

Spring Budget 2024 - Stakeholder Representation

The case for change: ending an unjust tax on hearing loss

The Hearing Loss and Deafness Alliance (29 organisations spanning the voluntary and independent sectors and professionals working in the NHS) has called on the Chancellor of the Exchequer to [stop taxing hearing aids](#).ⁱ

As a member of the Alliance and the leading representative body for primary care audiology providers in the UK, we are calling on the government to use its post EU freedoms to apply zero-rated VAT to hearing aids prescribed by a registered healthcare professional. In our submission below, we set out the case and evidence for change. We would be happy to meet to provide more evidence and discuss further, if necessary.

Legislation and policy change

1. The VAT Act 1994 (“the 1994 Act”) specifically excludes hearing aids from the list of medical treatments and equipment that are zero-rated. This is because the 1994 Act:
 - pre-dates modern disability discrimination legislation in the UK and is unjust
 - fails to recognise the evidence on the impacts of hearing loss and the benefits of hearing aids
 - is based on the outdated and incorrect assumption that hearing aids are akin to spectacles and contact lenses.¹
2. Since 1994 there have been major advances in our understanding of the impacts of hearing loss and the benefits of hearing aids, including:
 - hearing loss is the third leading cause of years lived with disability in the UK²
 - hearing aids are clinically effective and the primary intervention for permanent hearing loss³
 - the Lancet commission on dementia states that hearing loss is the single largest modifiable risk factor for dementia (see Figure 1) and that studies suggest “hearing aid use is protective” and that “we need to help people wear hearing aids” to help reduce risk⁴
 - the Government guidance on the Equality Act 2010 acknowledges that hearing loss and the use of hearing aids should not be assessed in the same way as spectacles with respect to addressing impairment because hearing aids ameliorate some of the effects of hearing loss but do not reverse or cure it.⁵
3. After leaving the EU, the government now has the freedom to independently review the evidence and change the rate of VAT on hearing aids. Whilst the Treasury and HMRC have not yet updated their evidence on hearing aids, it is important to note that the Department for Health and Social Care (DHSC), NHS England (NHS) and NICE all recognise hearing loss as a disability and the important role hearing aids play in reducing the impact of hearing loss on quality of life.⁶

ⁱ Hearing Loss and Deafness Alliance, Position Statement: Time to stop taxing hearing aids.
https://www.hearinglossanddeafnessalliance.com/downloads/documents/KH9NGAKRFF_VAT_on_hearing_aids.pdf

