

EXPLANATORY MEMORANDUM TO
THE VALUE ADDED TAX ACT 1994 (SCHEDULE 9) (EXEMPTIONS: HEALTH AND WELFARE) (AMENDMENT) ORDER 2023

2023 No. 388

1. Introduction

- 1.1 This explanatory memorandum has been prepared by His Majesty's Revenue & Customs (HMRC) and is laid before the House of Commons by Command of His Majesty.

2. Purpose of the instrument

- 2.1 This instrument extends the scope of the Value Added Tax (VAT) exemption for healthcare to include medical services carried out by staff directly supervised by registered pharmacists in the United Kingdom. The effect of this instrument will bring the VAT treatment of registered pharmacists in line with other registered health professionals providing healthcare to the public.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

4. Extent and Territorial Application

- 4.1 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is United Kingdom.
- 4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is United Kingdom.

5. European Convention on Human Rights

- 5.1 Victoria Atkins MP, Financial Secretary to the Treasury, has made the following statement regarding Human Rights:

“In my view the provisions of the Value Added Tax Act 1994 (Schedule 9) (Exemptions: Health and Welfare) (Amendment) Order 2023 are compatible with the Convention rights.”

6. Legislative Context

- 6.1 Item 3 of Group 7 of Schedule 9 (Exemptions: Health and Welfare) to the Value Added Tax Act 1994 exempts from VAT supplies of medical care by a person registered in the register maintained under article 19 of the Pharmacy Order 2010 or in the register of pharmaceutical chemists kept under the Pharmacy (Northern Ireland) Order 1976 (“the Orders”). Note (2A) of Group 7 extends that exemption to supplies of medical care by a person who is not registered under the Orders where the services are wholly performed by a person who is so registered.

- 6.2 This instrument amends Note (2A) of Group 7 to extend the exemption to medical care by a person not registered under the Orders where those services are directly supervised by a person who is so registered.
- 6.3 These changes have been made to align the United Kingdom's VAT treatment of services carried out by staff directly supervised by registered pharmacists with other registered health professions.

7. Policy background

What is being done and why?

- 7.1 Under current VAT legislation supplies of medical services made by certain registered health professionals are exempt from VAT. The exemption extends to non-registered persons providing medical services directly supervised by registered health professionals. Services provided by pharmacists are also exempt. However, the exemption does not currently include services carried out by non-registered persons directly supervised by pharmacists. This instrument will bring the VAT treatment of pharmacists in line with other registered health professionals providing medical services to the public.
- 7.2 This instrument aims to encourage pharmacies to offer a wider range of clinical services to the public and help ease pressure on general practitioners and ensure the VAT system keeps up with changes to how the National Health Service operates.

8. European Union Withdrawal and Future Relationship

- 8.1 This instrument does not relate to withdrawal from the European Union or trigger the statement requirements under the European Union (Withdrawal) Act

9. Consolidation

- 9.1 This instrument does not consolidate any other instruments.

10. Consultation outcome

- 10.1 Consultation has not taken place as it was not deemed necessary due to the straightforward and uncontroversial nature of this measure. The changes in this instrument address the changes requested by stakeholders in addressing the discrepancy in VAT treatment of between health professionals and pharmacists.

11. Guidance

- 11.1 The change made by this instrument will be reflected in publication of a Revenue and Customs Brief and an update to guidance on the VAT exemption for health professionals. The guidance will be updated after this instrument is laid and will be available at: <https://www.gov.uk/guidance/health-professionals-pharmaceutical-products-and-vat-notice-70157>.

12. Impact

- 12.1 There is no, or no significant, impact on business, charities or voluntary bodies.
- 12.2 There is no, or no significant, impact on the public sector.

12.3 A Tax Information and Impact Note covering this instrument will be published on the website at: <https://www.gov.uk/government/collections/tax-information-and-impact-notes-tiins>.

13. Regulating small business

13.1 The legislation applies to activities that are undertaken by small businesses.

13.2 No specific action is proposed to minimise regulatory burdens on small businesses.

13.3 The basis for the final decision on no specific action is due no additional regulatory burdens being created by this instrument.

14. Monitoring & review

14.1 The approach to monitoring of this legislation will be kept under review through communication with external stakeholders and businesses.

14.2 This instrument does not include a statutory review clause as it is exempt under section 28(3)(a) of the Small Business, Enterprise, and Employment Act 2015 because it relates to tax and the power under which this instrument is made is being exercised to make or amend provisions imposing, abolishing, or varying tax or provisions in connection with such provision.

15. Contact

15.1 Imran Kalam at HMRC Telephone: 03000 594725 or email: imran.kalam@hmrc.gov.uk can be contacted with any queries regarding the instrument.

15.2 Ian Broadhurst, Deputy Director for Indirect Tax Directorate at HMRC, can confirm that this Explanatory Memorandum meets the required standard.

15.3 Victoria Atkins MP, Financial Secretary to the Treasury, can confirm that this Explanatory Memorandum meets the required standard.