

Handbook on **VAT Applicability** in the **UAE Healthcare Industry**

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Message From the CEO

Dear Readers,

‘Continuous Learning is the minimum requirement for success.’ This is something which that we, at ECAG, lives and embrace.

We have been at the forefront of tax consulting since the inception of VAT in the region and have served more than 1000+ happy clients across a wide array of industries. From our experiences in the market and the continuous interactions with FTA, we observed that there are evident gaps between certain industry practices and the VAT regulations in the UAE.

For instance, the Health Care sector – From a plain reading of Law, it shall be construed that supply of medicines and medical supplies in the UAE are Zero rated supplies but when it comes to the realities of the health care industry, things are neither that simple nor that straightforward. There are multiple components to a medical supply, some of which may require a detailed understanding to derive the appropriate tax treatment.

Our team, through this handbook, is intending to shed light on the nuances in different types of supply related to the healthcare industry. All the opinions stated in this handbook are based on the Federal Decree Law 8 and its Executive Regulation read along with the Public Clarifications issued by FTA.

It gives me immense pleasure to address you all through this medium which was only possible due to the relentless efforts of our team. We sincerely hope that this will help you develop a tax eco-system that is in compliance with the expectations of the Federal Tax Authority.

Happy Reading!



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A. Introduction

Value Added Taxation (VAT) is an indirect tax applied based on consumption, use of goods or enjoyment of services. VAT was implemented in the UAE based on the agreement to establish a unified legal framework for the introduction of a general tax on consumption in the GCC. The Federal Tax Authority (FTA) is the legal authority for managing, collecting, and administering VAT in the UAE.

As per the UAE VAT law, the supply of healthcare and related goods and services are taxed at Zero-rated subject to fulfillment of certain conditions. The supply of healthcare services provided as part of the preventive care and provided direct to the beneficial person or patient are considered as zero-rated supply. Whereas if the healthcare services are provided between businesses or to a person other than beneficial person or patient, then the supply will be considered as standard rated supply. Similarly, supply of medical goods will be zero rated provided they are meeting the definitions of medications and medical equipment and are registered with the Ministry of Health and Prevention.

We, **Emirates Chartered Accountants Group (ECAG)** with this handbook intend to provide an insight on the applicability of VAT on various businesses associated with the healthcare and medical supplies industry and ensure appropriate VAT compliance in the UAE.

B. Basic Concepts

I. Definitions

Goods: Physical property that can be supplied including but not limited to real estate, water, and all forms of energy as specified in this Decision.

(As per Federal Decree-Law No. (8) of 2017 on Value Added Tax)

Services: Anything that can be supplied other than Goods.

(As per Federal Decree-Law No. (8) of 2017 on Value Added Tax)

Healthcare services: Any service supplied that is generally accepted in the medical profession as being necessary for the treatment of the Recipient of the supply including preventive treatment.

(As per Article (41) of the Executive Regulation of the Federal Decree-Law No. (8) of 2017 on Value Added Tax)

Medications: Every product containing a substance(s) which achieves the intended objective in or on the human body via biological effect, which is produced, sold, or offered for use in cases relating to diagnosing, treating, healing, relieving, or preventing diseases, or renewing, correcting or rehabilitating the function of body organs.

(As per Cabinet Decision No. (56) of 2017 on Medications and Medical Equipment Subject to Tax at Zero Rate)

Medical equipment: A medical product containing a substance, device, instrument, motor, implant, detector, or system, including its accessories and operating software, which achieves the intended objective in or on the human body without medicinal, immunological, or metabolic effect, which is produced, sold, or offered for use in cases relating to diagnosing, treating, relieving, controlling, or preventing diseases, injury, or disability.

(As per Cabinet Decision No. (56) of 2017 on Medications and Medical Equipment Subject to Tax at Zero Rate)



II. Relevant Provisions of the Law

We are listing some of the specific provisions of VAT law which are applicable for healthcare industry. In this document we have considered the application of these provisions or guidelines under various scenarios or practices in the healthcare industry.

Article 45 (14) of the VAT decree law No. (8) of 2017:

The supply of preventive and basic healthcare Services and related Goods and Services according to what is specified in the Executive Regulation of this Decree-Law shall be subject to 0% VAT.

