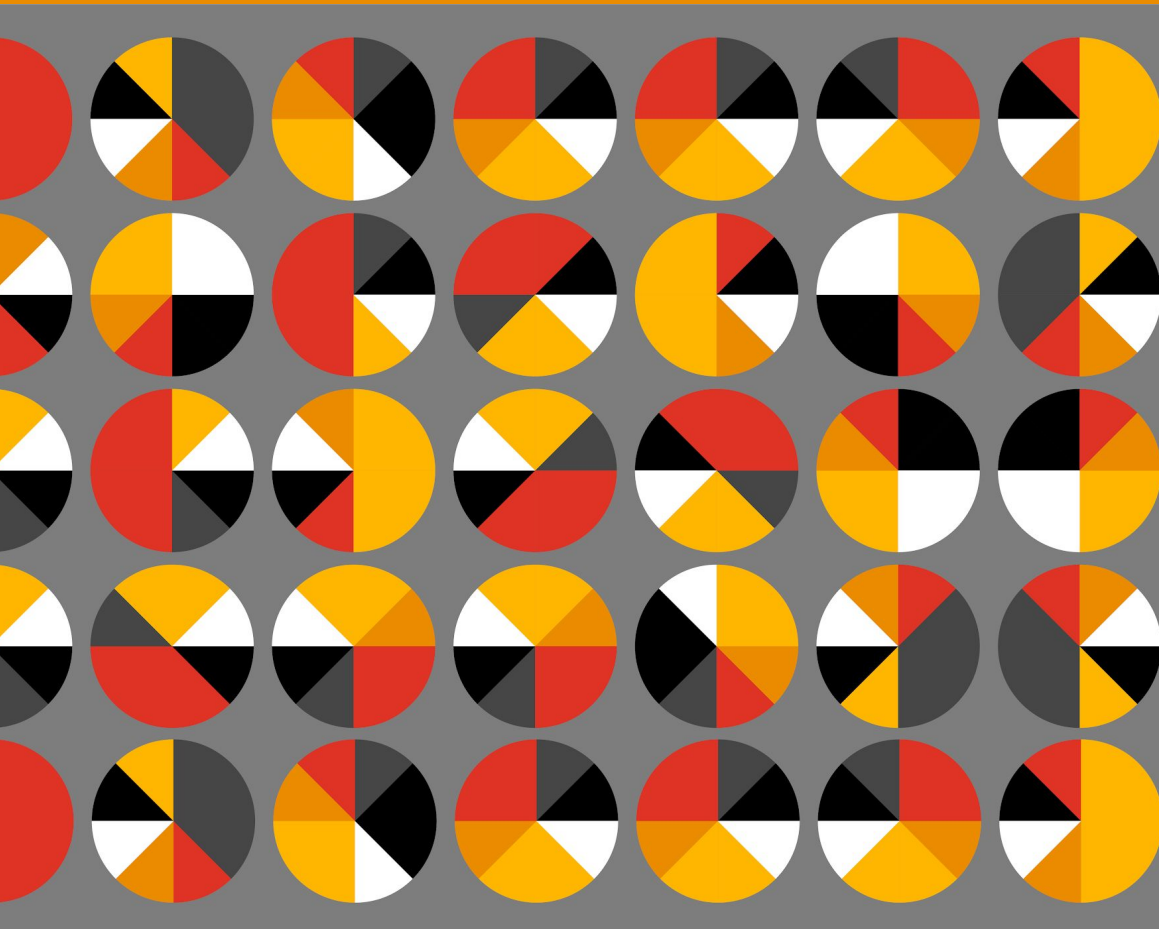


# Oman: Publication of Excise Tax Implementation Guide and FAQs

May 2019



## In brief

The Secretariat General for Taxation (“SGT”) has released the Excise Tax Implementation Guide and Frequently Asked Questions (FAQs), ahead of the implementation of Excise Tax in Oman, which is expected to take effect on Saturday 15 June 2019.

