

VAT Implications for the Healthcare Sector in the United Arab Emirates

On January 1, 2018, the United Arab Emirates (UAE) introduced a zero rate of VAT (0%) for specified healthcare services. This means that, where certain criteria are met, VAT will not be chargeable on the provision of such services; otherwise the default 5% standard rate of VAT will apply. The entitlement to apply the 0% rate for healthcare is subject to strict conditions. As such, it is crucial that robust VAT processes and systems are in place to ensure the correct VAT treatment is applied. Failing to get this right could lead to assessments and penalties from the Federal Tax Authority (FTA), as well as costly commercial implications.

Areas of VAT complexity

5% VAT – Non-patient revenue

- Accommodation and food to non-patients
- Manpower supply services to other hospitals
- Rental of facilities and car parking fees

5% VAT – Elective treatments and other related services

- Examples may include cosmetic surgery, alternative medicines, non-approved medicines, upgraded rooms, etc.

0% VAT – Medications and Medical Equipment

- Only medications and medical equipment meeting a specific definition & registered or approved by the Ministry of Health and Prevention

0% VAT – Healthcare Services

- Includes “necessary” and “preventative” treatment
- Must be provided to the recipient of the supply – B2B supplies may not constitute healthcare services

Determining VAT liability

- There can be treatments which may be 0% or 5% depending on the circumstances
- Processes required to identify diagnosis where this determines liability

Non-compliance penalties

- Non-compliance may lead to substantial financial penalties
- This may also prompt the Federal Tax Authority to conduct exhaustive tax audits on businesses

Input Tax Recovery

- Recovery of input tax is subject to stringent rules
- Window of 2 tax periods to claim input tax via the VAT return, otherwise voluntary disclosure may be needed

IT Systems

- Proper IT systems in place to charge the correct VAT rate, generate valid VAT invoices and the data required to prepare accurate VAT returns

How we can help



Dedicated Healthcare Sector VAT Specialists

with extensive commercial and technical experience in your sector who will share best practice and the latest insights on VAT and industry matters.



VAT Health-Check to assess the robustness of your current VAT compliance and related processes, and identify areas of potential optimization and risk mitigation.



Technical advice when you need greater certainty on VAT treatment, including the preparation of tax authority ruling requests and audit support.



Review of the VAT treatment applied to sale and purchase transactions based on the latest tax authority guidance and law.



Tax technology experts to assess current processes and systems in order to improve the accuracy and efficiency of VAT reporting.

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