Article 41 of the cabinet decision (52) of 2017 – Executive regulation to the VAT decree law:

1. The phrase “healthcare services” means any Service supplied that is generally accepted in the medical profession as being necessary for the treatment of the Recipient of the supply including preventive treatment.

2. A supply of healthcare services shall be zero rated on the condition that the supply shall:

a. Be made by a healthcare body or institution, doctor, nurse, technician, dentist, or pharmacy, licensed by the Ministry of Health or by any other competent authority.

b. Relate to the wellbeing of a human being.

3. " Healthcare services" do not include any of the following:

a. Any part of a supply that relates to staying in or attending an establishment the principal purpose of which is to provide holiday accommodation or entertainment such that any healthcare service is incidental to the provision of the accommodation or entertainment.

b. Elective treatment for cosmetic reasons other than prescribed by a doctor or medical professional for treating or prevention of a medical condition.



The supply of preventive and basic healthcare Services and related Goods and Services according to what is specified in the Executive Regulation of this Decree-Law shall be subject to 0% VAT.



4. A supply of Goods is zero-rated if it is a supply of:

a. Any pharmaceutical products identified in a decision issued by the Cabinet.

b. Any medical equipment identified in a decision issued by the Cabinet.

Any other Goods not covered by paragraphs (a) and (b) of this Clause which are supplied in the course of supplying a Person with zero-rated healthcare services that are necessary for the supply of such healthcare services.

Article 2 of the Cabinet Decision No. (56) of 2017 on Medications and Medical Equipment Subject to Tax at Zero Rate:

The supply of Medications and Medical Equipment registered with the Ministry of Health and Prevention, or imported with its permission or approval, shall be subject to tax at zero rate.

VAT public clarification-VATP016 Business-to-Business supplies of Healthcare Services

A supply of healthcare services may only be zero rated if the recipient of the supply is also the person who receives the treatment.





C. Supply in Health Care Industry

Health Care Industry is an important sector to ensure the health and wellness of the people in the society. The supply in the industry can be provided mainly through hospitals & clinics, laboratories, pharmacies, and other associated providers.

I. Taxability for Hospitals and Clinics

Hospitals and Clinics are the major medical institutions that are providing healthcare services directly to the patients. Most of the treatment provided by the hospitals are prima facie subject to zero rated tax as they are part of preventive medication. There can be alternative scenarios, for instance, where the service recipient and the person receiving the treatment are different, which are taxable at 5% VAT.

The VAT implications on some selected transactions are discussed below -



Most of the treatment provided by the hospitals are prima facie subject to zero rated tax.



a. Medical Treatment to the patients

Healthcare services provided in a hospital/clinic for the well-being of patients or for preventive treatments are qualified for VAT at zero rate.

At the same time, services given for cosmetic treatment or such other treatment not directly being medical care will be considered as standard rated supply. It must also be noted that the service recipient and the patient should always be the same person for the supply to qualify as zero rated.

Example:

A medical institution is offering doctor consultation and treatment for joint pain or bone fracture, which will be considered as zero-rated supply. But if the patient is undergoing a cosmetic surgery to improve the skin color or body shape etc, then it will be considered as standard rated supply.

Alternatively, if the medical institution is offering the support of its specialist doctors to other institutions, then it will not be considered as directly to the patient and will be taxed at a standard rate of 5%.

Also, healthcare services may have different components like medicines, equipment, and / or other goods or services being provided to the patient as part of the course of the treatment as a single combined supply. In such cases, the supply would be considered as being a composite supply and would be treated as a zero rated supply for VAT purposes, if such service is forming part of preventive treatments.

b. Admission/ Registration Fees

Admission fees or registration fees are the preliminary fees charged by the institutions for opening the medical file for a patient.

These fees are usually a nominal charge and not directly related to the treatment of the patient. It is to be noted that such charges can be subject to standard rate of VAT as these fees are earned not directly in relation with the healthcare supply or in relation to treatment of the patients.

c. Online consultation

Many healthcare institutions are providing online consultation to support the patients who have difficulty in reaching to the hospital or as convenience for medical consultation. With the increased potential of online telecommunication platforms, doctors were able to attend the patients on timely basis.

