



## VALUE ADDED TAX (V.A.T.) HEALTH INSURANCE IMPLEMENTATION - JULY 1, 2015

Dear Valued Client:

Effective 1st July, 2015, The Government of The Bahamas will introduce Value Added Tax (VAT) on all medical and general insurance premiums. Subsequently and in compliance with this legislation we kindly wish to remind you that the applicable Value Added Tax (VAT) charge will be reflected on all related premiums from 1st July, 2015 forward.

If you require additional information, please do not hesitate to contact us.

### PRODUCTS AFFECTED BY V.A.T.

Please note that the following products are subject to a 7.5% VAT charge as of July 1, 2015.

#### BAHAMAHEALTH

Group Medical Insurance  
Group Dental Insurance  
Group Vision Insurance  
Individual Medical Insurance  
Individual Dental Insurance  
Individual Vision Insurance

## FREQUENTLY ASKED QUESTIONS (FAQs)

**On which health insurance products will I need to pay value added tax (VAT)?** Effective 1st July, 2015 VAT will be levied on all medical, dental & vision insurance products.

**How will I know if a Health Care Provider is authorized to charge or collect VAT?** The Provider should have a VAT Registration Certificate prominently displayed and noticeable to the general public. Additionally, the tax identification number (TIN) and confirmation of valid registration can also be verified on the website of the Central Revenue Agency (CRA) [www.bahamas.gov.bs](http://www.bahamas.gov.bs)

**What if the Health Care Provider does not have a Certificate of Registration displayed but is a (a) network Provider or (b) out of network Provider?** A request could be made to see the certificate. However, if a VAT Registration Certificate is not prominently displayed or visible for customers to see, then the Provider should not charge VAT.

**When will I be expected to pay VAT on my insurance premium?** VAT will be applied to all medical, dental and vision insurance products with effect from 1st July, 2015.

**How and when will my claim be affected?** VAT will be included on claims submitted effective 1st January, 2015, which is when the tax comes into effect nationally. Claims will be impacted due to duly registered Health Care Providers adding VAT on their billings issued for services rendered.

**Will VAT be included in my co-payment, deductible, co-insurance and out of pocket maximum amounts?** Yes, if the Provider has legal authority as a VAT Registrant to charge the tax, all co-payments, deductibles, co-insurance and contributions required from patients will have a corresponding VAT charge applied. As a result you are required to pay the full co-payment, deductible, or co-insurance amount plus the corresponding VAT charge. Please note that the VAT charge is not included in the co-payment, deductible or co-insurance amounts but rather is an additional charge. For example, a client with a \$300 deductible will have satisfied their \$300 deductible when they have paid the required \$300 deductible + \$22.50 (7.5% VAT of the \$300 deductible) for a total of \$322.50.

**Where on my bill will I find VAT charges?** VAT charges will be reflected on your bill/invoice next to each medical, vision or dental product. The total amount of the VAT being charged will be reflected at the bottom of the invoice.

**What impact, if any, does VAT have on my lifetime maximum (LTM)?** There is no impact on the lifetime maximum. Any VAT charges that the company pays related to claims will not be added to your Lifetime Maximum (LTM). The claims charges from Providers are taxable insurance services and are settled on a VAT inclusive basis. The VAT amounts paid to Providers will be recovered by the company during the normal VAT filings with the government.

**As an individual client, if I have paid my annual/semi-annual premium prior to July 1st, 2015 will I receive an additional billing for value added tax (VAT) charges?** No, for annual and semi-annual billings invoiced and settled prior to July 1st, 2015 there will be no charge for VAT. VAT will be charged when the next annual or semi-annual billing is processed and invoiced, after July 1st, 2015.

**Are BahamaHealth Providers required to be VAT Registrants?** The information related to whether or not an entity is required to be a VAT Registrant is contained in the legislation. Where a Provider's annual revenues are \$100 thousand or more, a Provider is required to be a VAT Registrant and if under \$100 thousand, registration is optional. We realize that business will be conducted with Providers who are either VAT Registrants or Non-Registrants. Registrants will charge VAT and Non-Registrants should not charge VAT. Our expectation is that all Providers who meet the requirements for mandatory registration will ensure compliance with the law. BahamaHealth will be checking to ensure that only VAT Registrants are submitting claims with the VAT included.

**Will the VAT charged be reflected on my cash receipt when payment is made?** No, VAT charges will not be reflected separately on cash receipts obtained from the cashiers at any of our Payment Centers. As per the normal process, BahamaHealth will produce monthly VAT Invoices that are fully compliant with the requirements of the VAT Regulations. The amount being paid at the Cashier would include the VAT charged, which will be detailed on the monthly VAT Invoice that are sent out to you. Payments made are being applied against the outstanding balances on your account, which would include charges for insurance products the corresponding VAT. The VAT invoices will clearly indicate the medical products that are being charged VAT and the non-medical products that are not being charged VAT. There will also be a total at the bottom of the VAT Invoice that indicates the total amount of VAT that is due.

*Disclaimer: The information provided above is subject to change contingent upon any subsequent revisions by the Government to the VAT guides and regulations relevant to the Insurance industry.*