VAT on Medical Services

Revenue are back on the attack but this time it’s VAT.

Doctors are still reeling from Revenue’s last blitz on locums and now they’re faced with VAT. The good news, on this occasion, is that VAT probably won’t impact on most GPs and medical professionals, however it will affect some and I’ve set out below the most common questions I’ve been asked by my clients. This should help you establish if VAT might be an issue for you:

1. **Why is VAT being applied now?**
   It’s generally accepted that most medical services are exempt from VAT. A recent European Court case found that if the principal purpose of the medical service was the “protection, maintenance or restoration of the health of an individual” then the service would be exempt from VAT, otherwise it would be subject to VAT.

2. **What medical services are exempt?**
   In principle, Revenue accept that medical care services supplied by “recognised medical and healthcare professionals” are exempt from VAT where they are carried out for the purposes of “protecting, (including maintaining or restoring a patient’s health) or diagnosing, treating and if possible, curing diseases and health disorders”. The vast majority of normal day-to-day medical services provided by GPs to their patients will remain exempt.

3. **What medical services are subject to VAT?**
   This is not an exhaustive list but the following are some of the more common activities that are considered vatable: medico-legal reports, doctors providing expert opinion in connection with court cases, paternity testing, homeopathy, acupuncture, aromatherapy, laser treatment for cosmetic purposes, certain cosmetic surgery procedures, etc.

4. **Do I need to charge VAT?**
   If your income from vatable sources (like those listed at No.3 above) is likely to exceed €37,500 in a twelve month period then you are obliged to register for VAT and charge VAT on those vatable supplies. Large practices take note that the limit is €37,500 regardless of whether you are a sole trader, partnership, limited or unlimited company.

5. **What rate of VAT should I charge?**
   This depends on the nature of the service you are providing. It could be 13.5% or 21% (23% from 1st January 2012). For example, medico-legal reports are liable to VAT at the standard rate of 21% whereas certain cosmetic surgery procedures are liable to VAT at the reduced rate of 13.5%. It is your responsibility to charge the appropriate VAT rate.
6. I think I should be charging VAT what should I do?
Your first port of call should be your Registered Tax Consultant to confirm that you are required to register for VAT. Registration means more administration, additional costs and a price increase so you should take advice to see if you can avoid registration.

7. What happens if I do nothing?
It is your responsibility to find out if you should be charging VAT. If you had a Revenue Audit and it transpired that you should be registered and charging VAT then you would be liable for the VAT you should have charged plus interest and penalties. The interest and penalties could double or triple the liability.

8. Can I reclaim VAT on my purchases?
Yes, if you are required to register then you can reclaim VAT on a proportion of your purchases. This will be relatively small for most practitioners.

9. Do locums have to charge VAT?
The vast majority of locums are now employees and VAT doesn’t apply to employer-employee relationships. Any locums who are still regarded as self-employed are subject to the same rules as other doctors outlined above. There are different VAT rules for locum agencies and these are outside the scope of this document.

10. I’m a limited/unlimited company do I have to charge VAT?
In some cases GPs and healthcare professionals supply their services through an incorporated entity such as a company. The exemption is not dependant on the legal form of the person supplying the medical services so the exemption can apply where services are supplied through a company or similar entity.

This summary note is not intended as advice. VAT is a very complex area of taxation and individual situations can vary. If you think you might have a VAT issue you should contact your Chartered Tax Adviser or alternatively you can contact me:

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PS: Please feel free to pass this on to anyone else who might find it useful.