All the normal VAT rules related to the supply of healthcare will apply for such services rendered online and hence the consultation fee for preventive treatment or diagnosis will be zero rated.

At the same time, there are many concerns when online consultations are received by the hospital or patients from a foreign specialist. In such cases the place of supply rules for electronic services will apply and the tax treatment may vary based on scenarios. When service is given by the foreign person to the institution registered for VAT, then the institution can account the VAT under reverse charge mechanism. But if the services are provided to a VAT unregistered hospital/clinic or an individual, then the non-resident will be liable for the VAT in the UAE.



d. Dental services

Dental care is also a very important service sector in which treatments can be both preventive and cosmetic in nature. When a dental service is provided by the MOH licensed service providers to the patients as treatment or prevention of a medical condition, then it shall qualify for VAT at zero rate. Alternatively, if the service is provided for cosmetic reasons not necessary for the prevention or well-being of any medical condition then such treatments shall be charged at 5% VAT.

Some examples for better understanding are provided below-

Services	Description	VAT rate
Cosmetic Dentistry such as-		
Whitening// Bleaching	To whiten the teeth for self confidence	5%
Shaping	Correctly aligning and sizing the tooth	5%
Crowns*	Caps placed on top of damaged teeth	0%
Implants*	Dental implants are artificial teeth that are surgically placed within your jawbone, and they look and function like your real teeth. Provided the services are rendered during the course of a treatment and not elective in nature.	0%
Bonding	Dental bonding is a cosmetic procedure that uses a tooth-colored composite resin material to enhance your smile. This procedure is used to repair chips, close gaps, or change the shape and color of a tooth	5%
	If bonding is performed to treat a damaged tooth	0%
Orthodontic dentistry	orthodontic dentistry aligns teeth and jaws in cases of misaligned teeth	5%
Endodontic dentistry	Endodontic dentistry deals with the sensitive interior of the tooth when it is damaged, infected, or diseased. Treatments include root canal.	0%

**Treatments should not be optional or elective and should be necessary to treat the illness of the patient rather than to enhance their appearance.*



e. Optical service and supplies

Optical care is another sector in which services can be rendered as part of preventive treatment or as cosmetic or fashion treatments. Optical services obtained in the course of medical care will be treated as zero-rated supplies. However, when a cosmetic correction service is provided, it shall be regarded as a standard-rated supply for VAT purposes.

A supply of optical frames, glasses, and lenses can be considered zero-rated when the supply is made as part of vision correction or any other medical treatment. Furthermore, if the supply relates to cosmetics or fashion, it will be standard rated for VAT purposes.

f. Medical treatment for cosmetic reason

The primary objective of cosmetic treatment is to enhance or restore a person's appearance. These treatments are subject to VAT at 5% since they are elective treatments for cosmetic reasons that are not prescribed by a doctor or other qualified individual. In contrast, if a patient undergoes cosmetic surgery in order to restore lost or damaged body parts or appearance, then such supplies shall be taxed at zero rate.

