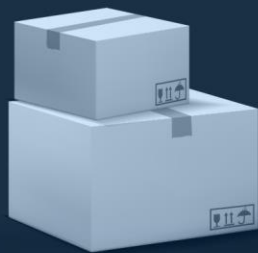




VAT Information Sheet

VAT Basics



Disclaimer: This information is intended to provide a general understanding of the Sultanate of Oman’s Value Added Tax and aims to provide a better general understanding of taxpayers’ tax obligations. It is not intended to comprehensively address all possible tax issues that may arise. While the TA has taken the initiative to ensure that all information contained in this information sheet is correct, TA will not be responsible for any mistakes and inaccuracies that may be contained, or any financial loss or other incurred by individuals using the information from this publication. All information is current at the time of preparation and is subject to change when necessary.

1. Introduction

In preparation for the introduction of the Value-Added Tax (“VAT”) in the Sultanate of Oman, the Tax Authority (“TA”) is publishing this information sheet to support all consumers and businesses in the Sultanate while the local VAT Law (“Law”), Executive Regulations (“Regulations”), and guidance are being drafted and reviewed by the Oman government.

As the authoritative body in charge of the implementation and administration of the VAT in Oman, the TA has already taken a number of steps ahead of the Law coming into effect, including drafting legislative instruments, designing administrative processes and procedures, developing appropriate IT systems, and compiling taxpayer guides and other publications as part of its preparation. In due course, the TA will be releasing these to the public to broaden the public’s VAT awareness and pre-empt any questions and concerns consumers and businesses may have regarding the new tax.

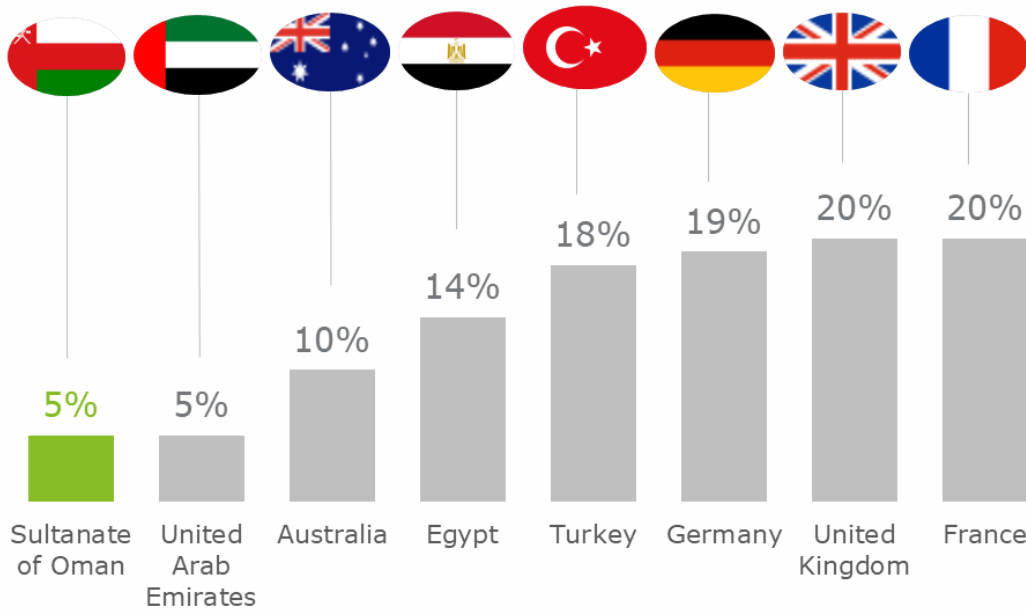
1.1 Legislative background

Following the signing of the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf (“Agreement”), the Sultanate of Oman, along with the other GCC Member States (“States”), agreed to implement a VAT. The Agreement, acts as a basis for domestic VAT legislation by stipulating certain principles, which must be followed by all members, while still allowing the States to opt for different VAT treatment and approaches in certain areas. Thus Oman will issue its national Law and publish its Regulations based on the provisions in the Agreement in due course after appropriate deliberations by the Shura Council and the Oman government.

