

## **PUBLIC NOTICE: VAT TREATMENT OF THE SUPPLY OF MEDICINES OR ALLIED SUBSTANCES**

The Zimbabwe Revenue Authority (ZIMRA) has noted that some taxpayers are incorrectly treating medicines and allied substances for Value Added Tax (VAT) purposes and would like to provide clarity to that effect.

1. Section 10(1)(j) of the Value Added Tax Act [Chapter 23:12] provides for zero rating if “...*the goods consist of medicines or allied substances within the meaning of the Medicines and Allied Substances Control Act [Chapter 15:05] which are prescribed for the purposes of this subsection.*” Such goods are zero rated if and only if they are prescribed i.e. listed as zero rated in the VAT Regulations. At the moment there are no prescribed zero rated “medicines or allied substances”
2. However, with effect from 1<sup>st</sup> January, 2024 the medicines and allied substances medicines and allied substances are now prescribed on the exemptions schedule i.e. First Schedule to the Value Added Tax Regulations (SI 273 of 2003), and thus exempt from VAT (SI 248 of 2023 refers).
3. Affected persons are therefore advised to take note of this new treatment from January 2024 and check if the correct treatment is being applied. VAT registered operators must therefore, EXEMPT and **not** ZERO-RATE the supply. It’s important to also note that the supply of any medical services by any person or institution is exempt from VAT in terms of section 11(h) of the VAT Act.
4. Any person or institution that may have applied a wrong treatment should engage ZIMRA in rectifying the anomaly and this should be done by 30 June 2025.

### **Please Note:**

- Those who are dealing exclusively in exempt supplies would need to deregister for VAT.
- Those dealing partly in taxable supplies and partly in exempt supplies would need to, where applicable, apportion and only claim their input tax to the extent to which it is incurred for the purposes of making taxable supplies.

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**Public Notice 34 of 2025, issued on 04/06/2025.**

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