



## VALUE ADDED TAX ACT 1996

### VALUE ADDED TAX (DRUGS, MEDICINES AND AIDS FOR THE HANDICAPPED) ORDER 1998

*Approved by Tynwald*

18 March 1998

*Coming into operation*

1 January 1998

In exercise of the powers conferred on the Treasury by sections 30(4) and 96(6) of the Value Added Tax Act 1996<sup>(a)</sup>, and of all other enabling powers, the following Order is hereby made :-

#### **Citation and commencement**

1. This Order may be cited as the Value Added Tax (Drugs, Medicines and Aids for the Handicapped) Order 1998 and shall have effect, in relation to supplies made on or after 1<sup>st</sup> January 1998 and any acquisition or importation taking place, on or after that date.

#### **Amendment**

2. Group 12 (supplies of drugs, medicines, aids for the handicapped, etc) of Schedule 9 to the Value Added Tax Act 1996 shall be amended in accordance with articles 3 to 6.

3. In item 1 (supply of goods dispensed under prescription), for “supply of any goods dispensed,” substitute “supply of any qualifying goods dispensed to an individual for his personal use where the dispensing is”.

4. After Note (2) insert -

“(2A) In item 1, “qualifying goods” means any goods designed or adapted for use in connection with any medical or surgical treatment except -

- (a) hearing aids;
- (b) dentures; and
- (c) spectacles and contact lenses.”.

5. In paragraph (b) of Note (3) delete “other than mechanically propelled vehicles intended or adapted for use on roads”.

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<sup>(a)</sup> 1996 c.1.

6. After Note (4) insert -

“(4A) In item 1 the reference to personal use does not include any use which is, or involves, a use by or in relation to an individual while that individual, for the purposes of being provided (whether or not by the person making the supply) with medical or surgical treatment, or with any form of care -

- (a) as an in-patient or resident in a relevant institution which is a hospital or nursing home; or
- (b) is attending at the premises of a relevant institution which is a hospital or nursing home.

(4B) Subject to Notes (4C) and (4D), in item 2 the reference to domestic or personal use does not include any use which is, or involves, a use by or in relation to a handicapped person while that person, for the purposes of being provided (whether or not by the person making the supply) with medical or surgical treatment, or with any form of care -

- (a) is an in-patient or resident in a relevant institution; or
- (b) is attending at the premises of a relevant institution.

(4C) Note (4B) does not apply for the purpose of determining whether any of the following supplies falls within item 2, that is to say -

- (a) a supply to a charity;
- (b) a supply by a person mentioned in Note (4H) of an invalid wheelchair or invalid carriage;
- (c) a supply by a person mentioned in Note (4H) of any parts or accessories designed solely for use in or with an invalid wheelchair or invalid carriage.

(4D) Note (4B) applies for the purpose of determining whether a supply of goods by a person not mentioned in Note (4H) falls within item 2 only if those goods are -

- (a) goods falling within paragraph (a) of that item;
- (b) incontinence products and wound dressings; or
- (c) parts and accessories designed solely for use in or with goods falling within paragraph (a) of this Note.

(4E) Subject to Note (4F), item 2 does not include -

- (a) a supply made in accordance with any agreement, arrangement or understanding (whether or not legally enforceable) to which a person mentioned in Note (4H) is or has been a party otherwise than as the supplier; or
- (b) any supply the whole or part of the consideration for which is provided (whether directly or indirectly) by a person mentioned in Note (4H).

(4F) A supply to a handicapped person of an invalid wheelchair or invalid carriage is excluded from item 2 by Note (4E) only if -

- (a) that Note applies in relation to that supply by reference to a person mentioned in Note (4H); or
- (b) the whole of the consideration for the supply is provided (whether directly or indirectly) by a person mentioned in Note (4H).

(4G) In Notes (4), (4C) and (4F), the references to an invalid wheelchair and to an invalid carriage do not include references to any mechanically propelled vehicle which is intended or adapted for use on roads.

(4H) The persons referred to in Notes (4C) to (4F) are -

- (a) the Department of Health and Social Security; or
- (b) another person who is engaged in the carrying out of any activity in respect of which a relevant institution is required to be approved, licensed or registered as the case may be, would be so required if not exempt.

(4I) In Notes (4A), (4B) and (4H), "relevant institution" means any institution (whether a hospital, nursing home or other institution) which provides care or medical or surgical treatment and is either -

- (a) approved, licensed or registered in accordance with the provisions of any enactment; or
- (b) exempted by or under the provisions of any enactment from any requirement to be approved, licensed or registered."

Made 28/1/98



Minister for the Treasury

EXPLANATORY NOTE  
(This note is not part of the Order)

This Order, which comes into operation on 1<sup>st</sup> January 1998, amends Group 12 of Schedule 9 to the Value Added Tax Act 1996.

Article 3 amends Item 1 of the Group and requires that, for zero-rating to apply, the goods must be qualifying goods and that they must be dispensed by a pharmacist, doctor or dentist to an individual for his personal use. Article 4 inserts a new Note (2A), which defines qualifying goods for the purposes of item 1.

Article 6 inserts new Notes (4A) to (4I) which restrict Items 1 and 2 of the Group.

Note (4A) provides that the supply of qualifying goods is not eligible for zero-rating if those goods are used while a person is receiving medical or surgical treatment or care in, or whilst attending a hospital or nursing home.

Note (4B) provides that the supply of medical and surgical appliances is not eligible for zero-rating if those goods are used while a handicapped person is receiving care or medical or surgical treatment in, or whilst attending a hospital, nursing home or other institution. These hospitals, nursing homes and other institutions (“relevant institutions”) are defined in Note (4I).

Note (4C) provides that Note (4B) does not apply for the purposes of determining whether supplies to charities and supplies of invalid wheelchairs and carriages and parts and accessories thereto by persons mentioned in Note (4H) are within item 2.

Note (4D) provides that goods of a description falling within item 2 (but not medical or surgical appliances, parts and accessories thereto, incontinence products and wound dressings) can be supplied at the zero-rate to handicapped persons receiving medical or surgical treatment or any form of care in a relevant institution by persons other than those mentioned in Note (4H). Note (4E) however provides that if such other suppliers make the supply in accordance with an agreement, arrangement or understanding to which a person mentioned in Note (4H) is or has been a party or has paid for the goods then the supply will be excluded from the zero-rate. Note (4F) provides that the supply of an invalid wheelchair or invalid carriage will only be excluded from the zero-rate by Note (4E) if a person mentioned in Note (4H) is or has been a party to the supply or paid for it in whole or in part or a person mentioned in Note (4H) has paid the whole of the consideration for the supply. Note (4G) defines invalid wheelchair and invalid carriage for the purposes of the Group and Article 5 makes the necessary consequential change to Note (4).