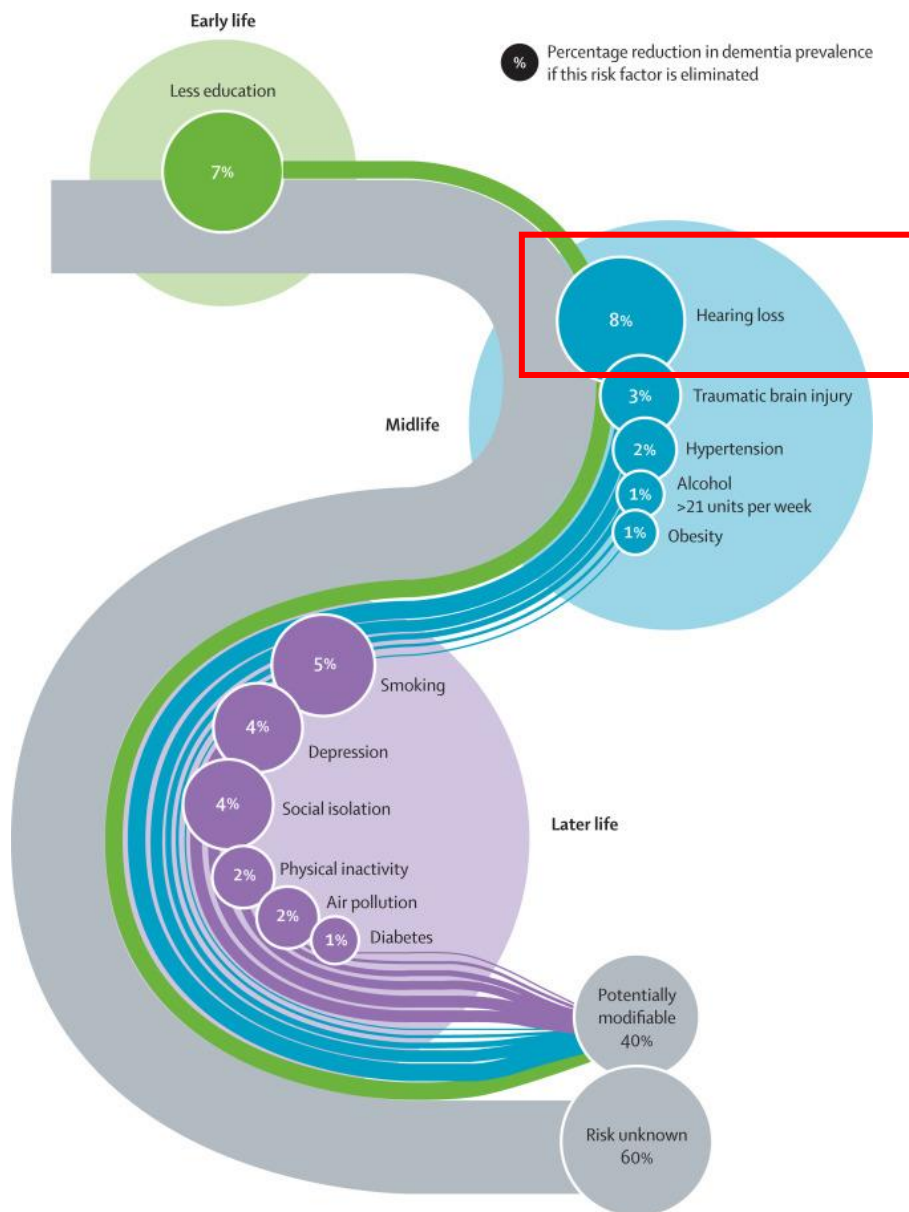


Figure 1: Source Lancet Commission report on modifiable risk factors for dementia⁷

4. Hearing loss is a disability and also a protected characteristic (see box 1) which makes the 1994 Act out of date and out of step with modern disability and discrimination policy. It is our view that the rate of VAT on hearing aids should reflect this thinking as part of the Treasury and HMRC's Public Sector Equality Duty (PSED).
5. To achieve this change, we propose that the VAT Act 1994, Schedule 8, Group 12, Drugs, Medicines and Aids for the Disabled be updated to zero-rated VAT on hearing aids prescribed by a healthcare professional.ⁱⁱ We set out in the section below how the benefits of doing this will far outweigh the costs.

ⁱⁱ This would include qualified/registered audiologists (e.g., HCPC registered hearing aid dispensers and audiologists registered with the AHSC) and ENT doctors.

- The NHS⁸, NICE⁹, DHSC¹⁰ and the Disability unit¹¹ all acknowledge that hearing loss is a disability.
- NICE, NHS and DHSC acknowledge that hearing loss has a long-term and sustainable effect on a person's daily life.¹²
- Hearing loss is one of the most common long-term conditions (chronic, bilateral and slowly progressive) and the third leading cause of years lived with disability in the UK.¹³ Despite this, people with hearing loss will pay a higher rate of VAT on devices aimed at reducing the impact of their disability, than groups with other disabilities.
- The evidence shows that hearing aids do not restore hearing but rather minimise the impact of hearing loss.¹⁴ As a result, government guidance on the Equality Act 2010 acknowledges that people with a hearing loss - who require hearing aids - are different in kind from those individuals who achieve normal vision with spectacles.¹⁵
- Most people with permanent hearing loss (age-related, noise-induced and other forms) meet the definition of having a disability based on government advice.¹⁶ People with this disability wishing to access self-funded hearing aids (for instance because of NHS waiting times) will however be disadvantaged by having to pay a higher level of VAT than people with comparable disabilities.