2. What is VAT?

VAT has been implemented in more than 160 countries around the world. It is an indirect tax charged on nearly all goods and services that are bought and sold in the Sultanate, including goods and services imported into the Sultanate. Certain goods and services may be zero-rated or exempt. VAT is a tax on consumption that is paid and collected at every stage of the supply chain; from a manufacturer’s purchase of raw materials to a retailer’s sale of an end-product to a consumer.

Figure 1: Oman VAT rate compared to other jurisdictions



2.1 How does VAT work?

VAT is not an ultimate cost for businesses, in general terms. Businesses will collect and account for the tax on the supplies they make; businesses will also pay VAT on the purchases they make. VAT adopts an offsetting mechanism such that the amount of VAT to be remitted to the TA is the difference between the *output tax* (VAT charged and collected on sales) and the *input tax* paid (VAT paid on purchases).

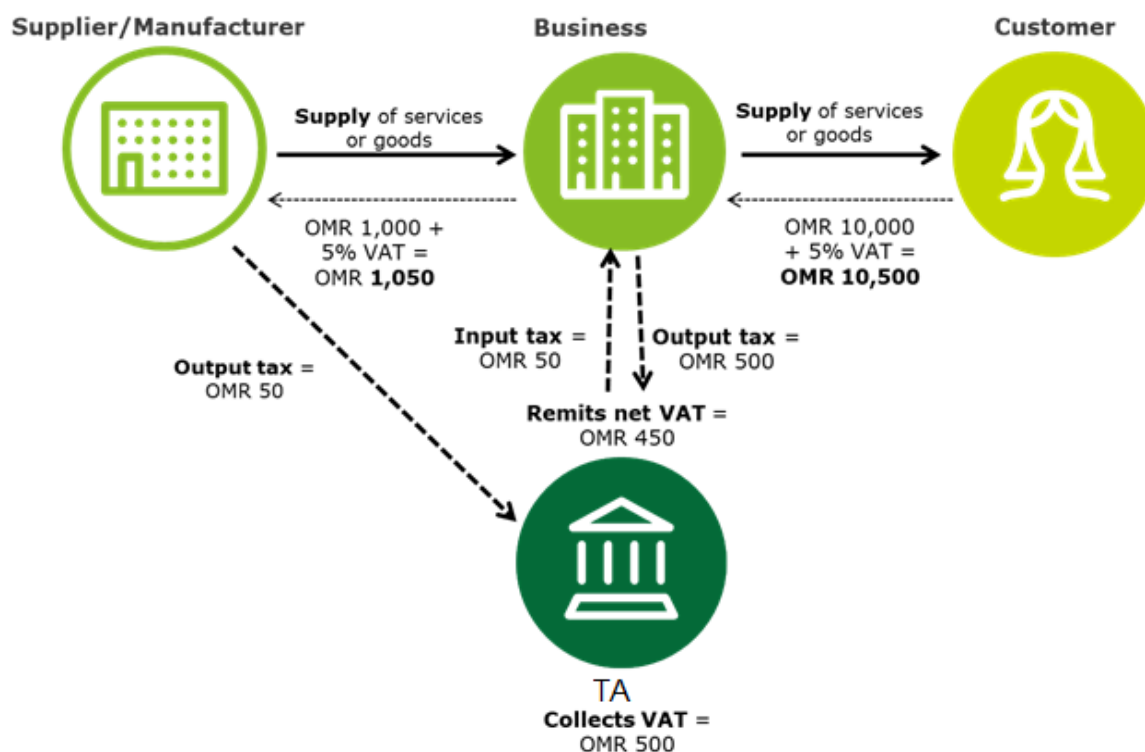
Some businesses, due to the nature of their activities or supplies, will be in a position of excess of VAT because the output tax in a tax period is less than the input tax.

For some businesses, there will be a *partial exemption* or restriction on the input tax it can claim either because of the type of supplies and services it makes or its purchases of goods and services are not used for business purposes (e.g. for private use). More details on these restrictions will be provided in due course.

Final consumers will ultimately bear the cost of VAT.

As mentioned above, the VAT is imposed on a *taxable person*; this is a *person* (an individual, company, joint venture, or partnership) who is registered for VAT (or required to), in accordance with the Agreement.

Figure 2: Illustration of VAT mechanism



3. Registering for VAT

VAT is a self-assessed tax and businesses are required to continually assess the need to be registered for VAT. Further information on the VAT registration threshold, and timelines for the requirement to register, will be provided in due course.