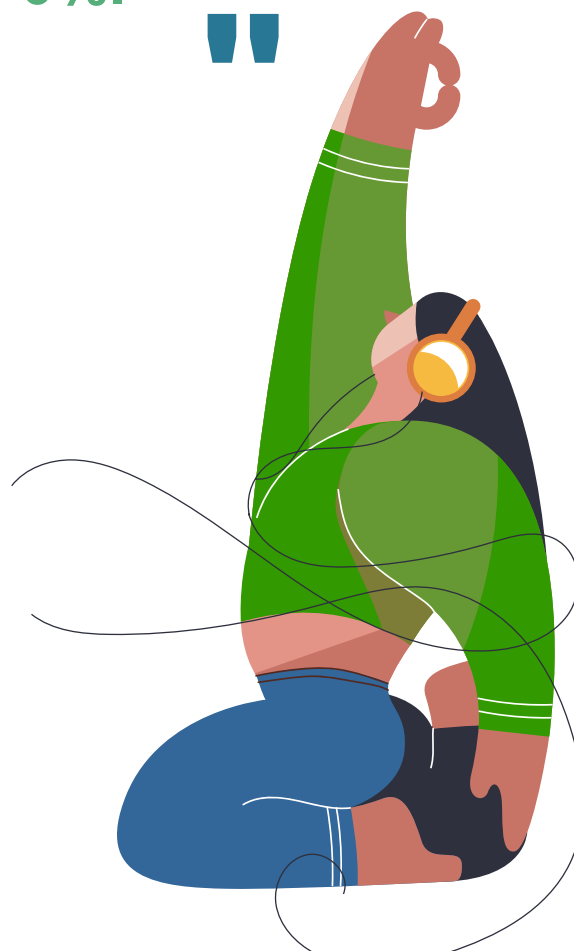
g. Wellness/ Alternative treatments

In the UAE, a variety of medical treatments are offered to patients in order to enhance their health. Ayurveda, Hijjama treatment, acupuncture therapy, homeopathy, and unani medicine are some of the health care treatments available.

Most of these treatments are approved by the Ministry of Health and qualify for zero-rated VAT when provided by a licensed physician. However, the services will not qualify as zero-rated supplies if they are provided as part of a general care or relaxation program, such as massage.



If a patient undergoes cosmetic surgery to restore lost or damaged body parts or appearance, then such supplies shall be taxed at 0%.



h. Other ancillary services

a. Sick Leave certificate fees

Patients are usually required to pay a fee to the hospitals or clinics in order to receive sick leave certificates that will allow them to take medical leave at work. Medical professionals may submit an application for sick leave certificates through their respective DHA and MOH accounts or provide a letter/ certificate from their clinic or hospital. This fee does not relate to the provision of health care services, therefore it is subject to a 5% VAT.

Sick leave certificate attestation

Sick leave certificates are attested by the ministry of health, which are required for availing certain benefits. Hospitals and clinics also provide additional services, such as the attestation of sick leave certificates by the Ministry of Health and Prevention (MOHAP) through its e-services portal at a government fee of AED 50. Under the disbursement rules, the government fee collected by hospitals or clinics for payments made on behalf of the patient is not taxable. If the fees collected exceed AED 50, the entire fee is subject to tax unless the service charge and government fees are separately mentioned on the tax invoice and standard rate of tax will be applied only on the service fees.

b. Taxability of room rents

If any patient is required to avail a room during the course of his/ her treatment, they are categorized as healthcare services that are subject to zero-rated VAT. The hospital may also charge additional fees over and above the charges on rooms that are categorized as deluxe, VIP etc. These are premium rooms with additional comfort facilities offered to patients and

bystanders during the treatment are not essential for performing the healthcare services. Therefore, such added charges are taxable at 5%.

c. Laundry charge

A common example of other fees collected by hospitals and third parties are laundry charges. A patient may be required to pay such additional charges in addition to the expenses associated with their treatment. Such expenses will not be considered as part of the healthcare services if they are separately identified in the invoices or separately charged to the patient and hence will be charged at 5% tax.

d. Income from canteens and other let outs

A hospital or clinic may have eateries, pharmacies, kiosks, etc. operated by external parties on its premises. Leases of hospital and clinic space may be based on a rental agreement, and such rental income is unrelated to healthcare services. Rents collected from these sources will be considered commercial unit leasing and subject to VAT of 5%.



Additional comfort facilities offered to bystanders during the treatment are taxable at 5%.



II. Taxability of services performed by independent and specialized doctors

Occasionally, medical institutions may engage the services of a specialized professional doctor in order to provide medical consultation to patients visiting their facilities. Generally, the consideration for rendering such services is based upon the number of visits the doctor makes to the hospital, the number of cases attended, or the number of hours the doctor spends in the hospital. In this arrangement, the medical institutions offer their patients quality professional medical care while reducing the expense of payroll and other statutory employee benefits, as there is no employer-employee relationship between the medical institutions and the specialists.

As a rule, if a hospital provides medical care or treatment to its patients, these services are considered zero-rated taxable supplies.

Service by the doctor in the UAE to medical institutions:

When a physician provides a service to a medical institution, the recipient of the supply and the beneficiary (patient) are not the same. Although the patient receives health care services, the medical institution is the recipient of the supply as the contract is

between the doctor and the medical institution. Thus, the doctor will be liable for 5% VAT on supplies he makes to clinics and hospitals.

