



HM Revenue
& Customs

The Value Added Tax (Drugs and Medicines) Order 2019 Tax Information Impact Note

Who is likely to be affected

Online prescription service companies, their UK patients and dispensing pharmacies.

General description of the measure

This measure amends the scope of the zero-rate for drugs dispensed on the prescription of an appropriate practitioner, by adding to the definition of appropriate practitioners

- i. 'EEA health professionals', in relation to supplies before exit day,
- ii. 'Approved country health professionals' in relation to supplies made on or after exit day.

Policy objective

To align the UK VAT legislation with the Human Medicines Regulations 2012, which currently permit prescriptions written by 'EEA health professionals' to be dispensed by UK pharmacies, and will replace that category with 'approved country health professionals' in the event of a 'no deal' EU exit scenario. Approved country health professionals will be those included on a register published by the Department for Health and Social Care.

The objective is to allow the VAT zero rate to apply equally to these prescriptions as it does to private prescriptions written by other approved medical practitioners.

Background to the measure

The VAT zero rate for drugs and medicines issued in accordance with private prescriptions currently does not apply to prescriptions issued by health professionals registered in countries outside the UK.

Practitioners based in EEA countries are fully recognised by the Department of Health and Social Care in the Human Medicines Regulations 2012 and UK pharmacists are authorised to dispense prescriptions written by them.

This results in unfair treatment when compared to patients collecting drugs and medicines under private prescriptions written by all of the other Department of Health and Social Care approved medical practitioners.

Detailed proposal

Operative date

Effective date of the SI is expected to be 14 November 2019

Current law

Current Law is included in note (2B) to Item 1 of Group 12 of Schedule 8 to the Value Added Tax Act 1994.

Proposed revisions

To amend the list in note (2B) to Group 12 of Schedule 8 by inserting, at the appropriate places the following paragraphs:

(ba) an approved country health professional within the meaning of Regulation 213 of the Human Medicines Regulations 2012; and

(ca) an EEA health professional within the meaning of Regulation 213 of the Human Medicines Regulations 2012.

The measure will specify that the insertion of the first paragraph only has effect in relation to supplies made before exit day and that the second only has effect in relation to supplies made after exit day.

Summary of impacts

Exchequer impact (£m)

2019 to 2020	2020 to 2021	2021 to 2022	2022 to 2023	2023 to 2024	2024 to 2025
negligible	negligible	negligible	negligible	negligible	negligible

This measure is expected to have a negligible impact on the Exchequer.

Economic impact

This measure is not expected to have any significant economic impacts.

Impact on individuals, households and families

This measure will impact on individuals under the care of qualified overseas based medical practitioners, who will benefit from the zero rate for private prescriptions issued by these practitioners. There is no impact on family formation, stability and breakdown.

Equalities impacts

All groups sharing protected characteristics who are under the care of qualified overseas medical practitioners based in approved countries will benefit from this measure.

Impact on business including civil society organisations

This measure is expected to have a negligible impact on businesses. It is expected that the number of businesses affected by the measure will be small. The online medical service companies impacted, which may be in any EEA country, and the UK dispensing pharmacies will have a one-off cost of familiarising themselves with the new VAT rules and ensuring that the change is reflected in their systems. There are no expected on-going burdens. This measure is not expected to impact Civil Society Organisations.

Operational impact (£m) (HMRC or other)

The overall additional costs to HMRC in implementing these changes are anticipated to be negligible.

Other impacts

Other impacts have been considered and none have been identified.

Monitoring and evaluation

The measure will be kept under review through information collected from tax returns.

Further advice

If you have any questions about this change, please contact

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Declaration

Jesse Norman FST has read this tax information and impact note and is satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impacts of the measure.