VAT registration falls into two categories: mandatory registration and voluntary registration. If a taxable person exceeds the annual mandatory registration threshold, it is obligated to register; if it exceeds a voluntary registration threshold, it has the option to register.

A person who does not reside in Oman but who makes supplies in the Sultanate must also register for VAT.

Only taxable supplies are taken into account to calculate the threshold.

There are two tests to determine if a person should register for VAT:

- i) **Backward Look:** Has the taxable turnover exceeded the mandatory VAT threshold in the current month plus the previous 11 months?
- ii) **Forward Look:** Is it expected that the taxable turnover will exceed the mandatory VAT threshold in the current month plus the next 11 months?

These tests should be carried out on a monthly rolling basis by an unregistered person engaged in economic activity. If the answer is yes for either test, the person must register for VAT.

For the purposes of voluntary registration, a person may take into account taxable supplies or expenses that are subject to VAT. For example, a business that has not yet fully begun economic activity, but intends to, and has incurred expenses subject to VAT in excess of the voluntary registration threshold may opt to register.

Figure 3: Mandatory vs. Voluntary registration thresholds

- If the taxable person exceeds an annual **mandatory registration threshold**, it is obliged to register.
- If the taxable persons exceeds a **voluntary registration threshold**, it has the option to register.
- A person who does not reside in the Sultanate but who **makes supplies** in the Sultanate must also register.



For the purpose of registration, the value of supplies shall include the following:

1. Value of taxable supplies –except supplies of capital assets.
2. Value of the supplies of goods and services supplied to the taxable person and subject to the reverse charge mechanism.
3. Value of Intra GCC supplies of goods and services.

Note: This does not include exempt supplies.

4. What supplies will be taxable?

A *supply* can either be a supply of goods or services.

All goods and services bought or sold in, or imported into, the Sultanate are subject to VAT unless otherwise specified as exempt. It is anticipated that the *standard rate* of VAT will be 5% as per the GCC Treaty.

Exempt goods and services are not subject to VAT. A supplier of exempt supplies does not collect or charge VAT on its sales and is not allowed to deduct the input VAT it pays on its purchases. As a result, businesses that only sell exempt supplies are not allowed to register for VAT even if their sales are above the mandatory threshold.

Zero-rated goods and services are taxable supplies, but are taxed at a 0% rate of VAT. This means that businesses that make zero-rated supplies can still deduct their input VAT and receive VAT refunds. This is the key difference compared to businesses that make exempt supplies - which generally cannot receive VAT refunds.

Imports are always taxable unless the supply is otherwise specified as exempt. Both VAT-registered and unregistered businesses are required to pay VAT on imports; guidance on how both registered and unregistered businesses are to pay the VAT will be provided in due course.

Some supplies are outside the scope of the Law and, therefore, not subject to VAT. Examples of these supplies are:

- Made by a non-taxable person;
- Made outside Oman; or
- Not made in the course of economic activity.

4.1 Determining the place of supply

The place of supply (where VAT is ultimately levied) is the jurisdiction where the final consumption occurs; where the supply of goods or services is made. This may not necessarily be the country where the value is created.

A supply of goods or services made in Oman shall be within the scope of the Law and, therefore, will be subject to VAT. As mentioned, supplies made outside Oman are considered to be outside the scope of the Law.

There are separate rules for determining the place of supply for goods, and the place of supply for services. Although the rules are different for goods and services, they both have a basic rule; there are then a number of exceptions which try to ensure the VAT is charged on the consumption that occurs.

For goods, the place of supply is in Oman when the goods are physically located in Oman when the ownership of the goods is being transferred. Hence, for goods sold and delivered in Oman, the place of supply is in Oman. Similarly, goods in Oman that are exported, the place of supply is in Oman but the rate of VAT is 0%.

Services will be treated as supplies made in Oman if the supplier is resident in Oman. However, for certain types of services the place of supply may be determined differently to ensure the tax is applied where actual consumption takes place.

Additional place of supply rules will be provided in due course.

5. VAT Deductions and Refunds

5.1 Input tax deductions

A person registered for VAT can deduct their input VAT, meaning VAT paid on goods or services purchased from registered suppliers, in the course of making taxable supplies (i.e., standard and zero-rated supplies). For businesses that make both taxable and exempt supplies, input VAT may be apportioned and claimed accordingly. Businesses may reclaim their input tax by deducting it from their output tax when completing a VAT return.

