



PRESS RELEASE

Ministry of Finance's Response to the Bahamas Insurance Association's Statement on the VAT Treatment of Health Insurance Claims

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The Ministry of Finance has sight of a press release by the Bahamas Insurance Association (BIA) with respect to the VAT treatment on health insurance claims. The Ministry wishes to express its disappointment that the BIA would release a statement that relies on so little facts, as this statement misconstrues key elements of the discussion and seeks to politicize a technical issue.

For transparency purposes, while conducting a 2021 audit of a health insurance company, the Department of Inland Revenue (DIR) discovered the incorrect treatment of VAT paid to a health provider. Audit results revealed that the company claimed VAT as an input, although it was not a beneficiary of the service provided. This is clearly against the VAT Act. This company subsequently benefitted by receiving over \$20 million illegally, that should have been paid to the Government.

Subsequent to the above, the DIR continued to audit similar insurance companies. After similar problems surfaced at other health insurance companies, it was suspected that this issue may not be isolated to one company. However, DIR, without auditing all health insurers, could not confirm this position. For the record, the DIR only discusses audit results with the taxpayer or his/her authorized representative. In this case, the taxpayer advised the BIA of the audit results, as is the taxpayers' right. In this regard, the BIA's comment about the unorthodox method of finding out about this issue is misleading and not factual and seeks to cast aspersions on the professionalism of the DIR and the Ministry of Finance.

Once the BIA became involved, discussions were had at all levels including the DIR, the Ministry of Finance, the Minister of Economic Affairs and the Prime Minister. In these discussions, the BIA acknowledged that health insurers were applying the incorrect VAT treatment and petitioned

the Government for a transition period to apply the correct treatment. This offer was formally made to the Government by the BIA and was formally accepted by the Government. The attempt by the BIA to imply that this was a unilateral decision by the Government is again not factual.

With respect to the impact of this change on the individual or group health insurance client, the Government believes that it would be insignificant. The rate of VAT tax on health services is not changing, there would be no double layering of taxes. What is changing is the treatment of this VAT paid by the health insurance company. This would be no different from treatment of VAT paid on insurance claims by general insurers as of April 1, 2023. Different companies will deal with these adjustments in different ways, however, the health insurance market in The Bahamas is very competitive. The BIA is seeking to unnecessarily alarm consumers about this adjustment, and this is unfortunate.

The Ministry of Finance was of the view that through its discussion with the BIA all parties had reached an amicable solution to this issue. However this statement, filled with misinformation from the BIA, is very disappointing.

The public is encouraged to visit the national Budget Website (www.bahamasbudget.gov.bs) to stay up to date on the latest news and information on the country's fiscal matters.

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