

# IS VAT ON ESSENTIAL MEDICINES COSTING PUBLIC HEALTHCARE?

All medicines in South Africa, including those identified as essential, are subjected to 15% value-added tax (VAT). This may be hampering healthcare efforts, considering the therapeutic value of certain medicines in the private healthcare sector. High medicine prices in the private sector are a result of mark-ups in the supply chain. One of these mark-ups is government-imposed VAT.



Many medicines deemed essential in the public sector lose this status in the private sector and are taxed equally to cosmetic products and other unregulated items and items of unproven efficacy. While some may argue that this problem only exists in the private sector, several users of the public

health system purchase medicines in the private sector due to medicine shortages in the public sector. Ease of access, privacy, confidentiality and shorter queues generally attract patients, especially those with sexually transmitted infections, to seek treatment in the private sector. This

effectively takes a load off the public health sector.

For the patient, cost savings from removing VAT from essential medicines could be better utilised in purchasing essential food items to sustain and improve a patient's quality of life. The government's reluctance to removing VAT on medicines is perhaps shortsighted.

While it would result in a loss of government revenue, the benefits to quality of life and life expectancy linked to improved accessibility to medicines, as well as savings in costs of medicines which are now borne by the patient, could far exceed the lost revenue.

Government policy-makers should acknowledge that medicine prices should not be treated with a single umbrella policy, as they are not a single commodity, but range from luxury consumption goods to essential life-saving goods. Policies should thus be tailored based on the value of medicines in improving health.



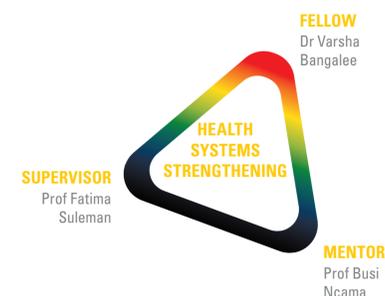
## Towards Research Leadership

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**Bangalee, V., & Suleman, F. (2017).** Cost-savings accruable to removing value added tax from antiretrovirals in the South African private health sector. *Health SA Gesondheid*, 22, 150-156.



Research poster developed in collaboration with Jive Media Africa, research communication specialists. [www.jivemediaco.co.za](http://www.jivemediaco.co.za)

