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## VAT: REDUCED RATE FOR SMOKING CESSATION PRODUCTS

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### Who is likely to be affected?

1. Suppliers and consumers of smoking cessation products.

### General description of the measure

2. Secondary legislation will be introduced to ensure that the reduced Value Added Tax (VAT) rate of 5 per cent for 'over the counter' sales of pharmaceutical smoking cessation products will continue to have effect.
3. Smoking cessation products that are dispensed on a prescription will remain zero-rated.

### Operative date

4. This measure will have effect on and after 1 July 2008.

### Current law and proposed revisions

5. Smoking cessation products dispensed by a pharmacist on the basis of a prescription of a medical practitioner are already zero-rated by the VAT Act 1994. This measure will not affect smoking cessation products supplied in these circumstances.
6. The reduced rate of 5 per cent has effect for all other supplies of pharmaceutical smoking cessation products, including supplies made over the internet. This includes all non-prescribed sales of patches, gums, inhalators and other pharmaceutical products held out for sale for the primary purpose of helping people to quit smoking.
7. To coincide with the smoking ban in England, the VAT (Reduced Rate) Order 2007 (SI 2007/1601) introduced Group 11 of Schedule 7A to the Value Added Tax Act 1994. The Order specified that this reduced rate was to have effect in relation to supplies of smoking cessation products made on or after 1 July 2007 but before 1 July 2008. Secondary legislation will be laid before Parliament to extend the reduced rate beyond 30 June 2008.

## **Further advice**

8. If you have any questions about this change, please contact the National Advice Service on 0845 010 9000. Information about Budget measures is available on the HM Revenue & Customs website at [www.hmrc.gov.uk](http://www.hmrc.gov.uk)