It is mandatory for a doctor to register for VAT if the amount of taxable supplies provided by him exceeds the mandatory VAT threshold limit of AED 375,000 (the voluntary threshold is AED 187,500).

For the purpose of calculating the registration threshold, the doctor must take into account all of the consultation income he has earned from different institutions within and outside the UAE. In the case of services that are physically provided outside the UAE, the income can be treated as being outside the scope of the VAT. Following the VAT registration, all subsequent income from hospitals and clinics in the UAE will be taxable at 5%, while services provided remotely to overseas recipients will be taxed at 0%. A doctor in such a situation is responsible for filing the VAT return and remitting tax to the Federal Tax Authority.

Supply provided by non-resident doctors

Similarly, if a medical institution in the UAE receives services from a non-resident doctor, the services will be taxable. The medical institutions that are VAT registered should account for this service under the reverse charge mechanism in their respective VAT returns. Nevertheless, if the service is provided to an unregistered institution, then the doctor must register for VAT in the UAE on a mandatory basis and charge VAT on such services provided.



Supply provided by qualified medical professional to patients through private consultation at home or patient's residence

A private consultation at the patient's residence or at their premises is considered a supply of medical services for VAT purposes. In this regard, the normal VAT rules for taxability of medical services will apply to private consultations, which will be subject to VAT at zero rate if the service forms part of a preventive medical treatment.

Supply provided to other medical institutions (Including training)

Training provided by doctors to medical institutions or students does not qualify as a supply of health care services. Consequently, such services provided by doctors shall be taxed at 5%.

Taxability of commissions from pharmaceuticals and other related income.

Pharmaceutical companies provide commissions to doctors for prescribing their medicines and medical equipment as a part of their promotion efforts. In addition to the commissions and other related income received by the doctor from pharmaceutical companies, taxes are to be paid at a rate of 5 percent.



III. Taxability for medical laboratories

a. Lab services to patients

As a vital component of the UAE's health care system, medical laboratories play a pivotal role by providing a range of health services including health checkups and diagnosis, such as scanning, urine testing, diabetes testing, Covid 19 testing, etc. These laboratories provide services directly to individual patients, either called for voluntarily by individuals or as a result of a prescription from a physician. A hospital that does not contain a sophisticated medical laboratory may also refer its patients to another laboratory for examinations, testing, or diagnostics. In this case, we must evaluate the tax treatment of each scenario separately.

Health care services provided by approved laboratories with professional technicians qualify for zero rating. To qualify for the VAT at zero rate, the service must be provided to the patient and the Tax Invoice must be issued to the patient, since the recipient of the supply must also be the person receiving the service.

When individual patients receive laboratory services, the following are to be verified-

i. **Payment is made to the laboratories by the patient and the invoice is received in the patient's name.**

If the lab services were provided based on the prescription of an MOH approved medical practitioner, and the services are provided to the patient directly by the laboratory the supply shall be qualified for zero rated VAT. Here, the invoice and payment obligation should rest with the patient.

ii. **The hospital or clinic pays the lab fees directly.**

A hospital or clinic may refer a patient or their medical samples to a certain laboratory for further diagnostic evaluation. The arrangement is based on an internal agreement between the hospital and the laboratory. In such a scenario, the hospital is responsible for paying the lab services directly. As this is a business-to-business supply of medical services, the transaction will be subject to a 5% VAT.

iii. **Lab fees invoices are raised in the name of the patient and settled through the patient's insurance company.**

A medical lab provides the patient with the supply in accordance with a prescription issued by a medical practitioner approved by the Ministry of Health. The laboratory provides the services directly to the patient. In the case of an insurance company settling the lab fees on behalf of a patient, the nature of the supply does not change, and therefore, it will qualify for zero-rated VAT treatment.

b. Lab service provided to corporates and other medical institutions

In some cases, corporate entities enter into direct agreements with medical institutions with multiple branches throughout the UAE to provide their employees with health checkups or other medical services specified in the agreement. According to the agreement, the company's employees may receive health care services at any of the hospital's branches. Here, the nature of supply is health care services, and employees of the company receive them. The contract, however, is between the company and the hospital group and the invoice for the service will be issued in the name of the company. Furthermore, the employee can only receive the services that have been agreed upon between the hospital and the company. This service is paid for by the company. Therefore, the supply between the company and the hospital group will be subject to a 5% VAT.

