



ROYAL MALAYSIAN CUSTOMS

GOODS AND SERVICES TAX

GUIDE ON HEALTHCARE SERVICES

TABLE OF CONTENTS

INTRODUCTION..... 1
 Overview of Goods and Services Tax (GST)..... 1

GENERAL OPERATIONS OF HEALTHCARE SERVICES 1

GST TREATMENT OF HEATHCARE SERVICES 2

FREQUENTLY ASKED QUESTIONS 4

FEEDBACK AND COMMENTS..... 7

FURTHER ASSISTANCE AND INFORMATION 7

INTRODUCTION

1. This specific guide is prepared to assist businesses in understanding matters with regards to GST treatment on healthcare services

Overview of Goods and Services Tax (GST)

2. Goods and Services Tax (GST) is a multi-stage tax on domestic consumption. GST is charged on all taxable supplies of goods and services in Malaysia except those specifically exempted. GST is also charged on importation of goods and services into Malaysia.

3. Payment of tax is made in stages by the intermediaries in the production and distribution process. Although the tax would be paid throughout the production and distribution chain, only the value added at each stage is taxed thus avoiding double taxation.

4. In Malaysia, a person who is registered under the Goods and Services Tax Act 20XX is known as a “registered person”. A registered person is required to charge GST (output tax) on his taxable supply of goods and services made to his customers. He is allowed to claim back any GST incurred on his purchases (input tax) which are inputs to his business. Therefore, the tax itself is not a cost to the intermediaries and does not appear as an expense item in their financial statements.

GENERAL OPERATIONS OF HEALTHCARE SERVICES

5. **Healthcare services** are services as below

- (a) medical, dental, nursing, midwifery, allied health, pharmacy, ambulance services and any other similar service provided by a healthcare professional;
- (b) service for the screening, diagnosis, or treatment of persons suffering from any disease, injury or disability of mind and body;
- (c) service for preventive or promotive health purposes;
- (d) service provided by any private healthcare facilities;

- (e) any service for curing or alleviating any abnormal condition of the human body by the application of any apparatus, equipment, instrument or device or any other medical technology; or
- (f) any health related services such as supply of drugs and medicines, hemodialysis services, stem cell services and blood bank services
- (g) Supply of accommodation and food for the purpose of providing healthcare services;

6. **Healthcare professional** referred to medical practitioner, dental practitioner, pharmacist, clinical psychologist, nurse, midwife, medical assistant, physiotherapist, occupational therapist and other allied healthcare professional and any other person involved in the giving of medical, health, dental, pharmaceutical or any other healthcare services under the jurisdiction of the Ministry of Health.

7. **Private healthcare facilities** are referred to as any premises, other than a Government healthcare facility, used or intended to be used for the provision of healthcare services or health-related services, such as private hospital, hospice, ambulatory care centre, nursing home, maternity home, psychiatric hospital, psychiatric nursing home, community mental health centre, hemodialysis centre, medical clinic, dental clinic and such other healthcare or health-related premises which are registered and licensed by the Ministry of Health under the Private Healthcare Facilities and Services Act 1998 may from time to time, by notification in the *Gazette*, specify.

GST TREATMENT OF HEALTHCARE SERVICES

8. Healthcare services can be categorized into four main treatments;
- (a) Healthcare services provided by the government are out of scope supplies.
 - (b) Healthcare services provided by private healthcare facilities are exempt supplies.
 - (c) Pharmaceutical services not provided by government or private healthcare facilities are standard rated supplies.

- (d) Traditional and complementary medicine services not provided by government or private healthcare facilities are standard rated supplies.

9. All kind of outsourcing services that are related to medical and healthcare services will be subject to GST at standard rated. The GST charged by the outsource companies to the healthcare facilities can be claimed by the supplier if they are a registered person under GST.

Example 1 : Laundry, food catering, laboratory and Imaging

10. Non related healthcare services will be subject to GST at standard rated and input tax cannot be claimed by the healthcare facilities.

Example 2 : Hygienic cleaning, canteen and parking services

11. Other services supply by healthcare facility not related to healthcare services will be subject to GST at standard rated such as;

- (a) Rental or leasing

Example 3 : Operational theatre, office space, clinics, retail shop, florist or medical equipment

- (b) Seminar and training

Example 4 : The use of medicals professional expertise in seminar or training courses

- (c) Fitness and wellbeing programs

Example 5 : Gymnasium, spa, sauna and slimming centre or massage parlour

12. Cosmetic surgery treatment which is solely for beauty purposes and does not have any connection to improve the health provided by the beauty center of the beneficiary will be subject to GST. However if these services provided by the healthcare facility, it is treated as an exempt supply.

13. Any supply of healthcare services including tele-medicine exported from Malaysia will be treated as zero rated supply.

14. Any supply of goods such as drug and medicines exported from Malaysia will be treated as zero rated supply.

15. Acquisition of goods by healthcare facilities in term of machine, equipment and medicines or drugs will be subject to GST at standard rated. However certain medical equipment may be given relief under GST Relief Order 20XX. Unfortunately there is no relief given on supply of services.

16. Any private healthcare facilities who makes both taxable and exempt supplies is known as mixed supplier. If the turnover of taxable supply is exceed RM500,000 that private healthcare facility is mandatory to register under GST.

