HMRC - VATHLT6020 - The Zero Rate Scope And Coverage

The Value Added Tax (Drugs and Medicines) Order 2014 which came into force on 21 May 2014, varied Group 12 Schedule 8 (zero-rated supplies of drugs, medicines, and aids for the handicapped). It modified and clarified the scope of Group 12 by applying the zero-rate to the supply of qualifying goods prescribed by health professionals who in addition to doctors and dentists are now permitted to prescribe medicines that are only available on prescription. These health professionals are termed in the law ‘appropriate practitioners’ In addition, the Order allows doctors to dispense drugs under certain circumstances described as ‘relevant provisions’ The ‘ appropriate practitioners’ and ‘relevant provisions’ are listed in full in Sections 3.2.2 and 3.2.3 of Notice 701/57 (link is external)

Accordingly, there are 5 conditions which must be met before a supply of goods on prescription can be zero-rated:

The goods must be prescribed by an appropriate ‘relevant practitioner’

The supply must be of ‘qualifying goods’

The goods must be dispensed for an individual’s personal use

The goods must not be supplied for use for patients while in hospital or in a similar institution or administered, injected or applied by health professionals to their patients in the course of medical treatment.

The goods must be dispensed by a registered pharmacist or under a requirement or authorisation under a ‘relevant provision’ Each of these conditions is examined in further detail below.

Next page