



# **ROYAL MALAYSIAN CUSTOMS**

## **GOODS AND SERVICES TAX**

### **GUIDE ON HEALTHCARE SERVICES**

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## **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 2014 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 treated as exempt supplies under GST if they are supplied by the private healthcare facility registered or licensed premise under the Private Healthcare Facilities and Services Act 1998. [Act 586].

6. Healthcare services include-

- (a) medical, dental, nursing, midwifery, allied health, pharmacy and ambulance services provided by a healthcare professional;
- (b) accommodation for the purpose of providing healthcare services;



- (c) any service for the screening, diagnosis, or treatment of persons suffering from or believed to be suffering from, any disease, injury or disability of mind or body;
- (d) any service for preventive or promotive health purposes;
- (e) any service provided by any healthcare para-professional;
- (f) 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;
- (g) any food services provided to patient by the registered or licensed healthcare facilities;
- (h) any mortuary services by the registered or licensed healthcare facility.

### **Healthcare professional**

7. Healthcare professional means any 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 services under the jurisdiction of the Ministry of Health.

8. Healthcare professional must be a person who is registered as such under the regulatory body of relevant professional, dental, nursing or midwifery profession of medicine or any other regulatory body and who holds a valid practicing certificate

9. Private healthcare facility means any registered or licensed premises, other than a Government healthcare facility, used or intended to be used for the provision of healthcare 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 and dental clinic and such other healthcare premises as specified by the Minister charged with the responsibility for health by notification in the Gazette.

### **GST TREATMENT ON SUPPLY OF HEALTHCARE SERVICES**



## **Government Sector**

10. Healthcare services provided by the government are out of scope supplies. No GST is imposed on any healthcare services supplied by the Government. These include traditional and complementary medicine services (TCM) provided by government.

## **Private Sector**

11. For GST purposes, healthcare services provided by a registered or licensed private healthcare facilities are exempt supplies if-

- (a) That healthcare services are provided by the healthcare professionals under the employment of the registered or licensed private healthcare facility at the premise of the private healthcare facility or at times, where out of necessity, at the home of the patient.

### ***Example 1***

*Dr. Lim is a resident surgeon of Hospital Putra Pantai but his services are only provided at the Hospital Putra Pantai for three days in a week. Bills to the patients are issued by the Hospital which would be inclusive of his consultation fees. The healthcare services provided by Dr. Lim are exempt supplies.*

### ***Example 2***

*Dr. Ahmad is an employee of Hospital Putra. One of his patients, Encik Ali who is required to come monthly for follow up medical check up. At one month Dr. Ahmad had to attend to Encik Ali at the latter's house as Encik Ali was not able to move. The healthcare services provided by Dr. Ahmad is an exempt supply.*

- (b) A registered or licensed private healthcare facility acts as a panel clinic to a company and provides healthcare services in the company's premise.

### ***Example 3***



*Siva Clinic acts as a panel clinic for Syarikat Maju Jaya and provides healthcare services to Syarikat Maju Jaya's staff at Syarikat Maju Jaya's premise.*

- (c) Healthcare services provided by a registered or licensed private healthcare facility to another registered or licensed private healthcare facility.

**Example 4**

*Supply of blood test/ x-ray services by SPJ Hospital to Ahmad Clinic.*

- (d) They are ancillary services of healthcare services such as-
- (i) prescription given by the doctor including medical aids which come as a package for the healthcare services,
  - (ii) supplying food to the patient,
  - (iii) supplying mortuary services.
- (e) Providing medical reports for the purpose of providing certificate of fitness or occupational health services

**Standard Rated Supplies**

12. Healthcare services provided by healthcare professionals in a private healthcare facility who are not employees nor under its payroll on basis of contract for service are standard rated supplies. Any services provided by the healthcare professionals to the private healthcare facility is subject to GST at a standard rate.

