



# The impact of VAT on Health Sector in Qatar

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# What does VAT mean for the business in Qatar

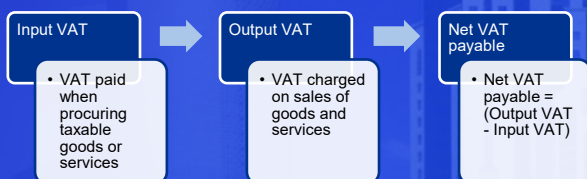
It is anticipated that Qatar will announce Value Added Tax (VAT) Law and its Executive Regulations in 2023.

VAT is expected to affect all businesses in Qatar - either directly or indirectly - and will affect most sales of goods and services in Qatar (with limited exceptions such as financial services and insurance). Therefore, businesses may need to consider certain actions prior to the implementation of the VAT regime.

In this flyer, we have identified a number of considerations that businesses across the different sectors will have to make, drawing on our knowledge of VAT treatment around the world. When the VAT law is released in Qatar, it is important that businesses assess it carefully to ensure they are fully compliant and manage their tax in the most efficient way possible.

## General principle of VAT

Generally, businesses can be required to pay VAT (input VAT) on goods and services (known as supplies) they procure, and have to collect VAT from customers on supplies they deliver (output VAT). The collected output VAT has to be paid to the relevant tax or other responsible authority. VAT laws allow in general businesses to deduct the input VAT they pay (usually by mean of offsetting against the VAT that they collect).



VAT legislation usually applies one of three treatments to the supply of goods and services:

- standard rate – as per the GCC Framework this is set at five percent. However, KSA and Bahrain increased VAT rates to fifteen and ten percent respectively.
- zero rate – output VAT is charged at zero percent and input VAT can be recovered against this.
- exempt – no output VAT is charged and input VAT cannot be recovered.

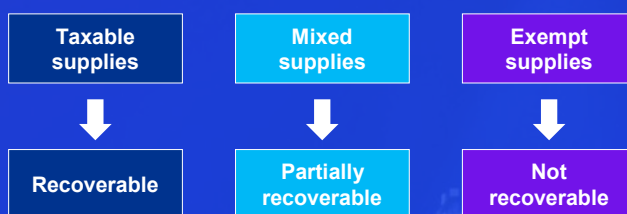
## How is input VAT recovered?

In accordance with the best practice, input VAT amounts incurred by VAT registered businesses are listed as recoverable, provided that such expenses are incurred as part of making taxable supplies.

In case of making exempt supplies, recovery of input VAT is not allowed and business will need to incur unrecovered VAT amounts as an expense.

Tax invoice is also a focal factor entitling businesses to recover incurred input VAT amounts. In case of receiving services from a non-resident, the local VAT legislation in Qatar is likely to go for reverse-charge mechanism (customer registered for VAT in Qatar should be considered as liable for the tax (VAT) on behalf of its non-resident supplier).

## Input VAT incurred for:



## Place of Supply rules of VAT

Understanding where transactions take place (the place of supply) is crucial to ensure that the correct VAT treatment is applied.

Further to the general principle of the place of supply rules highlighted in GCC Framework, below points should be taken into account.

In case supply of services are provided in favor of taxable customer, place of supply is considered as a place of residence of the customer.

In all other cases, place of supply is the place of residence of the supplier.

## Time of supply rules of VAT

Any business registered for VAT in Qatar should pay special attention on the importance of time of supply rules since calculating, reporting and transferring VAT is listed as supplier's obligation. Failing to meet these requirements are likely to lead to financial penalties. Based on time of supply rules, the general rule approach for defining the time of supply is the earliest date of the following:

- when the payment is received
- when the tax invoice is issued
- when the supply is made.

Specific time of supply rules apply in case of supplies of a continuous nature.



# Key considerations for the Healthcare sector

Traditionally, supplies made by healthcare businesses are treated as both taxable (standard and zero-rated) and exempt for VAT purposes, depending on the provisions of the local legislation. Provision of standard rated and zero-rated supplies allow the businesses to recover input VAT incurred on their economic activity. In the other hand, in case of exempt supplies, businesses will not be able to claim input VAT.

Based on Article 29 of the GCC Framework, Government of Qatar may decide to nominate Medical sector to be exempt or zero rated for VAT purposes.

In addition, Article 31 of the GCC Framework highlights that medicines and medical supplies are expected to be zero rated for VAT purposes.

Taking into account options discussed and based on the GCC Framework articles we anticipate that healthcare sector will be mostly exempt or zero rated, however there can be standard rated supplies in this sector as well.

## Key considerations and complex areas

### Mixed supplies

Supplies made in the healthcare sector include both essential medical treatment (e.g. vaccination, surgery of injuries) and non-essential cosmetic and elective surgery treatment. For VAT purposes, it will be important to distinguish the difference to ensure that VAT is charged at the correct rate.

Certain supplies, consisting of a number of components, made in the healthcare sector may be subject to VAT at different rates, depending on the taxation of the components. In this respect, the market players in the healthcare sector are advised to critically evaluate whether all components of a combines supply are taxable. Otherwise, they would include exempt supplies which would end with healthcare providers facing such challenges as having some portion of their input VAT to be irrecoverable.

### Medical education

Moreover, a lot of healthcare centers also provide qualification courses in medicine to specialists. We anticipate that such services will be taxable as standard rated for VAT purposes.

### Recovery of VAT

As highlighted before, medical services are both exempt and taxable for VAT purposes. As such, certain amount of input VAT (used for exempt supplies) is not recovered in full. It means that healthcare centers will recover VAT via apportionment method and the rest of paid VAT will increase the cost of services supplied. Mentioned circumstances fundamentally change the pricing policy of healthcare centers.

### Patient care

Medical services, which are not qualified as subject to zero rate in respective jurisdictions by the government, will be taxable at standard rated VAT.

Based on best practice, accommodation for patients is treated as exempt from VAT. However, accommodation for companions will be treated as standard rated VAT.

### Outsourcing services

Practically medical entities outsource auxiliary services (e.g. cleaning, IT, laundry, biomedical research, security) which are subject to VAT. If mentioned services are used to make exempt supplies, it will increase in the cost of business activity.

# Key considerations for the Healthcare sector

## Supplies from non-residents

Considering the wide range of offered supplies in the healthcare sector, businesses may receive various services from non-resident suppliers. For instance, services, scientific research and certain patient therapies can be provided by non-resident suppliers. These transactions for VAT purposes depend on the actual place of supply and nature of supply. If the place of supply of services is Qatar, then reverse charge mechanism applies to respective supplies and the taxable person is obligated to account for VAT on behalf of the non-resident supplier.

Moreover, in case a non-resident entity exceeds the determined threshold for supplied services in Qatar, such entity should be required to register for VAT. On the other hand, Qatar VAT legislation may include provisions obliging non-residents making supplies in Qatar to register for VAT purposes in Qatar irrespective of volume of transactions. In this case, the healthcare providing customers would be freed from the liability of calculation, reporting and transfer of VAT to the Government.



### How we can help

At KPMG in Qatar, we are committed to the end-to-end delivery of solutions which help your business manage the implementation of VAT in the most effective and efficient way possible. We have a Qatar-based team of highly-skilled professionals, with experience of delivering VAT services to some of the largest healthcare services clients around the world. Our team use KPMG's tested and proven methodology, drawing on global best practice to ensure that you get the results your business needs.



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