, India

The union budget 2023 should look at strengthening the system of the pharma industry, with more focus on capital outlay. It should emphasise measures to facilitate the ease of doing business and contribute to the pharma industry's long-term growth. To achieve the vision of reaching $120 billion -$130 billion by 2030, the budget should outline supportive policies, simplified regulations and simple GST norms to aid in the development of the pharma industry. There is also the need to look at tax breaks and incentivising innovation, which would further help fast-track the industry and fuel the growth of neglected areas of innovation and R&D. While last year, the government recognised the importance of Production-Linked Incentives (PLIs) for the Active Pharma Ingredient (API) industry, this year's union budget should review it yearly to encourage self-reliance in raw material production and make manufacturing more competitive.

"The government needs to set in place R&D-focussed incentives for the promotion of investment": Vivek Sehgal, Director General (DG), Organisation of Pharmaceutical Producers of India (OPPI)

To enable the lifesciences sector to truly contribute to the *Aatmanirbhar Bharat* vision for India, the government needs to incentivise the shift to a discovery-oriented and science-driven approach by providing fiscal incentives and enabling policies. The government needs to set in place R&D-focussed incentives for the promotion of investment, which remains a constant and necessary ask of the sector. It can also consider providing Research Linked Incentive (RLI) schemes for companies making investments to undertake research for new drugs, new chemical entities, and/or New Biological Entities (NBEs) to combat outbreaks and also explore providing a 200 per cent weighted deduction for companies undertaking such R&D. Other considerations such as issuance of innovation bonds similar to the existing NHAI and REC bonds which enjoy tax-free status and providing long-pending clarification on the patent box regime to encourage Indian innovators who developed patents in India and derive benefits worldwide, would also be good initiatives.

Exemption to medicines supplied free of cost to patients is sought to be phased out by the end of March 2023. It is expected that government will reconsider the same and continue with an exemption for the import of said goods. Likewise, the exemption to goods used for R&D in the pharma sector and biotech sector should also be extended beyond 31st March, 2023.

"Pharma industry anticipates bringing a balanced combination of reforms and regulations": Amitabh Dube, Country President, Novartis India

The pharma industry is quite optimistic about the forthcoming budget. It anticipates bringing a balanced combination of reforms and regulations, which would, in turn, strengthen the sector and help India's growth story. The union budget should emphasise creating an enabling environment for innovation and R&D since this will set the pace for bettering health outcomes. Considering that India is an emerging hub for R&D, a push in this direction would open new possibilities along the global pharma value chain. Similar to the Product Linked Incentive (PLI) scheme, the government needs to put an impetus on the Research-Linked Incentive (RLI) scheme as that will improve the accessibility of novel drugs.

"We expect faster clearance of environmental applications from various government authorities for introducing new products and setting up green field projects": Manoj Mehrotra, President, Hikal

The Indian government realises the potential of India's Active Pharma Ingredient (API) industry, and has recently given a thrust through the PLI scheme. The PLI scheme will add to India's competitive advantage and reduce import dependence on Key Starting Materials (KSMs) and APIs of Indian firms from Chinese manufacturers. The scope and quantum of PLI should be reviewed every year so that our manufacturing remains competitive. Overall, we expect more and more API manufacturers to avail this PLI benefit. The domestic API industry in India is looking for the government to take measures to support the growth and development of the industry, as well as to improve the ease of doing business for manufacturers. We expect faster clearance of environmental applications from various government authorities for introducing new products and setting up green field projects. If these expectations are met, it would be a positive step for both the API manufacturers and the Indian healthcare system as a whole."

"There should be an allocation of funds towards the nutra industry and the consumers": Varun Khanna, co-founder, Fast&Up

With the economy growing and India in the position where we are today, there is going to be even more interest from the government to enhance people's quality of life. There should be an allocation of funds towards the nutra industry and the consumers. At the industry level, to bring into an export-oriented industry, how the government took initiatives 30 or 40 years ago to make India a textile hub, there's a huge opportunity for us to be a nutritional hub for the world, like how we were in generic pharma a few decades ago. On the consumer's side, the government will constantly strive to achieve the COP26 mission, which is directly related to our consumer health, which would mean reducing pollution, improving the air quality, and improving the environment, because our health is closely linked with the environment. There will be a continued focus on increasing the importance of nutrition in the low-income areas of the country, which would mean integration and availability of supplements to the defence, which needs extra supplements, and also to low-income areas like smaller rural parts of the country.

"The government should provide custom duty exemptions and other indirect tax incentives on imports": Smita Singh, Partner, S&A Law Offices

The pharma sector is expecting a lower GST rate on clinical trials and research activities. Further, GST rates on pharma products should be reduced and healthcare services that are currently exempted from GST, should be made 'zero rated' in order to reduce the burden on ultimate consumers. Research & Development (R&D) of medicines and medical devices requires a lot of investment and time, thus, the expectation from this sector is that the government should provide custom duty exemptions and other indirect tax incentives on imports of medical devices to promote Indian pharma sector. The government has already introduced Production Linked Scheme (PLI) for pharma sector covering various Active Pharmaceutical Ingredients (APIs). Hence, it is expected that further allocations are made and more APIs are included in the scheme to promote Indian manufacturing sector."

"The budget should put impetus on more simplistic regulations with particular focus on policy implementation": Vijay Chawla, Partner and Head, Life Sciences, and Head, Risk Advisory, KPMG

The first post-pandemic budget is expected to bring in new possibilities and opportunities for pharma industry. There is an expectation that the budget should put impetus on more simplistic regulations with particular focus on policy implementation towards helping the pharma industry to focus on development and less on procedures. Central schemes to push production of domestic APIs may boost research and contribute to global value chain of pharma products. Given the Indian Economy's resilience to global slowdown, there is an expectation that this year's budget will also come up with schemes for supporting pharma industry infrastructure through central funding and tax relief packages/incentives.

