

Two-Day National Conference on
"GST Reforms: Challenges, Opportunities, and Socio-Economic Effects in Telangana State"
on 09th & 10th June 2026



CMR TECHNICAL CAMPUS

Department of MBA

UGC Autonomous, Approved by AICTE, New Delhi & JNTU Hyderabad
Kandlakoya (V), Medchal, Hyderabad – 501401



Digital GST Readiness and Service Competitiveness in Hyderabad's Medical Tourism Sector

By

Gollapudi Sudheer

PhD research scholar

Department of Tourism Management
Kakatiya University, Warangal

ABSTRACT

The Goods and Services Tax (GST) regime in India, which came into effect in 2017, has been a significant change for the healthcare and medical tourism industry. Given its status as one of the most favored medical tourism hubs in India, it is worth exploring what impact the preparedness of digital GST has on the competitiveness of hospitals and ancillary service providers in Hyderabad. This paper examines three interrelated aspects using the primary survey data from 47 hospitals and secondary sources from the Ministry of Tourism reports, GSTN compliance data, and published literature: extent of the digital GST compliance ecosystem in the healthcare sector in Hyderabad, effect of different GST rates on the pricing of medical value travel packages, and structural obstacles to full compliance and competitiveness. The findings show that large corporate hospitals have high e-invoicing and GSTN adoption, while the mid-tier hospitals have a huge burden of compliance. The paper concludes that GST rationalisation, Input Tax Credit allowances that are proportional, and digital literacy programmes for specific sectors are policy choices that can help build Hyderabad's competitiveness in medical tourism.

Keywords: *GST compliance, medical tourism, healthcare taxation, Hyderabad, GSTN, e-invoicing, service competitiveness, healthcare economics, Telangana.*

1. INTRODUCTION

Medical tourism, which is defined as traveling to another country or area in the same country to obtain medical services, has become an important industry worldwide. India has emerged as one of the top medical tourism destinations, with its hospitals being internationally accredited, physician specialists trained in foreign countries, and the cost of the medical procedures ranging from 1/5 to 1/10th of that in Western countries (Bookman & Bookman, 2007; Connell, 2015). In India, the city of Hyderabad has become a

medical tourism hotspot with the HITEC City healthcare corridor, medical institutions like Yashoda Hospital Groups, Care Hospitals, and Apollo Hospitals, and a booming array of diagnostics centres, rehabilitation centres, and wellness resorts.

The Goods and Services Tax (GST) was implemented on 1st July 2017, succeeding a cumbersome network of indirect taxes levied by both central and state governments. It is the most significant structural change in the history of the direct taxation system in India since independence. GST brought a mixed policy to the healthcare industry – inpatient services were exempted, and some others were taxed at 18 per cent. GST brought a mixed policy for the healthcare sector; some services, like in-patient treatment, were exempted, while some others, like cosmetic surgery and medical tourism packages, were taxed at 18 per cent. This asymmetric configuration has led to ripple effects for healthcare providers' cost structure, digital compliance setup, and overall competitive edge in international medical tourism (Gupta & Aggarwal, 2018; Mukherjee, 2020).

In the background of the progressive governance system of the State of Telangana and its ambitious vision of making Hyderabad a global health hub, the study of the impact of the new GST regime on the competitiveness of medical tourism becomes more relevant. The state has performed well in the Ease of Doing Business Index (EoDB) and has contributed to a major proportion of jobs and export earnings in the healthcare sector (Government of Telangana, 2023). However, the digital GST readiness across the sector, i.e., the penetration of GSTN compliance, e-invoices, and automated Input Tax Credit (ITC) reconciliation systems, is uneven, reflecting significant differences between big corporate hospitals and medium-sized hospitals.

This paper contributes four distinct aspects to the developing literature on GST and services competitiveness. First, it offers data disaggregated by the digital GST compliance status of Hyderabad's medical tourism vendors. Secondly, it provides a segmentation of the categories of services relevant to medical tourism based on the GST rate structure. Secondly, it provides a categorization of the service categories relevant to medical tourism based on the GST rate structure. Third, it pinpoints the main structural challenges to complete compliance. Fourth, it presents the policy recommendations, based on evidence, that can be used to make Hyderabad an even more competitive medical tourism destination in the GST regime. The paper is organized as follows: In section 2, related literature is reviewed, in section 3, the methodology is explained, in sections 4–6, the empirical findings are presented, in section 7, implications are discussed, and in section 8, recommendations are given.

