**New cess may be levied to fund free healthcare**

You may soon have to pay more tax since the government is considering a proposal to levy a surcharge to fund its ambitious plan of providing free healthcare to every citizen in the country. The Planning Commission's expert panel has turned down the proposal for a securities transaction tax, and instead voted for a health surcharge on taxable income.

The move, it said, would complement the government's budgetary allocation and "obviate the need for user charges on the rich". Though the panel has not recommended how much surcharge should be levied, a 1% levy would yield over Rs 9,000 crore for this fiscal. The surcharge would be similar to the one levied to fund education that is expected to mop up Rs 27,500 crore this year, which is over 40% of the funding available to the human resources development ministry. Including the road cess, all cesses and surcharges add up to over Rs 79,000 crore - about 8.5% of the budgeted tax collections.   
Over the last decade, the government has repeatedly fallen back on the cess-and-surcharge tool for dedicated spending - ranging from picking up the tab for the Kargil conflict to the Gujarat earthquake. In recent years, the ambit has been expanded to include education and highway construction.   
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Plan panel against user charges in public hospitals Realizing the massive amount of funds required to introduce national health entitlement for every citizen, the Planning Commission's expert panel has called for a hike in public spending on health from about 1.4% of GDP to at least 2.5% by the end of 12th Five Year Plan (2012-17) and at least 3% by 2020 to achieve objective of healthcare for all.   
  
As against the government's move to impose user charges in public hospitals to raise fund, the panel is strongly against levy of user fees of any kind even from those who can pay at heath facilities that offer national heath package for NHEC card-holders.   
  
"The user fees of all forms to be dropped as a source of government revenue for health," the report said, arguing that such fees have limited deterrence in checking consumption of excessive and unnecessary medical care. The user fees have widened inequalities in access to healthcare and negative impact on usage of health service even by those who need them and most of the time administrative cost in collecting fee tends to be higher than revenue raised.   
  
The panel pitched for specific purpose transfers from the Centre to the states and urged that transfer schemes should be designed in a way to reduce disparity in the level of public funding on heath across states. It says the transfers received by states should constitute additional public spending on health and should not be used to substitute spending from own resources by the states.   
  
The K Srinath Reddy-chaired group, which included National Advisory Council member A K Shiva Kumar, argued for prioritization of Central funds for providing primary and secondary healthcare nationwide, saying there is a need to earmark 70% of public spending for primary care.

Source: The Economic Times

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