EXPLANATORY MEMORANDUM TO

THE VALUE ADDED TAX (DRUGS AND MEDICINES) ORDER 2014

2014 No. 1111

1. This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

2.1 This Instrument adds to the list of appropriate practitioners who may make supplies of drugs and medicines that are prescribed on prescription and treat such supplies as zero-rated for Value Added Tax ("VAT"). This Instrument adds to the current description of such supplies to include prescriptions issued by physiotherapists and podiatrists.

3. Matters of special interest to the Select Committee on Statutory Instruments.

3.1 None

4. Legislative Context

4.1 The Human Medicines (Amendment) Regulations 2013 (2013 No. 1855) came into force on 20 August 2013. Among other things, these Regulations allowed appropriately trained physiotherapists and podiatrists to be able to prescribe drugs and medicines on prescription in their own right. This Instrument adds physiotherapists and podiatrists to the list of appropriate practitioners in Note 2B to Item 1 of Group 12 of Schedule 8 to the Value Added Tax Act 1994 ("the VAT Act") so that the supplies that these practitioners make on prescription are zero rated when dispensed by a registered pharmacists others similarly authorised.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 The Exchequer Secretary to the Treasury, David Gauke MP has made the following statement regarding Human Rights:

"In my view the provisions of the Value Added Tax (Drugs and Medicines) Order 2014 are compatible with the Convention rights."

7. Policy background

7.1 The zero-rate has been applied to supplies of goods dispensed on prescription since the inception of VAT in 1973. The legal restraints on who may dispense controlled drugs on prescription have changed several times since then. The VAT Act was last updated in this respect by the Value Added Tax (Drugs and Medicines) Order 2009 (2009 No. 2972) which added a list of health professionals, who, in addition to doctors and dentists, were permitted to prescribe zero-rated goods.

7.2 This Instrument ensures that the latest changes to who may prescribe controlled drugs on prescription are also reflected in the VAT Act. While physiotherapists and podiatrists were previously allowed to issue prescriptions as 'supplementary prescribers' under a written clinical management plan prepared by a doctor, the Human Medicines (Amendment) Regulations 2013 allow them to act as independent prescribers once they have undertaken the necessary training.

7.3 The effect of this Instrument is that appropriately trained physiotherapists and podiatrists will be able to prescribe drugs on prescription that are dispensed zero-rated by a pharmacist or another similarly authorised without the supervision of a doctor.

8. Consultation outcome

8.1 No consultation was required as the Order only makes a minor technical amendment.

9. Guidance

9.1 A Revenue and Customs brief will be published announcing the change.

10. Impact

10.1 There is no impact on business, charities or voluntary bodies. The instrument does not increase the volume of drugs and medicines which are allowed to be zero-rated - merely the range of health professionals allowed to prescribe drugs and medicines in their own right.

10.2 There is no impact on the public sector.

10.3 A tax information and impact note covering this instrument will be published and be available on the HMRC website http://www.hmrc.gov.uk/thelibrary/tiins.htm.

11. Regulating small business

11.1 The legislation may apply to small businesses but no impact test has been undertaken because the legislation does not alter the existing tax position.

12. Monitoring & review

12.1 This policy may be kept under review through communication with taxpayer groups affected by the measure.

13. Contact

Hugh Haward at Her Majesty's Revenue and Customs can answer any queries regarding the instrument. Email: Hugh.Haward@hmrc.gsi.gov.uk or Telephone: 03000 585 5839.