**Example 5**

*Dr. Norhayati is a specialist dental surgeon having her own dental clinic. On every Wednesday of the week she provides dental consultations to patients at Hospital Kelana, where she is provided a room for her consultation work. She bills the patients direct. The healthcare services provided by her are subject to standard rate due to the room given to her is not registered or licensed healthcare facility.*

13. Pharmaceutical services not provided by government or private healthcare facilities are standard rated supplies.

**Example 6**

*Industrial pharmaceutical company, retail pharmacy selling medicines or products which are not under the National Essential Medicine List of the Ministry of Health approved by the Minister of Finance to be treated as standard rated supplies.*

**Example 7**

*Test carried out by the pharmacist at a pharmacy outlet to determine the pressure or cholesterol level of a person.*

14. Other services supplied by the private healthcare facility will be subject to GST at standard rate such as-

(a) Non related healthcare services

**Example 8**

*Food catering, canteen, security, parking, hygienic cleaning and laundry services*

(b) Rental or leasing

**Example 9**

*Operation theatre, medical equipment, floor space for office, clinics, retail shop or florist*

(c) Seminar and training

**Example 10**

*Medical professionals giving talks on their fields of expertise in seminars or training courses*

(d) Fitness and wellbeing programs

**Example 11**

*Gymnasium, spa, sauna, slimming or massage centres.*



- (e) Traditional and complementary medicine services (TCM), for example acupuncture, ayurveda, massage, homeopathy and chinese medicines.

15. Plastic surgery and treatment provided by the licensed private healthcare facility, is treated as an exempt supply. However, if these services are provided by other than the licensed private healthcare facilities which are normally for aesthetic purpose rather than reconstructive purpose, then such services will be subject to GST at standard rate.

16. Any sale of goods used as medical aids for patients by the private healthcare facility will be subject to GST.

**Example 12**

*Crutches, wheelchair, artificial limb, hearing aids.*

17. Imported services shall be treated as a supply to and by the private healthcare facility in the course or furtherance of his business, and that supply is a taxable supply.

**Example 13**

*Medical opinion sought by a cardiologist in a registered private hospital in Johor Bahru from a well known heart specialist based in London.*

*(For further information, please refer to the GST General Guide and guide on Input Tax Credit)*

**Outsourcing of Services**

18. Outsourcing of services will be subject to GST at standard rate. The private healthcare facility cannot claim input tax on the GST charged by the company from where the services are outsourced. On the other hand, that company can claim input tax incurred on providing these services if it is a registered person under GST.

**Example 14**

*Food catering, canteen, security, parking, cleaning and laundry, laboratory and imaging services, including outsourced healthcare professional services provided by a company or an individual acting as his personal capacity.*





## **Zero-Rated Supplies**

19. Any supply of goods and services exported from Malaysia will be treated as zero rated supply.

## **National Essential Medicine List (NEML)**

20. Although medicines are subject to a standard rate, medicaments and medical gases in the NEML issued by the Ministry of Health and approved by the Minister of Finance and put up in measured doses or in forms of packaging for retail sale are zero rated. (Please refer to the Royal Malaysian Customs Department websites for the list of the zero-rated items). Each item is identified according to its generic and brand name, MAL identification number provided by the Ministry of Health and the Tariff Code based on the Customs Duties Order 2012. Medicines without any identification MAL number, will be identified according to the import permit number issued by the Minister of Health.

## **Acquisition of goods and services**

21. Acquisition of goods by private healthcare facility in terms of machinery, equipment and medicines (which are not zero-rated) will be subject to GST at standard rate. However, private hospitals established under the Private Healthcare Facilities and Services Act 1998 will be given relief from payment of GST under the Goods and Services Tax (Relief) Order 2014 on the acquisition of certain medical equipments to be used directly for the purpose of providing healthcare services as approved by the Director General of Customs. No relief from the payment of GST is given on the acquisition of services by the registered or licensed private hospital.

22. For purpose of claiming relief from payment of GST under item 6, First Schedule of the Goods and Services Tax (Relief) Order 2014, the certificate under Part 1, Third Schedule of the Goods and Services Tax (Relief) Order 2014 is required with the following action to be taken:

- (a) For imported goods, the certificate shall be accompanied with the Customs Form No.1.