17. As a mixed supplier who has to apportion the amount of residual input tax claim in respect of making taxable and exempt supplies using an approved partial exemption method.

18. Residual input tax means an input tax which is neither directly attributable to taxable supplies nor exempt supplies, but is related to the both supplies. (For further information, please refer to the Guide On Partial Exemption)

FREQUENTLY ASKED QUESTIONS

Q1: Should GST be charged on drugs and medicines which prescribed by hospital doctor but the supplies of medicines were supplied from pharmacies outside the hospital?

A1: The supplies of drugs and medicines prescribed by hospital doctor but the supplies of medicine were supplied from pharmacies outside the hospital are standard rated supply.

Q2: A patient paid RM 4,000 for the hospital bill. The doctor who has a clinic or not in the hospital had an agreement/ contract with the hospital that 10% of the price charged to patient will be given to the hospital as part of the hospital charges to the doctor for using the hospital space, facilities or operating cost. Does it subject to GST?

A2: The Charge of RM4,000 is not subject to GST as it is part of healthcare services provided by the doctor who has a clinic or not in the hospital. The charge of RM 400 by the hospital to the doctor will be subject to GST as it is not related to health care services.

Q3: What is the treatment of imported services received by the healthcare facilities under GST?

A3: Any kind of imported services received by the healthcare facilities is considered as part of consultation which is not subject to GST. The importer

should not apply reverse charge mechanism method to account the GST incurred.

Q4: A few hospitals team up together to set up a company to handle the logistic and support services where the cost and management expenses would be shared in order to cut cost and increase efficiency. What is the GST treatment on the services?

A4: Any services which are not related to healthcare services will be subjected to GST.

Q5: Hospital A providing 70% of its supply to healthcare services (exempt supply) and 30% to taxable supply. How can Hospital A claim back the 30% of its business input?

A5: Hospital A need to be a registered person in order to be able to claim input tax claim (ITC). Input taxes are claimable for the 30% of their taxable supply, based on the apportionment rule or known as turnover method.

(For further information please refer to guide apportionment rule)

Q6: I use a private ambulance services to get treatment at Hospital ABC since ambulance from Hospital ABC is not available. How is the GST treatment in this case?

A6: Supply of an ambulance services provided by the Hospital ABC is an exempt supply which is not subject to GST, however supply of an ambulance from a private company will be subject to GST at standard rated because it is not services provided by healthcare facilities.

Q7: A doctor was invited to give a talk in a hotel regarding his expertise at a seminar. What is the GST treatment?

A7: Giving a talk at a seminar is a taxable supply and will be subject to GST at standard rated if there is a charge. However if there is no charges involved, then it is not subject to GST.

Q8: Acupuncture is also healthcare services. Does it also an exempt supply?

A8: At the moment an exempt supply on healthcare services are covered on those conventional healthcare services only. Acupuncture is categories under

traditional and complementary medicines which are subject to GST at standard rated.

Q9: I need to use an oxygen tank often at home so I rent it from the Pantai Putra Hospital. Does it subject to GST?

A9: There are two kinds of services involved in this scenario which are healthcare services and rental of the oxygen tank. Healthcare services are an exempt supply but rental of oxygen tank is subject to GST at standard rated.

Q10: Hasta Clinic being a private clinic out sourced a blood test to BP Lab Pte. Ltd. Does it subject to GST?

A10: Any kind of out sourced activities by the healthcare facilities i.e. Hasta clinics is subject to GST at standard rated.

Q11: I have my own beauty slimming centre which related to healthcare services. What is the GST treatment on that services?

A11: The services provided by the beauty slimming centre such as gymnasium, spa, sauna, slimming centre or massage parlor will be subject to GST at standard rate. Input tax is claimable if it is registered under GST.

Q12: Some patients may require family member to stay with in-patient at a private hospital? Is it exempted under GST?

A12: Food and bed to patient are exempted supply. Charges to family member will be subject to GST. Therefore the hospital has to segregate the bill between exempt and taxable supply.

Q13: What is the GST treatment for cosmetic surgery and anesthetic services?

A13: All types of healthcare services provided by the healthcare facilities which registered and licensed by MOH under the private healthcare facilities and services act 1998 are exempted.

Q14: Do the GST registrant pharmaceutical co. charge GST to government hospital?

A14: Supply by government hospital is under federal government which is an out of scope supply. Federal government is listed under GST (relief) Order 2015

which to be given relief from the payment of tax on the acquisition of goods. Therefore pharmaceutical co. will not collected GST from the government hospital but still entitled to claim input tax.

FEEDBACK AND COMMENTS

19. Any feedbacks or comments will be greatly appreciated. Please email your feedbacks or comments to either Mohd Hisham B. Mohd Nor (m_hisham.nor@customs.gov.my) or Aminul Izmeer B. Mohd Sohaimi (izmeer.msohaimi@customs.gov.my).

FURTHER ASSISTANCE AND INFORMATION

20. Further information can be obtained from:

- (a) GST Website : www.gst.customs.gov.my
- (b) Customs Call Centre :
 - Tel : 03- 7806 7200/ 1-300-888-500
 - Fax : 03- 7806 7599
 - E-mail : ccc@customs.gov.my