VAT treatment of medical care and healthcare-related services

On 26 August 2026 the Cyprus Tax Department has issued circular 4/2026 providing clarifications on the VAT treatment of medical care and related services under the Cyprus VAT legislation.

The circular clarifies which services qualify for VAT exemption, which are subject to the reduced 5% VAT rate, and which are taxable at the applicable standard VAT rate. The key principle is that the VAT treatment depends on the nature and purpose of the service, and not solely on the professional status of the person providing it.

VAT-exempt medical care

The medical-care exemption covers services provided for the purposes of human health, subject to the conditions of the legislation. The circular identifies, among others:Article 63 applies to transitional cases where by 31 October 2023:

- hospital and medical care provided by public or private hospitals, including services closely connected with such care;
- medical care provided by appropriately recognised and registered healthcare professionals;
- services provided by dentists;
- supplies of human organs, blood and human milk; and
- transportation of sick or injured persons by ambulance.

Closely connected services

Not every service supplied in a healthcare environment qualifies for VAT exemption. A service must be sufficiently connected with the provision of medical care and necessary for achieving its therapeutic or nursing objectives.

For example, telephone services, television rental, and beds or meals provided to visitors are not considered closely connected with medical care and are therefore taxable. Conversely, the collection of a sample for analysis and its transfer to a specialised laboratory may qualify as a service closely connected with medical care.

The purpose of the service is critical

The Circular distinguishes genuine medical care from services whose primary purpose is cosmetic, administrative, employment-related, insurance-related or legal. The fact that a service is performed by a doctor or another healthcare professional does not, in itself, mean that the service qualifies for VAT exemption.

Cosmetic and aesthetic procedures

Services whose purpose is primarily to improve appearance rather than to diagnose, treat or prevent illness fall outside the medical-care exemption. Examples include:

- cellulite removal;
- removal or reduction of wrinkles;
- liposuction/lipolysis;
- hair transplantation; and
- cosmetic or aesthetic interventions involving parts of the body.

Such services are subject to VAT at the applicable rate.

Employment, insurance and legal-related services

The circular confirms that certain medical services provided for non-therapeutic purposes fall outside the medical-care exemption. Examples include:

- medical examinations and reports for employment or recruitment purposes;
- psychological tests for recruitment or management purposes;
- medico-legal examinations and reports;
- DNA tests for determining paternity or maternity;
- medical certificates required for pensions, disability, insurance, compensation or driving licences; and
- medical examinations and reports relating to liability, damages or potential medical negligence claims.

Reduced VAT rate of 5%

Where a service does not qualify for the medical-care exemption, it should also be considered whether it falls within the reduced 5% VAT rate. The circular identifies certain medical, dental and thermal-treatment services outside the exemption as falling within this category. Examples include:

- medico-legal examinations and related reports;
- DNA tests for paternity or maternity purposes;
- certain medical certificates or confirmations for insurance, pension, disability and similar purposes;
- medical examinations connected with liability and damages claims; and
- psychological tests carried out for recruitment purposes.

Physiotherapy

For physiotherapy services falling within the reduced 5% VAT category, the circular states that the patient should provide a referral or supporting document from a doctor confirming that the relevant treatment is required.

Healthcare professionals

Subject to the relevant conditions, the exemption may apply to medical care provided by registered professionals including doctors, dentists, nurses and midwives, chiropractors, physiotherapists, clinical laboratories, dietitians/clinical dietitians and psychologists.

The circular also refers to other recognised medical or paramedical professionals, including relevant registered speech therapists/logopedists and occupational therapists.

Key consideration

The VAT treatment of a service depends not only on the profession of the provider, but also on the purpose and nature of the service and the circumstances in which it is provided.

Healthcare providers should therefore review the VAT treatment of their services in light of the latest Circular and the guidance issued by the VAT Authorities, particularly where services may fall between the VAT exemption, reduced-rate and standard-rate categories.

How can we assist?

Our Accounting Team can assist healthcare providers and businesses in:

- assessing the VAT treatment applicable to their services;
- reviewing the applicability of VAT exemptions and reduced rates;
- identifying services that may fall outside the medical-care exemption; and
- ensuring compliance with the latest Circular and guidance issued by the VAT Authorities.

For further information or assistance, please contact our Accounting Team.

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