



Summary of Oman VAT FAQs posted on the Tax portal

A. VAT general information

1. Legislative background

- Following the signing of the Unified VAT agreement amongst the GCC members, VAT in Oman shall be introduced;
- Royal decree associated with VAT law is expected to be published shortly and the Executive regulations are expected to be published close to the implementation date.

2. Brief commentary on VAT mechanism

- VAT is an indirect tax charged on most of the goods and services that are bought and sold in the Sultanate other than specifically exempted or zero rated;
- VAT is a tax on consumption that is paid and collected at every stage of supply chain and finally borne by the end consumer with credit being available at every stage

3. Registration requirements

- VAT registration to fall under two categories i.e. Mandatory and voluntary registration;
- Conditions to determine if a person should fall under the category of mandatory registration:
 - If the turnover from business exceeded the threshold limit in last 12 months, the person has to mandatorily register for VAT or;
 - If the turnover from business is expected to exceed the threshold limit in coming 12 months, the person has to mandatorily register for VAT.
- A person may opt for voluntary registration even if it is not mandatory in its case.

4. Type of supplies

- Taxable supplies - Supplies to be charged at standard rate of 5% ;
- Exempt supplies - Supplies to be not subject to VAT and the Input VAT credit is not available for offset or refund;
- Zero-rated supplies - Supplies to be charged at 0% and the Input VAT credit is available for offset or refund;
- Imports subject to reverse charge mechanism - Imports shall also be subject to VAT. Guidance on the same shall be provided in due course;
- Out of scope supplies:
 - Supplies by a non-taxable person
 - Supplies outside Oman
 - Supplies made not in the ordinary course of economic activity

5. Determination of place of supply

- The place of supply (where VAT is ultimately levied) is the jurisdiction where the final consumption occurs or where the supply of goods or services is made;
- For goods, the place of supply shall be where the goods are physically located when ownership is transferred;
- For services, the place of supply shall be in Oman if the supplier is resident in Oman

Determination of place of supply (continued)

- Additional place of supply rules to be provided in due course for sectors such as Telecom, Transportation, Real estate, Hotels, Cultural, Artistic and Entertainment activities etc.

6. VAT deductions and refunds

- VAT return Form to be split in two sections, the first part to deal with output VAT liability and the second to deal with Input VAT credit
- The tax payer would be liable to pay VAT if the output VAT liability exceeds the Input VAT credit
- The tax payer would be eligible for VAT refund if the Input VAT credit exceeds the output VAT liability
- Guidance on partial exemption of Input VAT credit for businesses which deals with taxable and exempt supplies to be provided in due course.

7. Guidance on filing a VAT return

- Guidance with respect to return filing, frequency and payments to the TA shall be provided in due course

8. Guidance on Tax invoice

- There is no prescribed format of a tax invoice. FAQs in the Regulations to lay down minimum requirements of information to be included in the tax invoice
- Guidance on simplified tax invoice to be issued
- A tax invoice is must to support the claim for Input VAT credit

9. Record keeping

- Guidance on records that should be maintained and their retention periods to be issued soon.
- TA insists on maintaining separate VAT account which is to act as the link between the business' records and the VAT return.

10. VAT assessment

- TA to issue notice in writing on account of non-filing of VAT return or filing inaccurate VAT return for any taxable period.

(Source: <https://tms.taxoman.gov.om/portal/web/taxportal/vat-tax>)

B. Key take-away from the FAQs posted for individuals and businesses

- Food items to be subject to VAT with some exceptions. Guidance to be provided in due course;
- Sale and lease of resident property shall be exempt from VAT with exceptions to holiday rentals, short-term leases, hotel stays etc.;
- Sale and lease of commercial property shall be subject to VAT;
- Zero-rate VAT categories:
 - Exports
 - Certain healthcare services
- Exempt categories:
 - School fees set out in the regulations
 - Sale of vacant land
 - Certain financial services (life insurance policy etc.)
- Guidance on transitional provisions on prepaid goods/services which are to be supplied after the VAT implementation date to be issued in due course;
- Guidance on VAT refund for visitors and tourists on purchases in Oman which are subject to VAT shall be issued in due course;
- VAT registration form to be submitted electronically, the authority on review of the registration form shall communicate the tax payer the following information:
 - Date of registration
 - VAT identification number
 - Frequency of filing the VAT returns
- Tax invoices to be preserved for 10 years and should be produced for evidence if called for at the time of assessment;
- Guide on various industries to be issued shortly.

(Source: <https://tms.taxoman.gov.om/portal/web/taxportal/vat-tax>)

BDO comment

Tax Authority's FAQs and general information material posted on the Tax Portal is providing VAT related information in an easy to read form. It will be interesting to read industry specific VAT guides, which we believe provide clarity in greater detail when it comes to specific industry issues.

Contact us

Bipin Kapur

Managing Partner

Bipin.Kapur@bdo.com.om

Manvinder Singh

Audit Partner

Manvinder.Singh@bdo.com.om

Ashish Athavale

Tax Partner

Ashish.Athavale@bdo.com.om

Tushar Kashikar

Tax Manager

tushar.kashikar@bdo.bh