VAT brief | Healthcare

January 2018 | Manama | Kingdom of Bahrain

Saudi Arabia and the UAE implemented VAT on 1 January 2018, with the other GCC countries expected to follow in the next 12 months. Key decision makers should now be more aware than ever that we are entering into a new tax era. Key decision makers at businesses in the UAE and Saudi Arabia need to ensure their processes and systems are VAT-compliant, while their counterparts in the other GCC states need to start preparing now for the implementation of VAT.

What is VAT?

- VAT is a tax on consumption, not income or profits.
- The GCC countries have agreed a standard VAT rate of five percent (5%).
- Supplies of goods and services are generally standard-rated but can also be zero-rated, exempt or out of scope.
- Registered suppliers will account for VAT on the price of a good or service they supply and pay VAT to the tax authority on a regular basis.
- Registered businesses should (where the supplies they make are either standard- or zero-rated or out of scope) be able to recover most of the VAT they incur in making those supplies.
- Registered businesses that make supplies that are exempt from VAT will not be able to recover the VAT they have incurred in the course of making those supplies.
- Registered businesses that make supplies that are predominantly zero-rated will usually be in a VAT refund position.

How will VAT affect the healthcare sector?

- Under the GCC framework, each GCC country can either exempt or zero-rate healthcare supplies.
- However, GCC countries can still decide to standard-rate some types of healthcare (such as non-essential healthcare).
- Essential healthcare services have been zero-rated in the UAE, while most healthcare services are standard-rated in Saudi Arabia. Public healthcare in Saudi Arabia is out of scope.
- The UAE has zero-rated medicines and medical equipment which are registered with the Ministry of Health and Prevention, as well as medicines and medical goods provided as part of zero-rated healthcare services.
- In Saudi Arabia, a specified list of approved medicines and medical goods has been zero-rated – this list is available from the Saudi Ministry of Health and the Saudi Food and Drug Authority's website.
- Saudi Arabia has announced it will bear the VAT burden for Saudi citizens' private healthcare – although at the time of writing it is not clear how they intend to do so.
- As healthcare, medicines and medical goods are all taxable (at 0% or 5%) in both Saudi Arabia and the UAE, input VAT incurred should be recoverable for healthcare providers.

What should healthcare providers be doing now?

- Consider the impact of VAT on pricing.
- Examine any long-term contracts spanning the date of implementation and decide whether VAT can - or should - be charged to customers
- Establish the VAT treatment of combined supplies of healthcare services and medical products - are these mixed or composite supplies?

Important note

These briefs are based on a translation of the UAE and Saudi Arabia's VAT legislation, the relevant regulations and general VAT principles and are provided for information purposes only. Saudi Arabia and the UAE implemented VAT on 1 January 2018 and the other GCC countries continue – as of the date of release of this brief – to work towards implementation in the next 12 months. This brief is not a substitute for professional advice. You should seek appropriate professional advice from a tax advisor before making any decision relating to your particular circumstances.

Contact us:

Mubeen Khadir
Head of Tax
mubeen.khadir@keypoint.com
+973 1720 6879
+973 3222 6811

George Campbell
Associate Director
george.campbell@keypoint.com
+973 1720 6872
+973 3833 8641

Omar Hisham
Manager
omar.hisham@keypoint.com
+973 1720 6877
+973 3833 8640

Willem Bam
Manager
willem.bam@keypoint.com
+973 1720 6875
+973 3833 8649

Chris Park
Manager
chris.park@keypoint.com
+973 1720 6888
+973 3833 8634

Please visit our website keypoint.com to read more about VAT.