Box 1: Summary of evidence of hearing loss as a disability

Costs and benefits

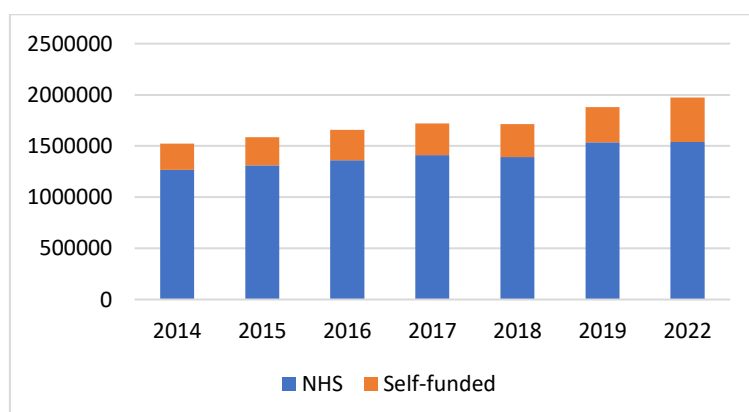
6. Unaddressed hearing loss is recognised as a major and growing public health and societal challenge by NICE, the NHS, local and international public health experts, and the World Health Organization (WHO).¹⁷ This is because unsupported hearing loss is associated with communication difficulties and an increased risk of:
 - social isolation and loneliness
 - depression
 - dementia and cognitive decline
 - other mental health issues.¹⁸
7. In addition, people with hearing loss are also more likely to have to leave the workforce earlier as a result of their hearing loss.¹⁹
8. WHO warns that age-related hearing loss "poses the greatest societal and economic burden from hearing loss across the life course".²⁰ To increase individual work life and independence, we must address age-related hearing loss - the primary use of hearing aids - by increasing our efforts in early diagnosis and support to encourage active ageing.²¹
9. Given the risks associated with unmet hearing needs, it is unsurprising that hearing loss is estimated to cost the UK economy almost £25bn per annum in terms of lost output

alone.²² This is without the health and care costs which flow from unmet hearing needs (see para 6 and 10).

10. Independent high-quality evidence shows that hearing aids help reduce the impacts, risks and costs associated with hearing loss which is why public policy needs to focus on earlier diagnosis and take-up of hearing aids.²³
11. While the NHS struggles to meet growing hearing needs, people across the UK who choose to self-fund their hearing care are disadvantaged by an unfair tax on their hearing loss.
12. It is unfair that the 24% of people who take action to improve their own health, age well, work for longer, and reduce pressure on NHS services, by self-funding their hearing care²⁴ should be put at a disadvantage because of an unjust and outdated standard 20% rate of VAT on hearing aids - in contrast to most other disability aids that are zero rated.
13. Across the water in the Republic of Ireland the rate of VAT on hearing aids is 0% because they are recognised as an essential device and part of healthcare.²⁵ The UK however could not zero-rate hearing aids whilst it remained in the EU due to archaic single market rules.ⁱⁱⁱ Following its exit and newfound freedom to set its own VAT rates, the UK must act now.
14. Applying zero-rated VAT to hearing aids will further drive down costs in a competitive market through choice and result in lower prices per patient, directly benefiting people with hearing loss. In addition, reducing prices will help more people access hearing care and bring new economies of scale, further reducing costs and improving access. This will benefit individuals through early diagnosis and support for hearing loss and as a result benefit the health and care system and the wider economy by reducing workplace exits and the societal costs associated with cognitive decline, depression and social isolation.²⁶
15. To estimate the tax cost of zero-rating VAT on hearing aids we submitted Freedom of Information requests to the Treasury and HMRC about the total VAT levied on hearing aids in the UK. Unfortunately, neither the Treasury nor HMRC hold this data. This means it is not possible to state for certain how much zero-rated VAT on hearing aids would cost so we have estimated the maximum cost to the Treasury as follows:
 - a. We analysed the total number of hearing aids sold in the UK which has grown at an average rate of 4% per year (see graph 1). We take 2022 as our base year, as this avoids the acute phase of the Covid-19 pandemic and is representative of recent years in terms of splits between NHS and self-funded care.
 - b. In 2022, 1,974,521 hearing aids were sold. 434,975 were self-funded and 1,539,546 were provided by the NHS. We estimate that 26% of hearing aids provided by the NHS were provided by independent sector providers (ISPs), therefore in 2022, 835,257 hearing aids were provided by non-public bodies and 1,139,264 hearing aids were provided by public bodies.

ⁱⁱⁱ For example, the UK could not be seen to extend its zero-rating provisions beyond what was originally agreed with the European Union.

