



## **VAT POLICY CORNER**

### **VAT POLICY 59: Pharmaceutical and Medical Products**

The Guyana Revenue Authority (GRA) continues to simplify areas of the Value Added Tax (VAT) Act, with the aim of educating the general public. This policy seeks to address the issue of pharmaceutical and medical products.

Schedule I, paragraph 2 (dd) zero rates a supply of *medical services* and *prescription drugs and over the counter drugs*.

Further, *Regulation 12 (4)* specifies that medical services involve the *diagnosis, treatment, prevention, or amelioration of a disease, including the promotion of mental health, but do not include services for cosmetic reasons other than those required in connection with a disease, trauma, or congenital deformity*.

Accordingly, *pharmaceutical and medical products* for treatment, prevention, or amelioration of a disease, including the promotion of mental health, are zero rated. However, beauty products such as skin blemishing cream fade and toning creams are taxable at the standard rate of sixteen percent, except those specifically manufactured for use by a qualified Medical Practitioner for treatment of a *disease, trauma, or congenital deformity*.

As indicated in VAT Policy 51, Schedule I, paragraph 2A was amended on March 01, 2008 to zero rate “*a supply of vitamins, minerals and tonics for medical or health supplement use excluding items such as energy drinks and food supplements classified under chapter 21 of the Common External Tariff*”.

Consequently, VAT registered businesses that sell vitamins, minerals and tonics used for medical reasons or as a supplement for ones health, *including micronutrient supplements consisting of minerals and vitamins, will charge VAT at the rate of zero percent*.

However, energy drinks such as Red Bull; Impulse; Sting; Liquid Spanish Fly; Lucozade etc. and food supplements **classified under chapter 21 of the Common External Tariff**, will attract VAT at the standard rate of sixteen percent.

Further, Schedule 1, paragraph 2A was also amended on March 01, 2008 to zero rate additional medical supplies and devices, such as, wheelchairs; crutches; hearing aids; glucometers (glucose blood test machines), needles and glucose blood strips made for use with such machines.

It must be highlighted that suppliers or importers of *medical supplies and products* specified above must first make requests for zero rating, by applying to the **Remission Unit of the Guyana Revenue Authority (GRA) at 357, Lamaha & East Streets, Georgetown**

If the applicant satisfies all the requirements of the Remissions Unit and the request is approved by the GRA, a letter will be issued indicating that the product(s) is/are zero-rated.

Applicants who do not apply for zero rating when goods are purchased, but subsequently receives approval may make such supplies at zero rate and claim refunds or deduct input tax credit on such item.

Since the zero-rating of these items became effective from 1<sup>st</sup> March 2008, VAT registered businesses will be allowed input tax credit incurred prior to the zero-rating. Additionally, businesses will be required to account for and remit output tax (VAT charged to customers) to the GRA, prior to the items being zero-rated.

### ***Refund to Registrants***

Where 50% or more of the taxable supplies of a registered person are taxed at 0%, that person can claim a refund of the credits attributable to the zero rated supplies each month.

Conversely, if the input tax credit attributable to the zero rated items account for less than 50%, the excess credit which remains for a tax period, will be refunded after being carried forward and used as input tax creditable in six consecutive tax periods. However, the taxpayer must apply for the refund in the form and with the documentation specified in the regulations.

As such, registered businesses may file for a full refund of input tax credits on a monthly basis **if the zero rated items account for at least fifty percent of the amount of the taxable supplies.**

Moreover, registered businesses which are involved in the sale of mixed supplies, that is, exempt supplies and standard rated and/or zero rated supplies may file a claim **every month** to the Guyana Revenue Authority for a refund of the excess credits **attributable to the zero-rated supplies only.**

If you require additional information or assistance on VAT, feel free to contact the Value- Added Tax and Excise Tax Department situated at 210 'E' Albert and Charlotte Streets or by the telephone numbers 227-7567, 227-7672 or 227- 3696 or the Remissions Unit on telephone numbers 227-8542 or 227-8459.