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On 5 April 2014 the CPME Board adopted the 'CPME response to the public consultation on the review of existing VAT legislation on public bodies and tax exemptions in the public interest' (CPME 2014/016 FINAL)

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**CPME Response to the public consultation on the review of existing VAT legislation on public bodies and tax exemptions in the public interest**

*The Standing Committee of European Doctors (CPME) represents national medical associations across Europe. We are committed to contributing the medical profession's point of view to EU and European policy-making through pro-active cooperation on a wide range of health and healthcare related issues.<sup>1</sup>*

CPME welcomes the opportunity to comment on the public consultation on the VAT legislation on public bodies and tax exemptions in the public interest.

CPME is aware of the complex balance that VAT policy has to achieve. On the one hand, the exemption for healthcare services creates a situation in which healthcare providers become the end user of the process. This has implications not only for professionals, but also for public investment in healthcare, since spending intended for healthcare services is partially lost to VAT, creating a cycle in which public spending from healthcare budgets flows to public income in VAT, while the actual amount invested in healthcare services is in fact reduced by the VAT spent.

On the other hand, the exemption for healthcare services contributes to ensuring an equitable access to healthcare services for patients. VAT increases the cost of services, thus posing a greater burden on the payer. Also, VAT is commonly held to be an inequitable form of taxation since its non-progressive nature does not take into account individual capacity to pay, thus affecting low-income households more than high income environments. Its application to pharmaceuticals, for example, increases the cost of medicines and is shown to deter patients from buying prescription and other medicines, in particular where expenses are not reimbursed by health insurance and must be borne by the patient. A review of VAT rates for pharmaceuticals may therefore also be appropriate, to allow for a better response to national contexts.

CPME believes that access to high quality healthcare is not so much a service provision but a fundamental right which should be available to every patient regardless of legal or economic status<sup>2</sup>. This access must therefore be safeguarded and supported by the legislative framework through which it is regulated. CPME therefore supports maintaining the existing exemption for healthcare

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<sup>1</sup> CPME is registered in the Transparency Register with the ID number 9276943405-41.

More information about CPME's activities can be found under [www.cpme.eu](http://www.cpme.eu)

<sup>2</sup> Please find more information on this position in the "[CPME Policy on Health Inequalities](#)", adopted in 2011; [CPME mission statement](#);

services and supports its application in primary, secondary and tertiary care. At the same time, CPME would like to encourage a review of the tax burden the exemption poses on practitioners and healthcare settings with a view to removing any obstacles for investment in care.

CPME looks forward to contributing to the future discussions on this important topic and rests at the European Commission's disposal for further consultation.