

# News Flash

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**The judgment of Court of Justice of the European Union regarding VAT rate for medical products containing cystine and cysteine**

## The judgment of Court of Justice of the European Union regarding VAT rate for medical products containing cystine and cysteine

On 4th June 2015 by issuing preliminary ruling in case C-678/13 the Court of Justice of the European Union ended the dispute between European Commission and Republic of Poland regarding application of reduced VAT rate for delivery of some medical products. Court of Justice ruled that Poland have partly infringed the EU directive, among others by applying 8% VAT rate for delivery of cystine and cysteine.

In European Commissions opinion, the reduced VAT rate may be used towards these substations, as long as they are sold to consumers as finished product. Cystine and cysteine used as a component of other products or preparations should be covered by the basic VAT rate.

The argumentation of Poland to the presented accusation relied on defending the opinion that cystine and cysteine and their derivatives may constitute finished pharmaceutical product. Due to that fact they can be introduced to the trading as autonomous products.

Finally the Court of Justice agreed with the European Commission. Currently used VAT rate for cystine and cysteine being component of other products is a violation of the EU law. In the opinion of Court of Justice current wording of the regulations allows to apply reduced VAT rate for delivery of substances designated for use as indirect products.

The judgment of the Court of Justice forces Poland to change the regulations related to application of reduced VAT rate due to discussed substations. In connection with the above the producers of pharmaceutical products should be prepared, that in the nearest future taxation with the VAT tax of delivery of cystine, cysteine and their derivatives being components of other products will increase.

Cystine and cysteine are amino acids having versatile pharmaceutical application. They are frequently used as a component of various types of diet supplements.

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