- c. Zero-rated VAT on 1,139,264 hearing aids provided by public bodies would not cost the Treasury anything in terms of tax revenue.
- d. Equally NHS hearing care provided by ISPs would result in a relatively small change in VAT receipts to the Treasury.
- e. We therefore focus on estimating the cost to the Treasury of reducing VAT on the 434,975 hearing aids which are self-funded.
- f. The consumer magazine Which? notes that people can self-fund hearing aids from £500, but that the average amount spent is £2,685, and the lowest average price is £1,993.²⁷ This cost however includes a hearing assessment, hearing aid fit, follow-up care and aftercare for 3-5 years, two hearing aids and batteries and replacement parts (e.g. tubes).
- g. We also must therefore account for the fact that the hearing care pathway combines two supplies: clinical care (VAT exempt) and hearing aids (standard rated at 20%). Reducing 20% VAT to zero-rated would only apply to hearing aids.
- h. As our goal is to estimate the maximum cost to the Treasury we make the following assumptions:
 - We estimate that the 95% of people who fund their own care have two hearing aids. This means 434,975 hearing aids would equate to 228,362 patients being fitted with hearing aids (206,613 with two aids and 21,749 with one aid).
 - If 228,362 patients paid £2,685 each for a hearing assessment, hearing aid fit, follow-up care and aftercare for 3-5 years, two hearing aids^{iv} and batteries and replacement parts (e.g. tubes), the total would be £613.15m.
 - If we assume hearing aids account for 40% of the total cost^v this would total £245.26m. If we then assume the Treasury receives 20% of this in VAT, it would total £41m for every 228,362 patients over 3-5 years.
 - This however is likely to be a significant overestimate of the total cost to the Treasury for the reasons set out above. If, however, we assume zero-rated VAT on hearing aids would result in £41m less VAT income per year against £160bn in total VAT receipts,²⁸ that would equate to 0.026% of total VAT receipts.
 - This is a very small cost when offset against the benefits as set out above and the key points summarised in box 2, and for fair treatment of hearing loss which is now the third leading cause of years lived with disability in the UK.



Graph 1: Hearing aids sales UK (excluding Covid years). Source: BIHIMA

^{iv} To estimate the maximum cost of implementing this policy, we assume those fitted with one aid also pay the average cost

^v This will be less than 40% in many cases but again we use 40% to estimate maximum costs

- Unsupported hearing loss doubles the risk of developing depression and increases the risk of anxiety and other mental health issues and hearing aids can reduce these risks.²⁹ Hearing aids can therefore reduce the economic costs associated with these conditions.
- Unsupported hearing loss results in difficulty with communication and this can affect employment and life opportunities with significant economic cost for individuals and the wider economy.³⁰ Hearing aids are shown to improve communication and quality of life, helping people to stay connected, independent and in work for longer.
- The Lancet commission on dementia states that hearing loss is the single largest modifiable risk factor for dementia, studies suggest “hearing aid use is protective” and that “we need to help people wear hearing aids” to help reduce risk.³¹ Preventing cases or severity of dementia and its impact will result in major benefits for health and care systems across the UK and the economy overall.

Box 2: Economic benefits of improving access to hearing aids

Conclusion

16. It is our view, as set out above, that the body of evidence and the ethical case to zero rate hearing aids is robust.
17. To align with the Equality Act 2010, recognise new evidence about the impacts of hearing loss and benefits of hearing aids, and to take advantage of being able to amend VAT on hearing aids after leaving the EU, we propose that VAT on hearing aids when purchased from a registered healthcare professional should be zero-rated in the 2024 Spring Budget by changing the legislation VAT Act 1994, Schedule 8, Group 12, Drugs, Medicines and Aids for the Disabled.
18. Given the weight of evidence supporting this case for change, PSED, and the UK’s exit from the European Union, we hope the government will take this opportunity to help people with hearing disabilities and make this important change to VAT.

About us

We are the [association for primary care audiology providers in the UK](#). We exist to improve ear and hearing care for all. We are also proud members of the [Hearing Loss and Deafness Alliance](#), made up of 29 organisations spanning the voluntary and independent sectors and professionals working in the NHS. The Alliance seeks to represent the needs of children, young people and adults with hearing loss, deafness and tinnitus across the UK on issues related to audiology, hearing services and public health.

We are happy to meet with Ministers or officials to discuss this issue further, to provide further information and to offer our public support. Please do not hesitate to contact Sarina Bassi at sarina.bassi@the-ncha.com in the first instance.

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