IV. Taxability for Pharmacies

Pharmacies are the stores through which the medicinal drugs and associated medical products are sold to the customers/patients. The supplies from a pharmacy may contain medical and non-medical products and supplies may be with or without prescription for some products. The taxability of supplies should therefore be determined based on the type of product.

Below schedule is with VAT treatment for some categories of products-



Description	VAT
<i>Medicines approved by the MOH for preventive and basic healthcare</i>	0%
<i>Medical products such as Vitamin tablets, dietary supplements, natural herbs etc. (Which are not related to preventive and basic healthcare)</i>	5%
<i>Medical related products such as crepe bandage, medical body sculptures, walkers, splints, blood sugar monitors, blood pressure monitors etc. are generally available in the pharmacies.</i>	5%
Medical equipment	0%
<i>Medical equipment such as pacemakers, dialysis machines, or such other equipment essentially required for medical treatment registered with Ministry of Health and Prevention</i>	
Related products	5%
<i>Includes fairness products, oils, medical socks/shoes, toothpastes, balms etc.</i>	
Other products	5%
<i>Other items sold like personal products or fancy items</i>	

Taxability on combo offers

Pharmacies use a wide range of marketing techniques to attract customers to their stores and to purchase their products, such as "combo offers", "Buy One Get One", etc.

In accordance with the UAE VAT Law, VAT will be charged on the consideration paid for

goods and services. In the case of multiple products offered at a single price, VAT will be applied to the price charged to the customer. However, if a product is sold together with another product as free of charge, then the deemed supply provisions must be considered.

The pharmacy may also conduct the promotion through discounts and reduce the total value of the supply by the amount or percentage of the discount to determine the value of the supply. Here is an example of how a product discount can be offered.

Price of Product A & B is AED 100 each.
Combo offers- Product A and B together for AED 100, or if you buy Product A & Product B together, discount is 50%.

In these scenarios the Tax Invoice should depict:

Product A	AED 100
Product B	AED 100
Less: Discount	AED 100
Net Taxable amount	AED 100
VAT	AED 5
Total	AED 105

Compliance requirements for published price

It is important that the business complies with the rules governing the publication of prices. In accordance with Article 27 of the Executive Regulation, for a taxable supply, the published price must include VAT, which means the product price must be listed along with its VAT amount.

VAT-registered businesses should not display products as VAT-free if they are providing a discount or offer equivalent to the VAT amount. Displaying VAT-free products are prohibited by VAT law since no supplier has the right to do so, alternatively suppliers can highlight offers, promotions, or discounts.



V. Ambulance Services

Ambulance services are provided to patients for the purpose of transporting them to the hospital or in case of an emergency. It may be equipped with emergency medical equipment and supplies to provide rapid healthcare support. There are, however, questions as to whether the service will be classified under local passenger transport and whether it will be exempt from VAT.

Here, the service provided in an ambulance cannot be considered as mere transportation of passengers. It requires immediate medical attention and medication during the transportation which is essential for the wellbeing of the patient. Therefore, service fee for ambulance can be categorized under medical supplies which qualifies for VAT at zero rate.

VI. Business to Business Supplies of Healthcare Services

It is common that one healthcare institution may provide or obtain service with another healthcare institution. Such services may be provided based on the contract between healthcare institutions and may not be disclosed to the patients in most cases.

In case of business-to-business supplies between the healthcare providers, the provider must consider who is the recipient of supply to determine the taxability.

The contractual agreement between the parties determine who is contractually

entitled to the services supplied and will not be considered as zero-rated medical services if the patient and the recipient are different persons.

For example, a doctor may be contracted by a hospital to provide certain healthcare services within the hospital premises or to the patients. In such case, doctor's engagement will be directly with the hospital and will not be considered as employment. Also, the doctor may or may not have similar arrangements with other hospitals or clinics. Similarly, there can be contract by a hospital with a laboratory or another hospital for conducting tests or medical procedures for their patients. In these cases, the billing and payment will happen between the institutions or providers and not directly to the patient by the provider. Here, the patient and recipient are not the same person, and such supply shall be subject to VAT at 5%.

