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**THE IMPACT OF TAXATION OF THE SUPPLY
OF MEDICINES AND MEDICAL PRODUCTS
ON PUBLIC PROCUREMENT**

The article investigates the impact of taxation of the supply of medicines and medical products on government procurement of goods.

The level of prices on procured medicines (drugs) and medical products (MP) as a result of the auction is always under the scrutiny of the public, the media, and regulatory bodies.

Before April 1, 2014 delivery of drugs and MP permitted for use in Ukraine and included into the State Registry of Medicines (including those that are sold by pharmacy institutions), as well as MP according to the list approved by the Cabinet of Ministers of Ukraine were exempted from taxation (subparagraph 197.1.27 paragraph 197.1 article 197 of the Tax Code as amended on March 13, 2014).

Since April 1, 2014, there started the taxation of operations with the supply of drugs at a rate of 7 percent. Accordingly, the level of prices for these goods has increased.

The amount of funds provided by the State Budget and local budgets for procurement of medical goods in 2014 was formed on the basis of last year's levels of prices for drugs and MP. Therefore, the addition of VAT in the price of these goods, will make the state buy them in

a smaller number than the one that was planned. In addition, supply of drugs and MP for the execution of contracts on the procurement is carried out with application of the tax rate of 7 percent, regardless of the fact that their acquisition was realized in conditions of the preferential regime of taxation. According to the Law of Ukraine "On Government Procurement", it is forbidden to increase the price in the purchase contract. All this leads to the necessity of making changes in the purchase agreements in the direction of decreasing the number of the purchased goods to the amount that will not exceed the value claimed in the contract.

Thus, the impact of the introduction of taxation of the supply of drugs and MP in public procurement is manifested in the increase of prices for these commodities on the subject of public procurement, and reduction of the amount of their public procurement.

With the purpose to settle the situation in connection with the performance of contracts on delivery of drugs and MP purchased before April 1, 2014, it is expedient to make amendments in the tax code, releasing from taxation delivery of drugs and MP, which are carried out in pursuance of the state procurement contracts concluded before April 1, 2014.

