

INVESTIGATION OF THE MODERN APPROACHES TO THE TAXING ON MEDICINE IN THE INTERNATIONAL PRACTICE

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Taxes typically make up about 20-30% of the retail price of medicines the consumer pays. Thus, reducing taxes on medicines can lower prices and increase accessibility, which is one of the main priorities of National drug policy. The percentage of government revenue earned from drug taxes is negligible and about 0.03-1.7% of the total tax revenues in different countries, according to the WHO data. However, effective tax systems are needed to ensure adequate public funding of health services, including the financing of medicines to provide access to low-income groups of the population.

In most European countries, VAT is applied at a standard rate of 15 to 25%. However, five of them apply a zero VAT rate to some or all medicines. 21 country applies a lower tax rate (from 2.1 to 11%) to some or all medicines. For example, in Austria, the Czech Republic, Finland, Slovakia, the value added tax rate is 10% for all medicines, in Estonia - 9%, in Poland - 8%, in Croatia - 5% for prescription drugs, in Cyprus, in Lithuania, Hungary - 5% for all medicines, in the United Kingdom - 0% for all drugs, in France, for certain categories of medicines, a rate of 2.1% is foreseen, in Spain - 4%, in Portugal, Greece and the Netherlands - 6%. In cases where countries apply lower or zero rates to certain medicines, this usually applies to the prescription drugs or reimbursed drugs, whereas the rest medicines are taxed at standard rates. Some LMICs (low and middle income countries) have complex taxation mechanisms. An important difference between high income countries (HICs) and the LMICs on the impact of taxes on the availability of medicines is that almost all HICs have comprehensive or almost all-round health insurance coverage or public health coverage. In LMICs, on average, about 48% of healthcare costs come from out of pocket, and the average is a few percentage points higher in middle-income countries.

More effective use of drugs for the prevention and treatment of chronic diseases can also provide cost savings. It makes a political, economic and social sense to promote a "healthy tax strategy" that combines tax cuts on some medicines with increase taxes on unhealthy foods such as tobacco excises, alcohol and unhealthy food high-fat etc.