



**Submission by the Irish Pharmacy Union to
the Department of Finance Consultation on
the VAT Treatment of Food Supplement
Products**

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1. Introduction

The Irish Pharmacy Union (IPU) is the representative and professional body for community pharmacists. With over 2,300 members working in 1,761 pharmacies (95% of all community pharmacies), our mission is to promote the professional and economic interests of our members.

Community pharmacies are largely family-owned businesses (89%) which are part of the fabric of the local communities they serve, employing over 26,000 full and part-time staff and contributing over €2 billion to national GDP both directly and indirectly. There are 1.5 million visits to pharmacies every week; half the population lives within 1km of a pharmacy, with 88% living within 5km. Pharmacies in Ireland are among the most accessible by comparison with other developed countries.

The IPU welcomes the opportunity to make a submission to the consultation on the VAT Treatment of Food Supplement Products. We are, however, disappointed at the scope of the document, which is founded on the premise that VAT is to be applied to food supplements. It is our position that the zero rate of VAT should be retained for all food supplements and that this should be recognised in the Finance Act 2019 and in Budget 2020, and it is on that basis that we are responding to the consultation and each of the questions posed.

We oppose the introduction of VAT on food supplements and are calling for the retention of the zero VAT rate on the following grounds:

2. Health Impact

- For the last 40 years, the majority of food supplements supplied by pharmacies in Ireland, such as vitamins, minerals and fish oil products, have been zero-rated for VAT on the basis that they encourage the maintenance of health, through the sustenance derived from a normal, healthy diet.
- Diet, exercise and food supplements have become important components in supporting general wellbeing, and introducing an additional cost will be a significant additional burden on people who require food supplements for health reasons and are taking them under the recommendation of a health professional.
- According to an iReach survey commissioned by the Irish Health Trade Association, (IHTA), in 2018, 71% of Irish people buy vitamin, mineral and other food supplements all

year round, with 73% of those regular consumers doing so to “maintain and improve ongoing adult health”.

- The Government has called for a change in the health and wellbeing profile of our country and the vision for this is in the Healthy Ireland Framework 2013 – 2025. The vision of a Healthy Ireland is where everyone can enjoy physical and mental health and wellbeing to their full potential, where wellbeing is valued and supported at every level of society and is everyone’s responsibility. In the context of a VAT rate of 13.5% being applied to fatty and sugary foods, the threat of applying a 23% rate on health foods is entirely incompatible with the vision and intent of the Healthy Ireland Framework.
- In order to support a credible whole-of-Government approach to implementing the Healthy Ireland strategy, products that are used daily by Irish people to sustain and maintain their health should not be subject to disproportionate State-imposed cost increases in the form of increased VAT on those products.

3. Economic Impact

- The introduction of VAT on Food Supplements could have a significant impact on sales of the products in community pharmacies the length and breadth of the country. In some cases, as much as 20% of a pharmacy’s turnover is reliant on sales of food supplements. After suffering serious cuts to pharmacy incomes as a result of a decade of State-imposed cuts to pharmacy fees and margins, a VAT-related reduction in sales due to price-sensitive consumers being unable to afford these products would have a material effect on sustainability of pharmacy services in certain areas.
- As the most accessible part of the healthcare system, pharmacies, particularly those in rural, isolated and disadvantaged areas, are often the only source for the local population including elderly patients to access these products. The proposed VAT increase may lead to pharmacies in these areas having to reduce the range of product that they carry, due to their reduced sales no longer meeting supplier-imposed ordering thresholds, thus resulting in less choice and access for the public.
- The IPU has serious concerns that the imposition of VAT on food supplements will drive some people to purchase products online, with no guarantees as to their provenance and no oversight or enforcement of quality or safety standards for the products, which will expose people to significant health risk.
- With the threat of Brexit and the accompanying uncertainty still hanging over businesses, together with ongoing significant increases being experienced in business-related costs including rents, wages, insurance and energy costs, pharmacy businesses, particularly smaller pharmacies, can ill-afford more disruption to their business as will invariably be the case if VAT is introduced on food supplements.

4. Conclusion

As set out above, the IPU is concerned that applying a 23% VAT rate, across the board, on all food supplements, will negatively impact their affordability for less well-off people, the elderly and those with ongoing health issues who are trying to maintain their health. The IPU strongly recommends a retention of the zero VAT rate on all food supplements.

The Irish Pharmacy Union would like to thank the Department for the opportunity to express our views on the Consultation on the VAT Treatment of Food Supplement Products. The IPU is available to meet at any time to discuss this submission.