The Guide sets out the background and scope of the tax, including details of how businesses should calculate the Excise Tax due, the compliance and reporting obligations, and the transitional period rules for businesses holding stocks of Excise Goods by the date of implementation (i.e. Excise Goods held by 15 June 2019).

The Guide is intended to supplement the Excise Tax law (issued via Royal Decree 23/2019) and the Executive Regulations, which are yet to be published.

Please find the link to the Guide here: <https://tms.taxoman.gov.om/portal/web/taxportal/excise>

## In detail

### Scope of the Excise Tax

The Excise Tax is expected to be effective from Saturday 15 June 2019, and will apply to importers, ‘stockpilers’, and local producers of Excise Goods. In addition, any person holding Excise Goods in their inventory by the date of implementation of the Law, will also have an obligation to account for tax. This will include businesses such as hotels, restaurants, retail shops and supermarkets.

### Excise Tax goods and rates

Excise Tax Goods and rates were not specifically identified in the Law, however the goods and applicable tax rates are confirmed in the Guide as:

- Tobacco and tobacco derivatives: 100%
- Carbonated drinks: 50%
- Energy drinks: 100%
- Special purpose goods (including alcohol and pork products): 100%

### Calculation of the Excise Tax

As in other GCC countries that have implemented Excise Tax, and in line with the provisions set out in GCC Common Excise Tax Agreement, the tax will be calculated on the higher of:

- The standard price of the goods determined by the SGT, or
- The retail sales price (RSP) declared by the producer, importer, or tax warehouse licensee.



## Registration for Excise Tax

Any person involved in activities within the scope of Excise Tax must register for the Tax via the SGT portal prior to 15 June 2019. There is no registration threshold for Excise Tax, therefore any business involved in importing, producing or storing Excise Goods should assess their obligation to register for Excise Tax purposes. The SGT will review the application and issue an Excise Tax number to the taxpayer upon approval.

## Transitional Excise Tax returns

Any person or business that owns or holds a stock of Excise Goods for business purposes by 15 June 2019, must conduct an inventory count of those goods, and calculate the Excise Tax due. The stockpiler must submit a transitional one-off Excise Tax return and pay any tax due, within 15 days of the effective date of the Law, i.e. by 30 June 2019. There is no minimum stockpiling threshold of relevant Excise Goods.

## Suspension and refund arrangements

Excise Tax is suspended when Excise Goods are stored in or transported between tax warehouses. Although the FAQs do not expressly mention other suspension cases, Excise Tax is typically suspended also when Excise Goods are transported from the point of import to a tax warehouse, and when transported from a tax warehouse to a point of export.

Additionally, the FAQs provide examples of situations where the Excise Tax may be refunded (e.g. supplies to diplomatic missions).

## Compliance requirements and recordkeeping

Taxpayers involved in importing, producing or storing Excise Goods will be required to abide by compliance requirements including:

- Registering for Excise Tax purposes and submitting periodic returns and payments
- Ensuring IT systems are configured to manage the risk of non-compliance
- Maintaining Excise Tax records for 5 years (electronically or via hard copies)
- Complying with inventory control systems with respect to the Excise Tax suspension arrangements
- Keeping customs and transport documentation related to the movement of Excise Goods.

## The takeaway

Businesses involved in importing, producing or storing Excise Goods should review their obligations and registration requirements as a matter of urgency. As there is no minimum threshold for stocks of Excise Goods held by the implementation date, the range of businesses impacted by the transitional rules will be significant, and may present an administrative challenge for smaller taxpayers.

Businesses will also need to consider the review of prices, and assess IT systems to ensure the calculation and reporting of Excise Tax is undertaken accurately, as well as implementing changes in point of sale systems.

It is important to verify that the supply chain of importers and local producers of goods subject to Excise Tax is efficient. This not only applies to the finished products, but also to the raw materials and ingredients used in the production of Excise Goods. Mechanisms such as customs suspension cases and Excise Tax suspension arrangements are expected to be available to improve the cash flow of businesses trading in goods subject to Excise Tax.

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## Let's Talk

For a deeper discussion of how this development might affect your business, please contact:

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