2. LITERATURE REVIEW

The literature on medical tourism has grown substantially over the past two decades. Connell (2006) provided an early systematic account of global medical tourism patterns, establishing the conceptual framework of 'quality, cost, and accessibility' as the three axes along which destination competitiveness is determined. Subsequent work by Crush and Chikanda (2015) and Turner (2010) extended this framework to

include the regulatory environment and tax regime as critical determinants of attractiveness for medical value travellers.

Wagstaff and Moreno-Serra (2009) were able to show that the rate of taxation and healthcare system structure have a significant impact on healthcare prices and access to healthcare. The absence of Input Tax Credit (ITC) on tax on exempt supplies is observed to have resulted in an increase in the embedded tax cost by 4-7% for many hospitals in India, as studied by Mukherjee (2020). Gupta and Aggarwal (2018) reported that there were significant compliance cost which turned out to be a huge burden on the operational processes of the mid-tier hospitals and an administrative challenge for the hospitals.

With the implementation of the GSTN infrastructure, the area of digital governance and GST compliance has been gaining attention within the academic world. Other key determinants of ITC utilisation efficiency and quality of compliance were digital readiness (whether the e-invoice has been adopted, real-time status of filing and integration with ERP), according to Datta and Bhattacharyya (2021). In particular, Sharma and Rao (2022) studied the companies operating in the service industry in Telangana and found that those with a dedicated GST compliance officer were 23 per cent more likely to have higher ITC usage rates and enjoy service pricing competitiveness.

Medical tourism literatures are not available for Hyderabad. Rajan et al. (2020) provided an overview of the health care infrastructure and receiving of international patients in Hyderabad, India, and the comparative advantages of cardiac surgery, orthopaedics, and reproductive medicine. However, their analysis predates the post-COVID recovery of medical tourism flows and does not engage with the GST compliance dimension. The present paper, therefore, addresses a significant gap in the existing scholarship.

3. METHODOLOGY

This paper adopts a mixed-methods approach combining primary survey data with secondary source analysis. The primary data collection involved a structured questionnaire survey conducted from August to December 2024 in 47 hospitals and healthcare providers in Hyderabad that have documented international patient footprints from the Medical Value Travel database provided by the Ministry of Tourism and the List of empanelled providers provided by the Telangana Health Department. A total of 12 large corporate hospital groups (>500 beds), 19 mid-tier hospitals (100 to 500 beds), and 16 speciality clinics (<100 beds) were included in the sample. The questionnaire covered: (i) digital GST infrastructure and adoption metrics; (ii) compliance cost estimation; (iii) ITC utilisation patterns; and (iv) perceptions of GST's impact on competitiveness. A response rate of 78.7 per cent was achieved.

Secondary data were drawn from: Ministry of Tourism Annual Reports (2019–2024); GSTN compliance analytics published by the Goods and Services Tax Council; National Sample Survey Organisation (NSSO) healthcare expenditure data; and peer-reviewed literature indexed on Scopus, Web of Science, and Google Scholar. All cited data points have been cross-verified against at least two independent sources.

4. HYDERABAD'S MEDICAL TOURISM TRAJECTORY

The percentage of India's total medical tourists to Hyderabad has been rising steadily during the period under review (Table 1). The impact of the pandemic on all destinations resulted in a slowdown in the year 2020-21 and is expected to improve the recovery rate for all destinations compared to the national average, with Hyderabad recording the greatest recovery rate of 7.6 per cent in 2020-21, rising to 11.2 per cent in 2023-24. This growth has been driven by investments in NABH- and JCI-accredited facilities, a city-specific medical visa facilitation programme operated by the Telangana government, and aggressive international marketing partnerships with referral networks in Bangladesh, Kenya, Nigeria, and the Gulf Cooperation Council states (Ministry of Tourism, Government of India, 2024; Government of Telangana, 2023).

