



# Temporary VAT measures in relation to Covid-19 vaccines and in vitro diagnostic medical devices

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## In brief

The European Commission has approved the adoption of new VAT measures which will enable Member States to relieve EU hospitals, medical practitioners and individuals of VAT when acquiring COVID-19 vaccines and in vitro diagnostic medical devices (testing kits).

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## In detail

The coronavirus pandemic created the need for the adoption of extraordinary measures in all policy areas globally. Following recent ground-breaking announcements by global pharmaceutical players in relation to a vaccine that can prevent COVID-19, the European Commission is now intensifying work to prepare for the roll-out of new vaccines in the EU in order to combat the pandemic.

The European Commission has decided to apply a zero VAT rate to COVID-19 vaccines and a reduced or zero VAT rate to in vitro diagnostic medical devices, as well as closely related services. According to Council Directive (EU) 2020/2020, the zero or reduced VAT rate may only be applied to medical devices that are in conformity with the conditions laid down in the relevant EU healthcare legislation and to vaccines authorized by the Commission or by Member States.

Before the introduction of these measures, Member States could apply reduced VAT rates on sales of vaccines but not a zero rate, while diagnostic medical devices could not benefit from reduced rates. Under the amended Directive, Member States will be able to apply the zero VAT rate on vaccines and the zero or reduced VAT rate on diagnostic medical devices.

To allow an immediate response from Member States, these special measures entered into effect from the day after their publication in the Official Journal of the European Union on 12 December 2020 and will apply until 31 December 2022. However, the situation will be reviewed before that date, and the period of application may be extended if necessary.

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## The takeaway

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The adoption of the above measures will help to ensure that coronavirus vaccines and testing kits can be acquired VAT-free throughout the EU. The successful roll-out of the vaccines is crucial for Europe to emerge from the shadow of the pandemic. The adoption of the zero or reduced VAT rate locally in Cyprus, will have to follow an amendment of local VAT legislation. We are closely monitoring and will keep you updated on the developments in this area.

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## Let's talk

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For a deeper discussion of how this case might affect your business and your input VAT recovery right, please contact:

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