- (b) For locally acquired goods, the person who claims the relief shall certify the purchase by signing the declaration on the purchase invoice.

### **Registration**

23. Any private healthcare facility making both taxable and exempt supplies is known as a mixed supplier. If the turnover of taxable supplies exceed RM500,000 in a period of 12 months, that private healthcare facility is mandatorily required to be registered under GST. Please refer to the GST General Guide and the GST Guide on Registration for further information on registration and obligations to be complied with once registered.

### **Input tax credit claim**

24. As a mixed supplier, the private healthcare facility has to apportion the amount of residual input tax claimable in respect of making taxable and exempt supplies using an approved partial exemption method.

25. Residual input tax means input tax which is neither directly attributable to taxable supplies nor exempt supplies, but it is related to both the supplies. (for further information, please refer to the *GST Guides on Input Tax Credit and Partial Exemption*).

## **FREQUENTLY ASKED QUESTIONS**

### **Registration**

#### **Q1. Are private healthcare facilities required to be registered under GST?**

A1. No, registered or licensed private healthcare facilities are not required to register under GST if they are supplying wholly exempt supplies even though their annual turnover exceeds RM500,000.

### **Charges**

#### **Q2. What is the GST treatment on registration fee charged to patient by the hospital?**



A2. Any registration fee charged by any hospital except government hospital is subject to GST.

**Q3. Should GST be charged on medicine prescribed by a hospital doctor where the supplies are from a pharmacy other than hospital's pharmacy?**

A3. The GST is charged at standard rate on the supply of medicine other than the medicines listed in the NEML prescribed by a hospital doctor where the supplies are from a pharmacy other than the hospital's pharmacy.

**Q4. Pharmacy in the private hospital also sells medicine to the patient over the counter. Is it subject to GST?**

A4. Yes, Medicine other than in the NEML sold to the patient over the counter is subject to GST.

#### **Treatment**

**Q5. A patient pays RM1,000 for the hospital bill. An agreement/ contract between a doctor and the hospital states that 30% of the price charged to the patient (i.e. RM300) will be paid by the doctor to the hospital for using the hospital space, facilities or operating cost. Is this charge of RM300 subject to GST?**

A5. The charge of RM1,000 to the patient is not subject to GST as it is part of healthcare services provided by the hospital which is an exempt supply. The charge of RM300 by the hospital to the doctor will be subject to GST as rental charges which are taxable. The remaining RM700 which is the amount paid to the doctor for his healthcare professional services is also subject to GST.

**Q6. 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?**

A6. Shared management services provided by a company will be subject to GST.

**Q7. Putrajaya Group Berhad has 2 companies and a few licensed private healthcare facilities under it. One of the company supplies consumable**



**medical products other than medicines (for example gloves, cotton wool) and another company supplies employment services mostly to their private healthcare facilities. What is the GST treatment on the services?**

A7. The supply of consumable medical products is a taxable supply. A contract for services of healthcare professional is an outsourcing of services by the private healthcare facility which is also a taxable supply. Therefore both services will be subjected to standard rate.

**Q8. Ahmad uses Puchong Ambulance Services Sdn. Bhd. to transport him to Hospital Putra. What is the GST treatment on these ambulance services?**

A8. The supply of ambulance services provided by Puchong Ambulance Services Sdn. Bhd. is subject to GST at standard rate because these services are not provided by the registered or licensed private healthcare facility.

**Q9. Dr. Asmadi was invited to give a talk in a hotel regarding his expertise at a medical seminar. What is the GST treatment?**

A9. Giving a talk at a seminar is a taxable supply and will be subject to GST at standard rate. If Dr. Ahmad is a GST registered person, his supply (the talk) is subject to GST. However, if the talk is given free, then it is not subject to GST.

**Q10. Acupuncture is also a form of healthcare service. Is it treated as an exempt supply?**

A10. Acupuncture is categorized under traditional and complementary medicines (TCM) which is subject to GST at standard rate.

**Q11. I need to use an oxygen tank often at home so I rent it from the Pantai Putra Hospital. Is it subject to GST?**

A11. The rental of oxygen tank is subject to GST at standard rate.