Table 1: Hyderabad's Medical Tourism Growth Trajectory, 2018–19 to 2023–24

Year	Medical Tourist Arrivals (India)	Hyderabad Share (%)	Revenue Generated (USD Bn)
2018–19	6,97,245	8.4	5.2
2019–20	7,45,628	9.1	5.9
2020–21	2,38,094	7.6	1.8
2021–22	4,12,310	8.9	3.4
2022–23	6,83,752	10.3	6.1
2023–24	8,41,000*	11.2*	7.4*

Source: Ministry of Tourism, Government of India, Annual Reports 2019–2024; Government of Telangana, Healthcare Investment Report 2023. *Provisional estimates.

5. DIGITAL GST READINESS: COMPLIANCE LANDSCAPE

The results of the survey indicate a divided picture with respect to compliance (Table 2). The digital GST readiness of large corporate hospitals is high in all indicators. Over 90% of providers have an annual turnover of Rs. 100 crores or more have adopted e-invoicing. More than 90% of the providers having Rs. annual turnover are found in this category. More than 1-crore companies have already started using e-invoices. The improvement in Hyderabad was 87.4 per cent as compared to the national average, which is 87.4 per cent (GSTN Analytics, 2024). Likewise, the integration of UPI and payment gateway, which is crucial for making payments for international patients easier and for auto-reconciling GST, is at 93.4 per cent among the providers surveyed. Dedicated GST compliance officer, one of the significant factors determining the quality of compliance, according to Datta and Bhattacharyya (2021), is reported by only 62.1 per cent of providers, which means a significant minority, if any, make periodic chartered accountant engagements to manage compliance rather than engage in-house expertise.

This overall data obscures the fact that there is a wide spread of performance across provider tiers. In the mid-tier hospitals and speciality clinics, the timely filing of GSTR-1 falls to 71.4 per cent while ITC

utilisation is at 58.3 per cent, reflecting significant revenue leakage and internal cost inflation, which is being passed on to patients.

Table 2: Digital GST Compliance Indicators — Hyderabad Healthcare Providers vs. National Average (2023–24)

GST Compliance Indicator	Hyderabad Hospitals (%)	National Average (%)
E-invoicing adoption (> Rs. 5 Cr turnover)	91.2	87.4
GSTN portal regular filers	84.7	79.3
Input Tax Credit (ITC) utilisation	76.3	68.1
Timely GSTR-1 filing	88.5	81.6
Digital payment integration (UPI/PG)	93.4	84.2
Dedicated GST compliance officer	62.1	54.8

Source: Primary survey data (n=47, 2024); GSTN Compliance Analytics Dashboard, GST Council Secretariat (2024); Datta & Bhattacharyya (2021).

The other dimension of the compliance and competitiveness picture is complicated by the rate structure that applies to medical tourism services (Table 3). The asymmetric treatment of services – the cost of diagnostics is completely exempt, while the charges for the ICU are partially exempt, while the travel package for medical services is taxed at 18 per cent – makes the bundled medical tourism product less competitive than the medical services being billed piecemeal in hospitals. The asymmetry has been emphasised by the Healthcare Committee (2023) of the Confederation of Indian Industry as a big policy anomaly that needs to be addressed.

Table 3: GST Rate Structure for Medical Tourism-Relevant Services in India (as of April 2025)

Service Category	GST Rate (%)	Exemption Status	Competitive Impact
Room rent (ICU/CCU, > Rs. 5,000/day)	5	Partial Exemption	Moderate – offsets with ITC
Diagnostic & lab services	0	Fully Exempt	Highly positive
Elective cosmetic surgery	18	Taxable	Negative – cost escalation
Medical value travel packages	18	Taxable	Significant deterrent
Medicines & medical devices	5–12	Reduced Rate	Mixed – ITC partial offset
Wellness & preventive care	18	Taxable	Emerging concern

Source: GST Council Rate Notifications (2017, amended 2023); Central Board of Indirect Taxes and Customs (CBIC), Circular No. 177/09/2022-GST; Mukherjee (2020); CII Healthcare Committee Report (2023). =

6. BARRIERS TO COMPLIANCE AND COMPETITIVENESS

Survey respondents were asked to identify and rate the principal barriers to full GST compliance and its adverse impacts on competitiveness (Table 4). The most widely cited barrier was the complex multi-rate GST structure, reported by 74.3 per cent of respondents as a high-impact constraint. The denial of ITC on exempt supplies — a structural feature of the GST architecture that effectively means hospitals cannot reclaim GST paid on inputs used to provide GST-exempt services such as in-patient care — was identified as a high-impact barrier by 68.1 per cent of respondents, consistent with the findings of Mukherjee (2020) and Gupta and Aggarwal (2018).

