

Ministry of Finance

VAT Department

VAT Guidance for Medical and Healthcare Services
Version 2: August 28, 2014

This guidance is provided on the basis of continuing public consultation and will be expanded and revised as necessary, based on feedback.



Overview

This guide is intended to provide those providing medical or healthcare services with additional information about Value Added Tax ("VAT"). It should be read in conjunction with the Value Added Tax Bill 2014 ("VAT Bill"), the Value Added Tax Regulations 2014 ("VAT Regulations"), The VAT Rules and The Bahamas VAT Guide ("VAT Guide"). All of which can be found on the website of the Government of The Bahamas ("Government").

Which medical services are exempt from VAT?

Section 3 of Part I of the Second Schedule, (section 7) of the VAT Bill states "an exempt supply of services is a supply of, or transaction comprising medical services where supplied by a public health care facility to a public patient in accordance with the regulations".

The VAT Regulations state a medical services is a service:

- i. which is medical, dental, nursing, convalescent, rehabilitation, midwifery, paramedical, or other similar service;
- ii. performed by, or under the supervision and control of a person who is licensed in accordance with the Medical Act (Ch. 224) or the Dental Act (Ch. 226) and in possession of a valid business licence to provide such services in accordance with the Business licence Act (No 25 of 2010);
- iii. which is not cosmetic in nature.

These services are only exempt from VAT when provided by a public health care facility and provided to a public patient.

A public health care facility is a hospital or clinic operated by:

- a) the Public Hospitals Authority established under section 3 of the Public Hospitals Authority Act (Ch. 234); or
- b) the Ministry of Health or a department within the Ministry of Health.

A public patient is a person who receives services free of charge at a public health care facility who is:

- a) indigent;
- b) a child under the age of eighteen years;
- c) a person of sixty-five years of age or over;
- d) a Bahamas Government employee; or
- e) entitled to receive such services free of charge under special criteria established by the Ministry of Health.

Medical services provided by a public health care facility to a public patient free of charge can include:

- Services that consist of medical or surgical treatment in connection with the health of a person including:
 - Nursing services
 - Medical or surgical procedures except cosmetic surgery that is not considered to be in connection with the health of a person.
 - Meals and accommodation provided to patients in a public health care facility.
- Dental services.
- Gynaecology services including services of a midwife, pregnancy and post natal care.
- Paramedical services.
- Rehabilitation services.
- Transport provided as an integral part of the care or medical treatment of a person.
- Toiletry products provided to a patient who is in hospital or in care where the products are provided as part of the medical care.
- The provision of equipment specifically designed for use by the disabled such as wheelchair where the equipment is provided as part of the medical care.
- Tests undertaken as a means of detecting or preventing health issues.
- Family planning consultations.
- Immunisation and vaccination where provided as part of medical care.
- Screening for medical conditions.
- Psychiatric and counselling services.

Which care services are exempt from VAT?

Section 10 of Part 1 of the Second Schedule (section 7) of the VAT Bill states that services provided directly by a facility to persons in need of care are exempt from VAT.

Persons in need of care are those that are

- aged;
- indigent;
- infirm;
- disabled; or
- handicapped.

The following services are therefore exempt from VAT:

- Care and facilities specifically provided for the elderly or infirm including residential care.
- Care and facilities specifically provided for the disabled or handicapped including residential care.
- The protection of children in need, including residential care.
- Mental health services including residential care for those in need.
- Care, including residential care for indigent persons including those that are impoverished or destitute.

Where the services provided include residential care the provision of meals and refreshments are also exempt from VAT when provided to those to whom care is being provided.

Which services are not exempt from VAT?

- Confectionery, newspapers, journals and similar items that are sold to patients.
- Provision of a phone, television or other electronic devices provided for a separate charge.
- Any other goods or services which are provided for a separate charge and are not considered being essential for the medical treatment of a person.
- Paternity testing.
- Administrative services such as providing character references.
- Provision of medical records provided for a separate charge.
- Provision of a medical certificate or report.
- Cosmetic surgery purely for cosmetic reasons.
- Supply of spectacles or lenses provided for a separate charge.
- The provision of hearing aids provided for a separate charge.
- The provision of veterinary services or services relating to the welfare of animals.
- Services of a Physiotherapist, Chiropractor, Chiropodist unless provided by a medical practitioner licensed in accordance with the Medical Act and provided as part of medical treatment.
- Provision of services such as a retreat.
- Immunisation and vaccination where requested by a person, for example as they are visiting another country.

What is the VAT treatment of medical products and drugs?

The provision of medical products and drugs provided as part of medical treatment in a public health care facility to a public patient such as incontinence products, medicines bandages and syringes are exempt from VAT.

Any drugs or medical products provided other than by a public health care facility to a public patient as part of medical treatment are subject to VAT at the standard rate.

The import of medical products including drugs is subject to VAT at the standard rate.

What is the VAT treatment of the supply of medical equipment?

Medical equipment supplied as part of the provision of medical services by a public health care facility in the treatment of a public patient is exempt from VAT. In all other instances a supply of medical equipment is subject to VAT at the standard rate.

What is the VAT treatment of supplies of staff?

The supply of medical personnel is treated the same as the supply of any other staff. The supply of staff is a taxable supply however, if the person is employed under an employment contract the supply by the employee to the employer is not subject to VAT.

When is there a requirement to register for VAT?

The normal rules apply to VAT registration, if you make 'taxable supplies' you will have to register for VAT if you either:

- make taxable supplies and the total sales value of the taxable supplies for the previous 12 months has exceeded a specific limit called the 'VAT threshold'; or
- at the beginning of any 365 day period you consider that the total value of your taxable supplies will exceed the VAT threshold in the next 365 days.

The VAT threshold is \$100,000 of taxable supplies.

You can choose to register for VAT if you make or intend to make taxable supplies, even if you don't have to register. This is referred to as "voluntary registration". Some businesses may want to voluntarily register for VAT so that they can claim a refund of the VAT they are charged by suppliers.

When can I recover VAT I incur on goods and services I purchase?

You can recover VAT on goods and services you purchase in relation to taxable supplies you make either at the zero rate or at the standard rate.

You cannot recover VAT on goods and services you purchase in relation to supplies that are exempt from VAT.

What if I make both taxable and exempt supplies?

You will need to apportion any VAT incurred on goods and services that relate to both your taxable and exempt supplies. To do this you should follow the method of apportionment described in the VAT Guide.

The Law

You may find the following references to the legislation useful.

VAT Bill

Second Schedule Part I section 3 - exemption of medical services

Second Schedule Part I section 10 - exemption on services provided to persons in need of care

VAT Regulations

Part I section 8 - determination of exempt medical services

Contact Us

Further information can be obtained from the Taxpayers Services help desk: 1 (242) 225 7280

Or you can contact us by email: vat@bahamas.gov.bs

Or you can write to us:

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