Downloaded from Blogs on 23.11.2026 05:22

By PwC Deutschland | 15 November 2012

Medicine rebates to state system health funds reduce turnover for VAT

The finance ministry has decreed that pharmaceutical companies reduce their turnover for VAT with their rebates to state system health funds, but not with rebates paid to private health insurers.

Downloaded from Blogs on 23.11.2026 05:22

Employees earning less than a set limit are required to take out health insurance with one of a series of privately organised health funds run under close state supervision. Those earning more may leave the state system, provided they take out at least equivalent cover with an insurance company. Self-employed individuals and those of similar status may not join the state scheme, but must take out private cover. Government officials are automatically covered by a separate, non-contributory scheme.

Members of the state scheme obtain their medicines from apothecaries (chemists) on a doctor's prescription. They may have to pay a small excess charge, but the main charge is billed by the apothecary to the patient's health fund. Privately insured persons and officials, on the other hand, pay the apothecary the full charge, all or most of which they can recover from their insurance company. In either case, the pharmaceutical company making the original supply (manufacturer, wholesaler or importer) is legally obliged to grant a bulk rebate to the health fund or insurance company. However, the method is different; health funds receive their rebates from the apothecary, who then charges them back to the supplier, whilst insurance companies charge the supplier direct.

According to finance ministry decree to be applied to all cases still open, these different payment system lead to differing VAT treatment and therefore to different VAT burdens. Rebates to health funds are paid by the apothecaries but are borne by the suppliers. The payment stream thus mirrors that of the original charge. Accordingly, the rebate is a subsequent reduction of turnover for all concerned. An insurance company, on the other hand has no direct contractual relationship with the supplier, but only with the patient as the insured person. Accordingly, the rebate paid by the supplier is not a reduction of turnover, but a separate event. The VAT borne by the insurance company is not reduced.

Keywords

health fund, rebate