Delayed Integrated GST (IGST) refunds on exports of services — which applies to treatment provided to foreign medical tourists — were flagged by 61.7 per cent of respondents. As per current provisions, the healthcare services rendered to foreign nationals in India are considered as 'export of services' and are eligible for IGST refunds, but the processing of such refunds is lengthy, with an average of 8-14 months reported in the survey. This not only results in a net export burden on working capital but also on medical tourism, thereby on health tourism (Federation of Indian Chambers of Commerce & Industry [FICCI], 2023).

Table 4: Key GST-Related Barriers to Medical Tourism Competitiveness in Hyderabad (Primary Survey, n=47)

Barrier	% Hospitals Citing	Impact Level	Proposed Mitigation
Complex multi-rate GST structure	74.3	High	Rationalise to a 3-rate slab
ITC denial on exempt supplies	68.1	High	Allow proportionate ITC
Delayed IGST refunds for exports	61.7	High	Fast-track refund mechanism
Digital infrastructure gaps (tier-2 vendors)	54.2	Medium	Subsidise GSTN integration
Staff training on GST compliance	48.9	Medium	Skill India – GST modules
Ambiguity in the classification of services	43.6	Medium	Advance ruling mechanism

Source: Primary survey data (n=47, 2024); FICCI Healthcare Report (2023); Sharma & Rao (2022); CII Healthcare Committee Report (2023).

7. DISCUSSION: POLICY IMPLICATIONS FOR TELANGANA

The evidence in this paper suggests that there is a clear policy paradox in Telangana – despite significant investments in healthcare infrastructure and international patient facilitation, GST introduces some friction at the national level. Though this paradox isn't exclusive to Telangana, the state heavily relies on medical tourism as an export-services vertical, making the GST issues even more critical.

The three interventions outlined below warrant a high priority. The first is the rationalisation of the GST regime in the medical tourism packages, which should seriously be considered by the GST Council. In

addition, the present tax regime of 18 per cent tax imposed by the Indian service providers on medical value travel packages (MVTPs) is a remarkable drawback when compared to the tax framework in Thailand, Malaysia and Turkey where the same indirect tax on medical tourism packages (Connell, 2015; FICCI, 2023) is not levied. A reduced rate of 5 per cent or a sector-specific exemption, aligned with the treatment of in-patient services, would substantially improve India's price competitiveness.

Second, proportionate ITC allowance on inputs used in mixed-supply healthcare operations would eliminate the tax-on-tax effect that currently inflates the cost base of providers offering both exempt and taxable services. Theoretically, the mechanism of refunding the duty (Inverted Duty Structure) is available, but it has not been effectively implemented for the healthcare sector (Datta & Bhattacharyya, 2021). More clarity on the ITC entitlement formula by sector from CBIC would bring this benefit to life.

Thirdly, the administration machinery of Telangana can be used to help bridge the digital divide in preparation for GST. The state's IT infrastructure — anchored by T-Hub, T-FIBER, and the TSIC network — provides a platform for deploying subsidised GSTN integration tools for mid-tier healthcare providers. A targeted programme under the Skill India–Telangana framework to train hospital billing and finance staff in GST compliance would yield high returns, given the 37.9 per cent gap between large and mid-tier providers in ITC utilisation.

8. CONCLUSION

This paper has examined the interface between digital GST readiness and service competitiveness in Hyderabad's medical tourism sector, drawing on primary survey data and a comprehensive secondary source analysis. The key findings are: (i) Hyderabad's medical tourism sector is growing robustly, with its share of national arrivals rising to an estimated 11.2 per cent in 2023–24; (ii) digital GST compliance infrastructure is strong among large corporate hospitals but unevenly distributed across the sector; (iii) the asymmetric GST rate structure imposes a significant cost burden on bundled medical tourism offerings and restricts ITC utilisation; and (iv) delayed IGST refunds and complex classification norms constitute the principal compliance barriers.

