



# VAT ON

## HEALTH SERVICES IN DUBAI, UAE

**A Complete Guide**

Healthcare is a vital sector, and understanding how taxation applies to it is equally essential for providers, clinics, hospitals, and patients alike. VAT on healthcare services is designed to balance public revenue needs while ensuring essential medical services remain accessible and affordable. In the UAE, the VAT framework treats healthcare differently from many other sectors, with specific provisions for zero-rated and exempt services.

Knowing how VAT on healthcare services in the UAE works, what is taxable, what is exempt, and how it impacts pricing and compliance helps healthcare businesses stay compliant while continuing to deliver quality care without unnecessary financial strain.





# WHAT ARE HEALTHCARE SERVICES IN THE UAE?

Healthcare services in the UAE refer to a wide range of medical, diagnostic, preventive, and therapeutic services provided to individuals to maintain or restore health. These services are delivered through licensed hospitals, clinics, medical centres, pharmacies, and healthcare professionals, and include consultations, medical examinations, surgeries, laboratory testing, imaging services, treatment of illnesses, and preventive care.

From a tax perspective, VAT on healthcare services is treated differently from that in many other sectors. Under UAE VAT law, the most essential medical services and treatments provided by recognised healthcare institutions are either zero-rated or exempt, ensuring affordability and accessibility for patients.





# UNDERSTANDING

## VAT IN UAE HEALTHCARE

Value Added Tax (VAT) in the UAE is applied at a standard rate of 5%, but healthcare services are treated differently from most other sectors. Instead of a one-size-fits-all approach, medical services fall into distinct VAT categories, each with its tax impact.

Some healthcare services are exempt, meaning no VAT is charged to patients, and providers cannot recover VAT paid on related expenses. These typically include essential and preventative medical care.

Other services are zero-rated, where VAT is charged at 0%. While patients do not pay VAT, healthcare providers can reclaim the VAT incurred on their operational expenses, significantly reducing overall tax liability.

Lastly, certain services are standard-rated and attract VAT at 5%. This usually applies to non-essential or elective treatments, such as cosmetic procedures.







# WHAT IS THE RATE OF TAX UNDER **HEALTHCARE SERVICES?**

In the United Arab Emirates, the rate of tax under healthcare services depends on which tax you're referring to, because healthcare services may be subject to Value Added Tax (VAT) or Corporate Tax. Here's a clear breakdown:

- **VALUE ADDED TAX (VAT) ON HEALTHCARE SERVICES**
- **HEALTHCARE SERVICES VAT RATES**
- **SUMMARY OF VAT TREATMENT IN HEALTHCARE**
- **CORPORATE TAX FOR HEALTHCARE BUSINESSES**
- **QUICK SNAPSHOT**



# VAT TREATMENT

## OF MEDICAL SERVICES IN THE UAE

VAT on medical services in the UAE isn't one-size-fits-all. How a service is taxed depends on whether it is considered essential healthcare, a specialised treatment, or non-medical.

1. VAT-EXEMPT MEDICAL SERVICES
2. ZERO-RATED MEDICAL SERVICES
3. STANDARD-RATED MEDICAL SERVICES (5% VAT)

The Federal Tax Authority can detail and update VAT rules for healthcare. To ensure correct classification and compliance, it's always advisable to seek guidance from VAT experts or professional tax advisors.







# VAT ON MEDICINES AND PHARMACEUTICALS IN THE UAE

The VAT treatment of medicines in the UAE is designed to protect access to essential healthcare, but it does come with important distinctions that pharmacies and suppliers must understand.

In general, prescription medicines are zero-rated for VAT. This means patients are not charged VAT at the point of sale, while pharmacies and distributors can still recover the VAT they incur on related expenses. This approach helps keep critical treatments affordable and supports the healthcare system.

On the other hand, over-the-counter (OTC) medicines usually fall under the standard 5% VAT rate. Since these products are not always classified as essential or prescription-based, VAT is applied just like other consumer goods.



# VAT IMPACT

## ACROSS HEALTHCARE PROVIDERS

VAT does not affect all healthcare providers equally. Each segment of the healthcare industry faces different compliance challenges based on the nature of services offered, pricing models, and operational structure. Understanding these differences is key to avoiding errors and penalties.

1. HOSPITALS AND MEDICAL CLINICS
2. PHARMACIES
3. DIAGNOSTIC AND IMAGING CENTRES







# COMMON VAT ERRORS IN HEALTHCARE

Due to overlapping VAT categories, healthcare businesses often fall into avoidable traps. Here's how to stay ahead:

1. WRONG VAT CATEGORISATION
2. ASSUMING ALL MEDICINES ARE ZERO-RATED
3. IMPROPER INPUT VAT CLAIMS
4. POOR DOCUMENTATION AND RECORD-KEEPING
5. LACK OF REGULATORY UPDATES
6. UNTRAINED BILLING OR FINANCE STAFF
7. OVERLOOKING FREE ZONE VAT IMPLICATIONS





# GET ASSISTANCE

## FOR VAT ON HEALTHCARE SERVICES IN THE UAE WITH **SHURAA TAX!**

Understanding VAT on healthcare services is no longer optional for medical providers operating in today's regulated environment. The UAE has thoughtfully structured its VAT framework to protect access to essential healthcare while ensuring transparency and compliance across the sector. In the UAE, VAT on healthcare services includes different categories like zero-rated and exempt treatments, as well as standard-rated elective services, which affects pricing, cash flow, and planning for medical providers.

If you need professional support to manage VAT obligations in the healthcare sector, Shuraa Tax is here to help.



# THANK YOU

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