

Indirect Tax Update

New guide issued by the National Bureau for Revenue (NBR) on Healthcare services

Recently, the NBR issued Healthcare services VAT guide (hereinafter, the “Guide”), which sets out an overview of the VAT rules and procedures relevant to healthcare sectors in Bahrain.

Below we have highlighted the key outlines from the Guide:

General

Healthcare services include all preventative and basic medical services a patient receives in hospitals, health centers, medical clinics and other medical facilities, but exclude services provided by these bodies which are of a commercial or investment nature.

Healthcare services - VAT treatment in Bahrain

- The supply of preventive and basic healthcare services and associated goods and services is zero-rated.
- In order to benefit from the zero-rate, the healthcare services must be qualifying medical services provided by qualified medical professionals or qualified medical institutions to a patient during the course of his / her treatment.
- Goods and services related to a supply of healthcare services provided to a patient during the course of his / her treatment are also zero-rated.
- The provision of healthcare services by government hospitals and medical institutions are outside the scope of VAT when they are provided free of charge.

Qualifying medical services

A qualifying medical service includes services that aim to prevent, protect, maintain, diagnose, treat, avoid deterioration and / or restore the health of a person. These include, but are not limited to, the following:

- General medical health services
- Specialist medical health services, including surgery
- Dental services
- Services related to the treatment of mental illnesses
- Occupational or surgical health services
- Speech therapy
- Physiotherapy
- Sight and hearing tests
- Nursing care (including care in a nursing home)
- Services relating to diagnosing an illness, including the analysis of any samples and x-rays
- Vaccinations
- Health testing and screening that is undertaken under a local law, documented policy or contractual obligation

Cosmetic procedures

A cosmetic procedure will not be considered as a qualifying medical service unless it is provided as part of treating a medical condition / a critical physical discomfort as determined by a qualified medical professional.

In this respect, the NBR expects qualified medical professionals to apply their best judgment, in accordance with applicable codes of ethics, when assessing whether a procedure is cosmetic (i.e., the main objective and outcome is an aesthetic enhancement) or necessary to treat a medical condition or a critical physical discomfort.

Qualifying medical institutions

Qualifying medical institutions include, but are not limited to, the following:

- Hospitals
- Physiotherapy centers
- Medical centers
- Private clinics
- Alternative medical centers, and
- Clinics for practicing and supporting medical professions licensed by the National Health Regulatory Authority, or under the supervision of the Ministry of Health.

Qualifying medical professionals

Qualifying medical professionals are persons who are licensed as practitioners by the National Health Regulatory Authority or under any other authorized medical body in Bahrain. It includes, but is not limited to, the following:

- Medical practitioners
- Midwives
- Nurses
- Mental health specialists
- Dentists
- Opticians
- Radiologists
- Pathologists
- Paramedics
- Pharmacists
- Physiotherapists

Goods and services related to healthcare services

Healthcare related goods and services are those which are an integral part of the healthcare services and are provided together with the qualifying medical services. These include, but are not limited to, the following:

- Drugs, medicines, bandages and other medical consumables administered or used while performing qualifying medical services
- Goods and equipment used as part of the qualifying medical services (e.g., prostheses replacement, implants, metal screws, pins, rods, plates, braces, etc.)
- Laboratory services performed by qualified persons
- Transport services for patients or those injured
- Accommodation and catering services provided by a qualified medical provider to its patients
- Mortuary services provided by qualified medical providers, and
- Medical consultations provided remotely by means of electronic communications such as telephone or video link.

Administrative services

Any charges for administrative services by a healthcare provider will be taxable at the zero-rate when the administrative services are provided in the context of healthcare services qualifying for the zero-rate. Administrative services that are eligible for the zero-rate include the registration of a new patient, issuing a duplicate invoice or sickness certificate, provided these are supplied in order to access or as a result of qualifying medical services.

When an administrative service relates to a non-qualifying medical service, this will be taxable at the standard rate of 5%.

Goods and services that are not related to healthcare services

Any goods and services that are not related to qualifying healthcare services do not fall under the zero-rating provisions applicable to qualifying medical services and their related goods and services. The following goods and services are excluded from the scope of the zero-rate (non-exhaustive list):

- Food and beverages to any person who is not a patient
- Parking and valet services
- Telephone, internet and electronic services, including TV rental services
- Accommodation provided to any person who is not a patient

The VAT treatment of any goods and services that are not related to qualifying healthcare services will need to be considered on a case by case basis.

Health insurance claims

Where the healthcare services provided to a patient are paid for (in full or in part) by his/her medical insurance company, the healthcare services supplied by the healthcare provider are still considered as made directly to the patient (i.e., the patient is the recipient of the services for VAT purposes). In this respect, the tax invoices for the healthcare services should be issued to the patient (i.e., the "bill to" person on the invoice is the patient), even if the payment is directly requested from the insurance company. The VAT charged by the healthcare provider on the services supplied to the patient cannot be recovered by the insurance company.

Services made to insurance companies

Medical assessments and reports may be requested by insurance companies for a broad range of insurance purposes. In such cases, the services are made directly to the insurance companies and the exact nature of the arrangements will need to be considered to determine whether or not they fall within the scope of the zero-rating provisions.

The zero-rating provisions will apply for qualifying medical services provided upon request of an insurance company on the basis that the insurance company has procured such services as a result of a legal, contractual or existing policy that it has in place. This would notably cover qualifying medical services contractually provided to a party other than the patient where the result will be used to make a decision to determine the level of premium to be charged on an insurance policy (for example, medical insurance, travel insurance, life insurance etc.) or where there is a legal or contractual obligation under a policy to provide health screening.

Medicines and medical equipment - VAT treatment in Bahrain

The supply of medicines and medical equipment in accordance with lists maintained by the National Health Regulatory Authority is zero-rated. The zero-rate applies on all supplies of these medicines and medical equipment throughout the supply chain in Bahrain.

When such medicines and medical equipment are imported into Bahrain from outside the territory of the Implementing States, their import is exempt from VAT (i.e., no import VAT is applicable).

A supply or import in Bahrain of medicines and medical equipment that are not included in the lists is taxable at the standard rate of 5%.

Import of goods to be used by persons with special needs

The import into Bahrain, from outside the territory of the Implementing States, of necessities and equipment used by persons with special needs is exempt from VAT, provided the conditions and controls stipulated in the Customs Law are met.

For more information, please [contact us](#)

Philippe Norre
Partner
T: +973 17201400
E: pnorre@kpmg.com
KPMG Fakhro

Maciej Turzanski
Manager
T: +973 17224388
E: maciejturzanski@kpmg.com
KPMG Fakhro

Ali AlMahroos
Senior Manager
T: +973 17201459
E: aalmahroos@kpmg.com
KPMG Fakhro

Insha Jairumi
Manager
T: +973 17222364
E: inshajairumi@kpmg.com
KPMG Fakhro

Adria Bugeac
Manager
T: +973 17201403
E: abugeac@kpmg.com
KPMG Fakhro

Nik Faiziman Affandi
Manager
T: +973 17201457
E: naffandi@kpmg.com
KPMG Fakhro

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