

EXPLANATORY MEMORANDUM TO
THE VALUE ADDED TAX (DRUGS, MEDICINES, AIDS AND CHARITIES, ETC.)
ORDER 2016

2016 No. 620

1. Introduction

- 1.1 This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs on behalf of the Treasury and is laid before the House of Commons by Command of Her Majesty.

2. Purpose of the instrument

- 2.1 This instrument amends Groups 12 (drugs, medicines, aids, etc.) and 15 (charities etc.) of Schedule 8 (zero-rating) to the Value Added Tax Act 1994 ("Schedule 8"), following structural changes to health services in the United Kingdom and the Isle of Man.

3. Matters of special interest to Parliament

Matters of special interest to the Select Committee on Statutory Instruments

- 3.1 None.

Other matters of interest to the House of Commons

- 3.2 As this instrument is subject to negative resolution procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 Schedule 8 sets out the supplies to which the zero rate of value added tax shall apply as specified in section 30 of the Value Added Tax Act 1994. In Groups 12 and 15 of Schedule 8, there are out of date references to certain bodies concerned with the delivery of health services in the United Kingdom and the Isle of Man. Structural changes were made to these bodies by the Health and Social Care Act 2012, the Health and Social Care (Reform) Act (Northern Ireland) 2009 and the Isle of Man Transfer of Functions (Health and Social Care) Order 2014. The amendments to Schedule 8 contained in this instrument are necessary to reflect those structural changes.

5. Extent and Territorial Application

- 5.1 The extent of this instrument is the United Kingdom.
5.2 The territorial application of this instrument is the United Kingdom.

6. European Convention on Human Rights

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

“In my view the provisions of the Value Added Tax (Drugs, Medicines, Aids and Charities, etc.) Order 2016 are compatible with the Convention rights.”

7. Policy background

What is being done and why

- 7.1 Health services across the United Kingdom and the Isle of Man have been restructured.
- 7.2 Group 12 of Schedule 8 provides for a zero rate of value added tax on the supply of certain medical and surgical goods but excludes from the zero rate supplies that are made to hospital in-patients and supplies made in cases where a body concerned with the delivery of health services pays for the goods.
- 7.3 Group 15 of Schedule 8 provides for a zero rate of value added tax on the supply of certain goods either directly to or for donation to specified bodies including bodies concerned with the delivery of health services.
- 7.4 In order to maintain the current application or non-application of the zero rate for these supplies, this instrument makes the necessary amendments to reflect the structural changes to the health service bodies concerned.

Consolidation

- 7.5 There are no current plans to consolidate Schedule 8 to the Value Added Tax Act 1994.

8. Consultation outcome

- 8.1 As the amendments made in this instrument are required as a result of the reform of health services and there are no substantive changes to tax policy or the application of value added tax, they have not been subject to consultation.

9. Guidance

- 9.1 The changes to Schedule 8 will be explained in published guidance.

10. Impact

- 10.1 There is no impact on business, charities or voluntary bodies.
- 10.2 There is no impact on the public sector.
- 10.3 A Tax Information and Impact Note has not been prepared for this instrument as it contains no substantive changes to tax policy.

11. Regulating small business

- 11.1 The legislation does not apply to activities that are undertaken by small businesses.

12. Monitoring & review

- 12.1 A review provision is not required since the amendments in this instrument arise from changes to the structure of health services and make no change to tax policy.

13. Contact

- 13.1 Michelle Stokell at Her Majesty's Revenue and Customs Telephone: 03000 585127 or email: michelle.stokell@hmrc.gsi.gov.uk can answer any queries regarding the instrument.