"We must become self-sufficient and competitive in KSMs and APIs": Sanjeev Jain, Joint Managing Director, Akums Drugs and Pharma

The upcoming budget is likely to focus on preventive healthcare, given the significant rise in non-communicable and lifestyle diseases in the country. Government incentives and grants for cost-intensive research are also anticipated. Moreover, offering incentives to domestic API manufacturers and bringing about a reduction in GST and import duty on APIs is the need of the hour. Furthermore, the government can take measures to improve the ease of doing business in the pharma sector by simplifying the process and making it industry-friendly. While the pandemic isn't over yet, and its side effects long to stay here, the Union Budget (2023-2024) needs to continue focussing on strengthening the infrastructure of the healthcare sector and shift direction towards promoting 'Make in India' pharmaceuticals for making India truly *Aatmanirbhar*. We must become self-sufficient and competitive in KSMs and APIs to boost the growth of this sector.

In addition, the government should make a roadmap and move forward, so that more countries accept the Indian Pharmacopoeia (IP). The Pharma Inspection Cooperation Scheme (PICS) is bringing a great revolution in the GMP standards to establish the high quality in the drug product, and, thus, India should become the member of PIC/S to raise its GMP standards as it is recognised as the 'power house' of pharma manufacturing. For that, both, regulators as well the industry, need to upgrade themselves. To get PICS membership, our regulators, both at the central as well as at the state levels, need to undergo intense training programmes and our research laboratories need to be upgraded. Similarly, at the industry level, pharma companies need to set up their facilities that comply with international regulatory requirements like the WHO GMP and USFDA, among others. Apart from it, considering the rising need for robust Intellectual Property (IP) law and rights, we will need to work towards harmonising our regulatory requirements to global standards.

"Government support and favourable policies are essential for establishing an R&D and innovation ecosystem in the country": Rajesh Khosla, CEO and President, AGI Glaspac

It is crucial for public and private entities across the pharma and healthcare value chain to collectively work towards making the sector future ready and the Union Budget 2023 is the first step in this direction. Some of the expectations from the budget are:
• **Production-related incentive system**: Additional budgetary resources should be allocated to the pharma sector's Production-Linked Incentive (PLI) programme, which will stimulate investment, promote employment, attract core competencies, and make India a competitive player in the global market.
• **Increased budget allocation**: An increase in public-health spending of 2.5 to three per cent of GDP envisioned in the 2017 National Health Policy and funding for R&D in the biopharma sector is required.
• **Research and Development (R&D)**: Government support and favourable policies are essential for establishing an R&D and innovation ecosystem in the country. Given that innovation in this area has long lead times and a heavy reliance on capital-intensive R&D, risk-free and low-cost funding support is needed to position India as an innovation-based economy.
• **Ease of doing business**: Measures to make business easier, with a focus on simplifying processes and making them industry-friendly, along with specific provisions to remove bottlenecks and other practical challenges faced by taxpayers. Further measures should be taken. Such measures will also stimulate further investment.
• **Innovation support**: Changing current conditions and business dynamics require pharma companies to focus on high-end innovation in the short term. Therefore, pharma companies must invest in the best technology and hire the best professionals to stay at the top of the innovation curve. Therefore, the Government of India should consider increasing the deduction rate for research and development expenses under Section 35 (2AB) of the Income Tax Act. It will promote the country's innovation and research and development.

"Nutraceuticals should enjoy the same status as pharma": Sanjaya Mariwala, Executive Chairman and Managing Director, OmniActive Health Technologies, and Founder President, Association of Herbal and Nutraceutical Manufacturers of India (AHNMI)

Our primary expectation from the upcoming union budget 2023 is the rationalisation of GST in the range of five to 10 per cent on nutra products against the current rate of 18 per cent, whereas pharmaceuticals are being charged at zero to 12 per cent. Nutraceuticals work as preventive healthcare solutions, thereby, dropping the overall cost of health care in the country, so why should they not enjoy the same status as pharma?"

"The union budget 2023-2024 should help fuel innovation and R&D": Sudarshan Jain, Secretary General, Indian Pharmaceutical Alliance (IPA)

The Indian pharma industry is a sunrise sector for India, providing the world with affordable quality-assured medicines. It is a science-based and knowledge-driven industry, with scientific advances occurring at a rapid pace. The industry is around $50 billion today and aspires to grow to 120 billion-130 billion by 2030 and $450 billion by 2047. To achieve this vision, the union budget 2023-2024 should help fuel innovation and R&D, which will set the pace for propelling the pharma industry forward. The budget should outline supportive policies, simplified regulations and simple GST norms to aid in the development of the pharma industry. Measures to facilitate the ease of doing business will increase investment and contribute to the industry's long-term growth. In accordance with the *Vasudhaiva Kutumbakam* principle, the industry is poised to shift from 'Make in India' to 'Discover and Make in India' (one earth, one family, one future). We are looking forward to the government of India's support in this.

"The domestic pharma industry anticipates an increase in overall funding for the healthcare sector": Raheel Shah, Director, BDR Pharma

The COVID-19 pandemic has put our healthcare system's resiliency to the test. There is still work to be done, beginning with an increase in spending on public healthcare. In the upcoming union budget, the domestic pharma industry anticipates an increase in overall funding for the healthcare sector, a focus on policies that support R&D activities, and a continuation of tax breaks on different medications. The industry gained significant momentum in the previous year, particularly in securing access to COVID-19 vaccines and medications, and this year's budget will be essential to accelerate sectoral growth and ensure access to cutting-edge medical solutions for a variety of diseases, not just COVID.