

Policy Brief 5 - Sales Taxes on Medicines

Taxes commonly make up 20-30% of the final price people pay for medicines (1). Reducing or removing taxes on medicine sales may reduce prices and improve access. The objectives of design of the tax system can be summarised as “to raise money from individuals and the private sector in as efficient, equitable and administratively least costly fashion as possible”. Designing a tax system requires balancing these objectives. The percentage of public revenue raised from medicine taxes appears to be small at 0.03-1.7% of total tax revenue in the sample of country data analysed for the review. (p.21) However, effective tax systems are needed to provide adequate public financing for health services, including financing of medicines to ensure access for the poor. With this in mind, the review looked at whether there is a case for “taxing differently” to improve access to medicines while maintaining or increasing tax revenue.