



POSITION STATEMENT

GST-Free Medicines

Position

The Pharmacy Guild of Australia (the Guild) supports the continued exemption of Goods and Services Tax (GST) on medicines and professional pharmacy services supplied through community pharmacies.

Access to essential medicines is a fundamental component of equitable health care, and the Guild maintains that no patient should face additional financial barriers due to GST being applied to therapeutic products or to the professional services that support their safe and effective use.

Pharmacy Services and Scope of Practice

Medicines supplied through community pharmacy are not ordinary retail products and should continue to be treated as GST-free under Division 38 of the *A New Tax System (Goods and Services Tax) Act 1999*¹. Maintaining this exemption is essential to ensure patients can access necessary treatments and to uphold the principles of quality use of medicines. Professional pharmacy services, including clinical advice, medicines management and therapeutic support, should also remain GST-free.

The Guild considers that legislative clarification is required so the scope of GST-free pharmacy services is clearly defined and applied consistently. A comprehensive review of Section 38.10 is needed to ensure the Act reflects the contemporary scope of pharmacy practice and the contribution pharmacists make to patient health and wellbeing.

Supply Chain

The Guild is concerned that the current GST collection model creates unnecessary administrative and financial burden for community pharmacies. Pharmacies supplying GST-free goods must pay GST upfront to wholesalers and manufacturers and then reclaim it through Business Activity Statement (BAS) claims. This arrangement forces pharmacies to extend interest free loans within the supply chain and creates sustained negative cash flow pressures that undermine business viability.

The Guild continues to emphasise the importance of GST arrangements that keep medicines and the professional services provided by health professionals GST-free throughout the entire supply chain. Ensuring that pharmacy products and services retain their GST-free status at every stage would help reduce administrative burden and unnecessary red tape for community pharmacies. Greater consistency in GST treatment would also strengthen the long-term sustainability of pharmacy businesses, enabling them to operate more efficiently and remain focused on delivering high-quality care to patients.

Furthermore, consistent and equitable GST-free treatment across the supply chain supports the principle that medicines should remain tax-free from manufacturer to patient. This approach safeguards the affordability of necessary treatments, promotes fairness within the health sector, and upholds the integrity of the community pharmacy network.

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Ref: [SP1000-901805690-552](https://www.guild.org.au/SP1000-901805690-552)

Background

Australia's Goods and Services Tax (GST) was introduced under the Howard Government's Tax Reform: Not a New Tax, A New Tax System package, announced in August 1998, legislated in 1999 and commencing on 1 July 2000. The reform established a broad-based 10 per cent GST and allocated GST revenues to the States as part of the transition arrangements.

Under current ATO guidance², medical services are GST-free where a Medicare benefit is payable or where the service is clinically necessary and provided by, or on behalf of, a medical practitioner. A defined range of other health services, including dental, nursing, physiotherapy, psychology and Aboriginal and Torres Strait Islander health services, are also GST-free when delivered by recognised professionals and accepted as appropriate treatment.

Within community pharmacy, prescription medicines, including PBS items, are GST-free, and certain analgesics may also be GST-free when determined by the Health Minister. By contrast, general retail lines such as cosmetics and many over-the-counter vitamins are taxable.

Greater clarity in GST treatment would reduce unnecessary compliance burdens, help alleviate cash flow pressures and better reflect the original intent of GST-free arrangements for essential medicines. The current framework does not fully align with contemporary pharmacy practice and leads to complexities that affect both pharmacies and the Australian Taxation Office. A clearer and more coherent approach would enable pharmacies to direct more of their resources toward patient care.

At the same time, the scope of practice for community pharmacists continues to expand as pharmacists take on a broader role in delivering primary health care. These services are being embedded within modern pharmacy practice and contribute directly to safe, high-quality use of medicines. As pharmacy services increasingly reflect their clinical purpose, it is important that GST settings appropriately recognise this work as essential health care. Aligning GST treatment with the recognised scope of pharmacy practice helps maintain affordability for patients and supports the sustainability of service delivery across the community pharmacy network.

Related Statements

N/A

Authority

Endorsed

National Council – May 2026

Reviewed

Policy & Regulatory Sub-committee – May 2026

¹ <https://www.legislation.gov.au/C2004A00446/latest/text>

² <https://www.ato.gov.au/businesses-and-organisations/gst-excise-and-indirect-taxes/gst/in-detail/your-industry/gst-and-health/health-goods>