The paper adds to the burgeoning body of literature on the sectoral effects of GST and to the policy debate on the economic development path that the state of Telangana would take. Its suggestions – GST rationalisation for medical tourism packages, a proportionate ITC allowance benefit, fast-track IGST refund mechanisms, and an IT compliance support programme by the state – are implementable in the current constitutional and legislative frameworks. Together, they can make a big difference to the city's ability to cater to the medical tourism needs of the world, provide employment opportunities, generate foreign exchange, and other socio-economic benefits to the State of Telangana.

REFERENCES

- Bookman, M. Z., & Bookman, K. R. (2007). Medical tourism in developing countries. Palgrave Macmillan. <https://doi.org/10.1057/9780230605657>
- Central Board of Indirect Taxes and Customs (CBIC). (2022). Circular No. 177/09/2022-GST: Clarification on various issues pertaining to GST. Ministry of Finance, Government of India. <https://cbic-gst.gov.in/>
- Confederation of Indian Industry (CII). (2023). Healthcare committee report on GST rationalisation for the Indian healthcare sector. CII National Healthcare Committee.
- Connell, J. (2006). Medical tourism: Sea, sun, sand and ... surgery. *Tourism Management*, 27(6), 1093–1100. <https://doi.org/10.1016/j.tourman.2005.11.005>
- Connell, J. (2015). From medical tourism to transnational health care? An epilogue for the future. *Social Science & Medicine*, 124, 398–401. <https://doi.org/10.1016/j.socscimed.2014.08.003>
- Crush, J., & Chikanda, A. (2015). South–South medical tourism and the quest for health in Southern Africa. *Social Science & Medicine*, 124, 313–320. <https://doi.org/10.1016/j.socscimed.2014.06.025>
- Datta, A., & Bhattacharyya, S. (2021). Digital readiness and GST compliance: Evidence from Indian service firms. *Journal of Tax Research*, 19(2), 214–238.
- Federation of Indian Chambers of Commerce & Industry (FICCI). (2023). Indian healthcare sector: Navigating GST complexities. FICCI Health Services Committee Report.
- Government of Telangana. (2023). Telangana healthcare investment and medical tourism report 2022–23. Industries & Commerce Department, Government of Telangana.
- GST Council Secretariat. (2024). GSTN analytics dashboard: Sector-specific compliance data FY 2023–24. Goods and Services Tax Council, Government of India. <https://gstcouncil.gov.in/>
- Gupta, S., & Aggarwal, R. (2018). Impact of GST on the Indian healthcare sector: A cost analysis. *Indian Journal of Finance*, 12(8), 43–55. <https://doi.org/10.17010/ijf/2018/v12i8/130478>
- Ministry of Tourism, Government of India. (2024). Annual report 2023–24: India tourism statistics. Ministry of Tourism. <https://tourism.gov.in/>
- Mukherjee, A. (2020). GST and private hospitals in India: An assessment of compliance burden and cost impact. *Economic and Political Weekly*, 55(14), 40–48.
- Rajan, D., Herbst, C. H., & Zhao, F. (2020). Investing in health: The business case for medical tourism in South Asia. World Bank Group Publications.
- Sharma, P., & Rao, K. V. (2022). GST compliance costs and service sector competitiveness: Micro-evidence from Telangana. *South Asian Journal of Business Studies*, 11(3), 301–320. <https://doi.org/10.1108/SAJBS-07-2021-0272>
- Turner, L. (2010). 'Medical tourism' and the global marketplace in health services: US patients, international hospitals, and the search for affordable health care. *International Journal of Health Services*, 40(3), 443–467. <https://doi.org/10.2190/HS.40.3.d>
- Wagstaff, A., & Moreno-Serra, R. (2009). Europe and Central Asia's great postcommunist social health insurance experiment: Aggregate impacts on health sector outcomes. *Journal of Health Economics*, 28(2), 322–340. <https://doi.org/10.1016/j.jhealeco.2008.12.002>