5.2 Output tax

The VAT return form is split into two distinct sections, the first of which deals with VAT on sales (output VAT) and the second of which deals with VAT on purchases (input VAT). Output tax, as mentioned above, is VAT charged and payable to the TA on any taxable supply, or anything that is considered a taxable supply (i.e., a *deemed supply*).

Figure 4: Output tax

- A business makes a supply of a good (or service) to a customer/recipient for OMR 100
- Output tax is generally due on goods and services (unless the supply is exempt, zero-rated or outside the scope of the Law)
- The supplier charges VAT of OMR 5 on the taxable supply (i.e., adds the VAT on-top of the price)
- The supplier accounts for the VAT by remitting it to TA

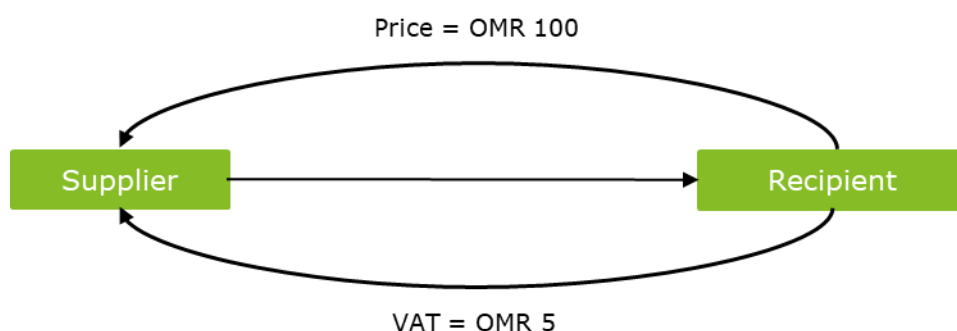


Figure 5: Example of Output Tax/Input Tax Offset

	Value of goods	VAT charged on sale	VAT recoverable on purchases	VAT payable to SGT
Sold goods	150,000	7,500	-	7,500
Purchased goods	50,000	-	2,500	(2,500)
Net VAT to be remitted to TA				5,000

Generally speaking, if the VAT from a business' purchases exceeds the VAT from their sales in any one taxable period, the difference will be refunded by the TA

Example:

During a given tax period, a business (which is registered for VAT) purchases goods in the course of making taxable supplies, for OMR 50,000 plus VAT at 5% (OMR 2,500). The input VAT is OMR 2,500.

During the same period, the business sells goods for OMR 150,000 excluding VAT. The output VAT is OMR 7,500.

On the VAT return for that period, the business would deduct the input VAT paid, from the output VAT collected, which would result in OMR 5,000 to be reported, and remitted, to the TA.

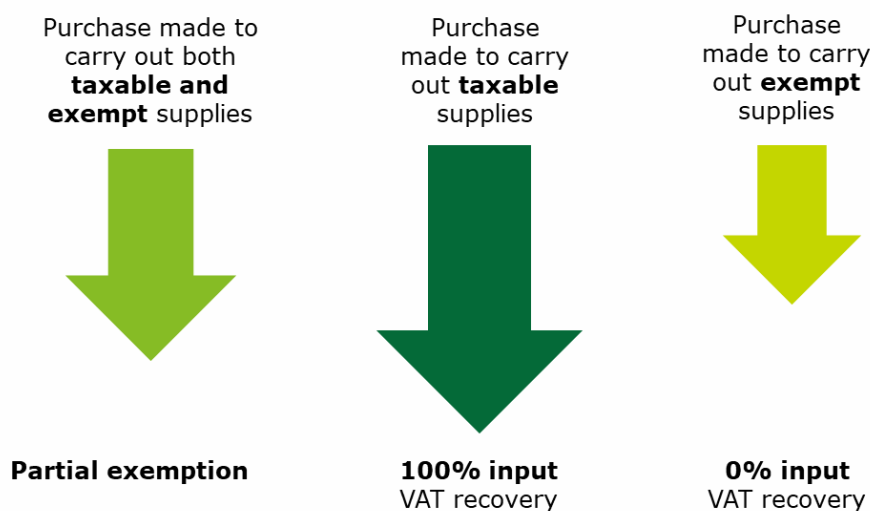
5.3 Partial exemption

The concept of 'partial exemption' is important for businesses that sell a mix of taxable and exempt supplies. Instead of deducting all of the input tax it pays, the business must only deduct an apportioned amount. Further guidance on how businesses should calculate their ratio of taxable to exempt supplies will be provided in due course.