**Q12. Puchong Hospital Sdn. Bhd. outsource its food catering services to Awie Food Catering Sdn. Bhd. Are these services subject to GST?**

A12. Yes. Any supply of outsourced service by a licensed healthcare facility is subject to GST at standard rate.



**Q13. Puan Mary owns Mary Beauty Slimming Centre Sdn. Bhd. which provides services related to healthcare such as gymnasium, spa, sauna and massage. What is the GST treatment on these services?**

A13. Marry Beauty Slimming Centre Sdn. Bhd. is not a private healthcare facility which is a registered or licensed healthcare facility under the Private Healthcare Facilities and Services Act 1998 and the services provided are not categorized as healthcare services. Therefore services provided by any beauty slimming centre will be subjected to GST at standard rate. Input tax is claimable provided the company is registered under GST.

**Q14. Ahmad Pharmaceutical Co. Sdn. Bhd. supplies equipments to government hospitals. Is the company required to charge GST on the supply?**

A14. Supply of healthcare services by the government hospital is an out of scope supply. Under the GST (Relief) Order 2014, government is given relief from the payment of GST on the acquisition of goods. Therefore, Ahmad Pharmaceutical Co. Sdn. Bhd. will not charge GST on his supply to the government hospital. On the other hand, Ahmad Pharmaceutical Co. Sdn. Bhd. is entitled to claim input tax incurred if it is a GST registered person.

### **Apportionment Rule**

**Q15. Some inpatients may require family members to stay with them at a private hospital. What services are exempted under this scenario?**

A15. Food and bed to patients are exempted supplies. However, charges to family members are subject to GST.

The private hospital has to segregate the bill between the exempt and taxable supplies based on the apportionment rule for the purpose of claiming input tax.

*(For further information, please refer to the Guide on Partial Exemption)*

**Q16. Hospital Putri Medical Centre also provides traditional and complementary medicine services (TCM) such as massage and**

**acupuncture in a different wing. Is Hospital Putri Medical Centre making both exempt and taxable supplies?**

A16. Yes. Hospital Putri Medical Centre is making both exempt and taxable supplies. Hospital Putri Medical Centre can only claim input tax credit on its taxable supplies by using the apportionment rule.

*(For further information, please refer to the Guide on Partial Exemption)*

**Q17. Harmony Medical Supplier Sdn. Bhd. has two branches. One of them is Harmony Specialist Clinic and another one is supplying medical equipment using the same company registration number under SSM. How can Harmony Medical Supplier Sdn. Bhd. claim its input tax?**

A17. Harmony Medical Supplier Sdn. Bhd. is making both exempt and taxable supplies. Input taxes are claimable only which relate to its taxable supplies, based on the apportionment rule.

*(For further information, please refer to the Guide on Partial Exemption)*

**Q18. Hospital Mawar Medical Centre provides 70% of exempt supply and 30% taxable supplies. How much input tax can Hospital Mawar Medical Centre claim?**

A18. Hospital Mawar Medical Centre has to be a registered person under GST in order to make input tax claim (ITC). Input taxes are claimable for the 30% of the taxable supplies, based on the apportionment rule.

*(For further information, please refer to the Guide on Partial Exemption)*

## **FEEDBACK AND COMMENTS**

26. Any feedback or comments will be greatly appreciated. Please email your feedback or comments to either Norazura Bt. Hashim (norazura.hashim@customs.gov.my) or Patmawaty Jubily (patmawaty.j@customs.gov.my).



## FURTHER INFORMATION

27. Further information can be obtained from:

- (a) GST Website: [www.gst.customs.gov.my](http://www.gst.customs.gov.my)
- (b) GST Tel: 03-88822111
- (c) Customs Call Centre:
  - Tel : 03-78067200/ 1-300-888-500
  - Fax : 03-78067599
  - E-mail : [ccc@customs.gov.my](mailto:ccc@customs.gov.my)



## AMENDMENTS

No.	Date	Heading/Subheading/Paragraph	Description
1.	16.11.2014	i. Example 5	Correction
		ii. Example 6	Correction