Let us consider another scenario -

A Diagnostics Clinic will be providing services to both patients directly and through hospitals. In the first case the individual patient approaches the clinic for medical test. Here the contract is between the patient and the clinic, and the reports will be provided to the patient directly. So, such services shall be Zero Rated provided such services are not elective in nature.

On the other hand, the hospital enters a contract with the diagnostic clinic for the medical test of the patients, who are being treated at the hospital. The test report will be shared with the hospital only. The Hospitals are the actual recipient of services and therefore the services shall be subject to VAT at the standard rate.

VII. Taxability of medical insurance and co payments

Medical insurance is mandatory in the UAE and is part of the government's policy to provide better health care to residents. It is designed to cover the costs of medical treatment or supplies provided to patients by healthcare institutions.

An invoice issued to the patient by the medical institution can be settled by the patient himself or by the respective insurance company based on the policy terms. In both the cases person receiving the supply will be the patient and the nature of supply will be health care service or supply. Thus, the taxability of the medical supply will remain zero rated provided the supply qualifies healthcare supply or service.

VIII. Other healthcare services

Supplies of health care services shall be taxed at zero rate when provided by a medical institution or professionals licensed by the Ministry of Health, or any other competent authority and such

services should be provided for the wellbeing of the human being.

Elective treatments such as cosmetic, dental other than prescribed by the doctor or a medical professional shall be taxed at standard rate.

Here, the intention of the law is that only those services that are necessary for a

recipient to get cured from a medical condition or to prevent from a shall be qualified as zero rate of tax.

However, in practical situation we can identify numerous services in the health care industry that does not qualify the conditions for zero rating. Also, certain services can be interpreted as health care service and taxable at either zero rate or standard rate based on the nature of the supply.

Let us discuss some of the practical scenario for better understanding of the concepts.

a. Home Nurse Services

There are people who requires medical attention and support in their home, and they hire agencies who provide home nurse services.

Services offered to patients at home by qualified nurses and such professionals from a MOH licensed health care service providers will qualify for VAT at zero rate. Any similar service received from any other person or agency not approved by MOH shall be taxed at 5%.

b. Nursing services contracted by companies e.g.: educational institutions

Nursing services are provided by hospital to educational institution during school hours to care for students and to handle emergencies. Despite the fact that nursing services are classified as health care services, here the patient and recipient of the service are not same. Consequently, the supply to both the hospital and the educational institution will be taxed at the standard rate.

c. Taxability of Veterinary services

The term veterinary service refers to the provision of treatment, care, or other services related to the health and wellbeing of animals. According to the UAE VAT law, healthcare services will be zero-rated if they are related to the well-being of human beings. Therefore, all services provided by veterinary hospitals or clinics are subject to VAT at a rate of 5%.

d. Sale of medical equipment

The supply of medical equipment registered with the Ministry of Health and Prevention or imported with its permission or approval shall qualify for zero rating under the UAE VAT Law.

e. Lease of medical equipment

Suppliers of medical equipment may provide their products to hospitals, clinics, and laboratories on lease considering the high value of the equipment or ease of payment etc. Since the lease transaction is happening between a medical equipment supplier and medical institution, it will fall under B2B supplies. Supply of medical equipment shall fall under the category of zero-rated supply provided the equipment is approved by the Ministry of Health and Prevention.

f. Services related to medical equipment

Medical equipment may require regular maintenance by the professional team for its efficient use or function. The suppliers of the medical equipment or other professional agency provides repair or inspection service either on

short term basis or as per their agreed annual maintenance contract. These services provided on the medical equipment will be subject to VAT at 5%.

g. Taxability of commission on zero rated supply

Health care institutions/professionals and suppliers of medical equipment may pay commissions or profit shares for referring patients or selling equipments. Such revenue earned by any person will be considered as standard rated even though the supplied product or service is eligible for zero rated.

h. Applicability of Reverse Charge Mechanism on import of medicines and medical equipment

Medications and medical equipment imported with the permission/ approval by the Ministry of Health shall be subject to tax at zero rate. The goods imported into the UAE which are declared through the UAE customs under the customs code of the VAT registered importer is reflected in their respective VAT return under Box number 6. If the imported goods are subject to VAT at zero rate, Box number 7 can be used for adjusting the VAT amount since by default all the imports are prepopulated at 5% VAT.

