



MINISTRY OF FINANCE  
THE DEPARTMENT OF INLAND REVENUE

# VAT GUIDANCE ON MEDICAL AND HEALTHCARE SERVICES



## Introduction

This guide is intended to provide those providing medical or health care services with information about Value Added Tax ("VAT"). It should be read in conjunction with the Value Added Tax Act 2014 ("VAT Act") as amended, the Value Added Tax Regulations 2014 ("VAT Regulations"), the VAT Rules and The Bahamas General VAT Guide ("VAT Guide"), all of which can be found on the website of the Government of The Bahamas ("Government"). **If there is a discrepancy within the Guidance Note, the law will prevail in accordance with the VAT Act, Regulations and/or Rules.**

## Are Medical services subject to VAT?

The supply of most medical services is subject to VAT. Any person who operates a business in The Bahamas which provides medical services is engaged in a taxable activity unless the medical service is exempt pursuant to the Second Schedule of the Act.

## Which medical services are exempt from VAT?

Paragraph 3 of Part I of the Second Schedule of the VAT Act states an exempt supply of services is a supply of a 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 that a medical service is a service which includes:

- i. medical, dental, nursing, convalescent, rehabilitation, midwifery, paramedical, or other similar services and;
- 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) and ;
- iii. which is not cosmetic in nature.

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

**Disclaimer: VAT Guidance Notes do not supersede the VAT Act, VAT Regulations, or VAT Rules**



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

- a) The Public Hospital's 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 for cosmetic surgery that is not considered to be in connection with the health of a person.
- Dental services
- Gynecology services including services of a midwife, pregnancy, and postnatal care
- Paramedical services
- Rehabilitation services
- Transportation provided as an integral part of the care or medical treatment of a person

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- 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 a 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
  - Immunization and vaccination where provided as part of medical care
  - Screening for medical conditions
  - Psychiatric and counseling services
  - Meals, accommodations and toiletry products provided to the public patient who is in hospital care, are exempt when provided together with the medical service

### Which care services are exempt from VAT?

Some care services (as separate and apart from medical services) are exempt from VAT. Paragraph 10 of Part 1 of the Second Schedule of the VAT Act states that services provided directly by a care facility to specified persons are exempt from VAT.

These persons include:

- aged,
- indigent,
- informed
- disabled, or
- handicapped.

The following services are therefore exempt from VAT:

- Care and facilities provided for the elderly or infirm including residential care
- Care and facilities provided for the disabled or handicapped including residential care

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- 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.

### Which goods and 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 that is not considered 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

- Immunization and vaccination where requested by a person, for example in the case where they are visiting another country

### **What is the VAT treatment of medical products and drugs?**

The supply of a good incidental to the supply of a service is a supply of service therefore, 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 as the entire supply is treated as a supply of service.

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

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

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

Similar to the supply of drugs above, 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?**

You should consult The Bahamas General VAT Guide on timing and other requirements for registration.

## Licenses, subscription and membership fees paid by professionals

Most associations or bodies collect an annual license and subscription/membership fee from their members. Licenses are regulatory instruments and therefore are not subject to VAT as no supply is provided. Where a professional who provides medical services such as a medical doctor or dentist pays a license fee to a regulatory body like the Medical Association, such license will be exempt from VAT.

## When can I recover VAT incurred on goods and services purchased?

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.

## Treatment of medical services with insurance

Where medical services are provided by a facility that is not a public facility, the service is subject to VAT irrespective of to whom the supply was provided. In some instances, the patient may pay for the services directly and make a claim on the insurance company with whom they are insured; in other circumstances, the doctor may bill the insurance company for payment of the services supplied to the patient. Irrespective of how the bill is settled, the supplier of the service, once registered, must account for VAT on the full value of the service.

The obligation of the supplier to account for VAT on the amount billed is independent of what is paid by the insurance company as a result of the contractual arrangement between the insurance and the insured. Where, because of the contractual arrangement between the insurance company and the insured, the insurance company pays a portion and the insured is required to pay the balance (co-payment), the amount paid by both the insured and the insurance company must be treated as VAT inclusive.

The following illustrations depict a typical transaction where the patient is covered by insurance:

### Table 1

	\$
Prescription	1,500
VAT @ 7.5%	112.5
Total Price (tax inclusive)	1,613
Co-pay (20% of the total)	322.5
Balance (insurance)	1,290

In the above example, a patient presents a prescription to be filled at a pharmacy which accepts insurance. The time of supply for the purpose of reporting VAT by the pharmacy is the time (VAT period) when the prescription was filled and receipt issued. The value of the supply is the full amount for the medication irrespective that a percentage will be paid by the insurance company and another portion by the patient. Therefore, the pharmacy must report VAT on the full value of the medication in the VAT period in which it was dispensed.

**Table 2**

	\$
Office visit	300
VAT @ 7.5%	22.5
Total Price (tax inclusive)	322.5



Co- Pay (20% of the total)	64.5
Balance (insurance)	258

In the preceding example, the doctor must report VAT of \$22.50 in the VAT period in which the service was supplies.

### **The Law**

You may find the following references to the legislation useful.

### **VAT Act**

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 Regulation 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: [taxinquiries@bahamas.gov.bs](mailto:taxinquiries@bahamas.gov.bs)



**Or you can write to:**

Department of Inland Revenue  
Central Revenue Administration  
Value Added Tax Unit  
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Nassau, N.P.  
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<http://inlandrevenue.finance.gov.bs/value-added-tax/>