

Design of value-added tax on medicines in 41 European countries

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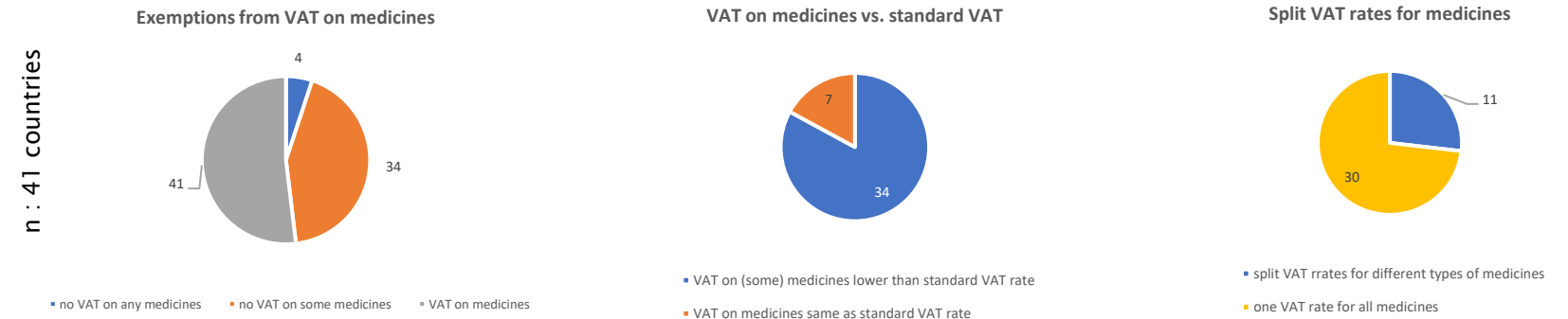
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Conclusions

- Value-added tax (VAT) is a **relevant component of medicine prices**.
- Thus, VAT can constitute a financial barrier to access to medicines, in particular when medicines are paid out-of-pocket by patients.
- In light of rising inflation, policy-makers should not forget VAT when designing pharmaceutical pricing policies.
- Possible **measures mitigating negative impacts of VAT on affordable access to medicines** include waiving defined medicines or population groups from VAT, or imposing lower VAT rates.

“WHO suggests that countries consider exempting essential medicines and active pharmaceutical ingredients from taxation. WHO suggests that countries consider any tax reductions or exemptions, with measures to ensure that the policy results in lower prices of medicines to patients and purchasers.”

This recommendation on taxation in the „*WHO guideline on country pharmaceutical pricing policies*“ (2020) is gaining particular relevance given economic developments.



Why and how did we study VAT on medicines?

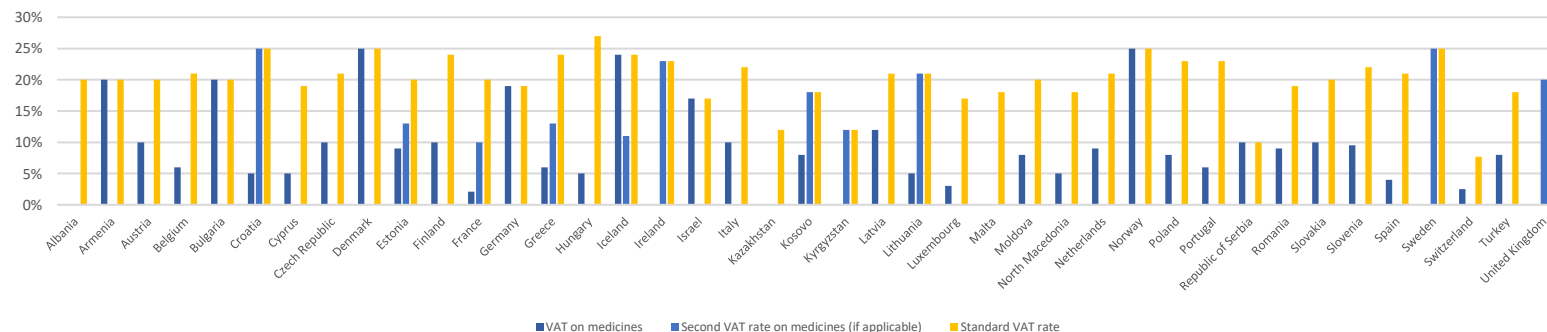
Survey

- Data collection with public authorities represented in the Pharmaceutical Pricing and Reimbursement Information (PPRI) network
- Data as of 2021/2022

Included countries

- All 27 European Union Member States
- 3 EFTA countries (Iceland, Norway, Switzerland)
- 11 countries in the WHO European Region: Albania, Armenia, Israel, Kazakhstan, Kyrgyzstan, Kosovo, Moldova, North Macedonia, Serbia, Turkey & UK

Results



- In studied European countries VAT rates on medicines range between 0% and 25%.
- Usually, VAT rates on medicines (or on some groups of medicines) are lower than the standard VAT.
- Defined medicines (e.g. prescription-only medicines) are exempt from VAT or have a lower VAT rate in some countries.
- Exemptions from or reductions of VAT always relate to types of medicines and not to population groups.