It is the responsibility of the importer to make such adjustments under Box 7 and sufficient documentary evidence should be produced before FTA if required.



**The
Veterinary
Services are
subject to
VAT at 5%**





D. FAQ

Frequently Asked Questions

1. Explain what is qualified as medical equipment?

As per the Cabinet Decision no.56 on Medications & Medical Equipment, medical equipment is a product containing a substance, device, instrument, motor, implant, detector or system, including its accessories and operating software, which achieves the intended objective in or on the human body without medicinal, immunological or metabolic effect, which is produced, sold or offered for use in cases relating to diagnosing, treating, relieving, controlling or preventing diseases, injury or disability.

As per the UAE VAT law, only the equipment which are coming within the purview of above definition are categorized as medical equipment subject to tax at zero rate.



As per the public clarification VATP016, to determine the recipient of the supply we need to check who is contractually entitled to the services supplied.



2. Is it possible for Healthcare suppliers to avail a link for medical equipment list.

The list of approved medicines or medical equipment will be available to the health care supplier from the MOH. Since the list of the same are not published by FTA, it can be obtained from the website of Ministry of Health and Prevention (mohap.gov.ae → services-> Registered medical products directory)

3. Is medical equipment of health care services for animals also zero rated?

As per the UAE VAT law, a supply of health care service should be relating to the wellbeing of a human being. All other supplies shall be subject to Tax at standard rate. Hence, supply of healthcare services for animals cannot be zero rated.

4. A company and a healthcare entity has entered into a service contract, and the employee of the company has received a supply as a patient. The health care entity issued invoice in the name of the patient and the payment for the supply is made by the company. Is it zero rated?

As per the public clarification VATP016, to determine the recipient of the supply we need to check who is contractually entitled to the services supplied. In the above case, since the health care entity is contracted with the company for providing the healthcare services the supplies will be subject to tax at 5% as invoice is issued in

the name of the company and the contractual obligation is between the company and the healthcare entity. Hence, to qualify a health care supply as zero rated, both the recipient of the supply and the patient should be the same. Otherwise, such service would become a B2B supply and hence taxed at 5%.

5. Is it mandatory to issue a Tax Invoice for zero rated supplies?

As per Article 59 of the Executive Regulation, a Taxable Person is not required to issue a Tax Invoice for the supply where the supply is a wholly zero-rated supply.

6. Is Dubai Healthcare city exempted from the UAE VAT rules?

Dubai healthcare city is a freezone for facilitating the healthcare business and it does not have any VAT exemptions.

7. What is the VAT applicability on lens?

Eyeglasses used for vision correction are subject to VAT at 0%. Whereas, colored lenses, shades etc. are subject to VAT at 5%.



8. Taxability on hair fixing services?

Hair fixing services are elective in nature and are to be attributed under cosmetic services. The VAT applicability on such supplies shall be at 5% .

9. Is it compulsory to have VAT registration for clinics and hospitals having 0% VAT supplies?

Clinics or hospitals exceeding taxable supplies of AED 375,000 or more must apply for tax registration. Failure to do so attracts an administrative penalty for late VAT registration. 5% supplies and 0% supplies are both considered as taxable supplies and therefore if the total taxable turnover for the previous 12 calendar months exceed mandatory registration threshold, then the supplier must apply for VAT registration.

Further, the authority provides supplier an option to request for tax registration exception if the entire supplies are zero rated. The procedure for registration exception is similar to VAT registration, in both cases the supplier must request to the authority within the specified time.

10. How to correct wrongly filed tax return?

If the mistake in a tax return resulted in net tax difference of AED 10,000 or more, then a voluntary disclosure is required to be submitted to revise/ correct the VAT return. If the tax payable or receivable due to the error/ omission is less than AED 10,000 then the same needs to be adjusted in the immediately subsequent VAT return.



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