Figure 6: Partial exemption

Input tax is generally restricted where VAT:

- Is incurred for a non-business or private purpose (e.g. employee vehicles);
- Relates to an exempt supply; or
- The taxable person does not hold a valid VAT invoice from its supplier and cannot yet include the VAT the return.



6. Filing a VAT Return

Each VAT-registered person, or the person authorised to act on their behalf, must file a VAT return with the TA at the end of each tax period. The VAT return is considered to be the taxable person's self-assessment of their tax due for that period; it summarizes the value of the supplies and purchases a registered person has made during a tax period, and shows the registered person's VAT liability.

Payment of net tax due for any given tax period must be made to the TA. Guidance with respect to how and when to make payments, filing VAT returns, and the frequency of VAT filings will be provided in due course.

7. Issuing Invoices

A tax invoice must be provided in all circumstances where a taxable supply is made. If a business' customer is VAT-registered, the tax invoice will allow the customer to support their reclaim of input tax for the VAT charged.

A full detailed tax invoice must show the amount of VAT due and the net value for each line item. If the conditions for a simplified tax invoice are met, then a simplified tax invoice can be issued instead. A simplified tax invoice is a simplified version of a tax invoice, in which fewer details are required to be noted, as compared to a full-detailed tax invoice.

There is not a prescribed format or style of a tax invoice, but the Law and Regulations will stipulate the minimum information that must be included on an invoice.

Figure 7: Example of a detailed VAT invoice

Tax Invoice

“Tax Invoice” shown

Supplier name, address and VATIN

Mohammed & Co.
P.O. Box XXXX
Ruwi, Sultanate of Oman
Muscat, 112 Oman
VATIN: OM110030214

Date invoice is issued

Invoice Date: 01/11/2020

Sequential invoice number

Invoice No: 12312

Date supply is made

Date of Supply: 01/11/2020

Customer name and address

Buyer: Noor Electronics
Al Jinan Street
Sohar , Sultanate of Oman

Description and quantity of goods or services

Description:	Quantity:	Unit price:	Taxable Amount (OMR):	Tax Rate:	Tax (OMR):	Total (OMR):
Laptops	1,000	1,000	10,000	5%	500	10,500
Monitors	500	500	5,000	5%	250	5,250

Taxable amount and unit price

Tax rate

Amount of VAT charged (in OMR)

Subtotal (Excluding VAT):	OMR 15,000
Total VAT (OMR):	OMR 750
Total amount payable:	OMR 15,750

Payment terms, notes, details:

Further guidance on the details that need to be included on a tax invoice and a simplified tax invoice will be issued in due course.

8. Record Keeping

All taxpayers are required by law to keep appropriate VAT records relating to their calculation of VAT for audit purposes. This includes any documents used to determine the VAT payable on a transaction and in a VAT return. Further guidance will be provided on examples of records that should be maintained and their retention periods.

Every VAT-registered business should keep a VAT account. A VAT account is the link (the audit trail) between a business' records and their VAT return. In addition, a VAT account will be useful in filling out the VAT return.

A business can keep their VAT account in the way that suits their business, as long as it contains the information that shows the link between the output tax in a business' records and the output tax on their return. The VAT account must also show the link between the input tax in a business' records and the input tax on their return.

9. VAT Assessment

The TA may assess the amount of tax, including the penalty due and tax payable, from a taxable person who fails to file their return, or files an inaccurate return, for any taxable period. A notice of the assessment will be sent to the taxable person in writing.

10. Further Inquiries

10.1 Contact Information

For more information, please contact the TA:

Tax Authority:

Muscat

Muscat, Ruwi

P.O. Box: 285, P.C. 100

Hours: Sunday – Thursday | 07:30-14:30

Telephone: +968 2474 6996

Email: info@taxoman.gov.om

10.2 Forms and Publications

Further guidance, forms and publications will be issued by the TA and available to the public in due course.

10.3 VAT News

For current VAT news and updates, please visit the TA Taxpayer Portal:

<https://tms.taxoman.gov.om/portal/web/taxportal/home>