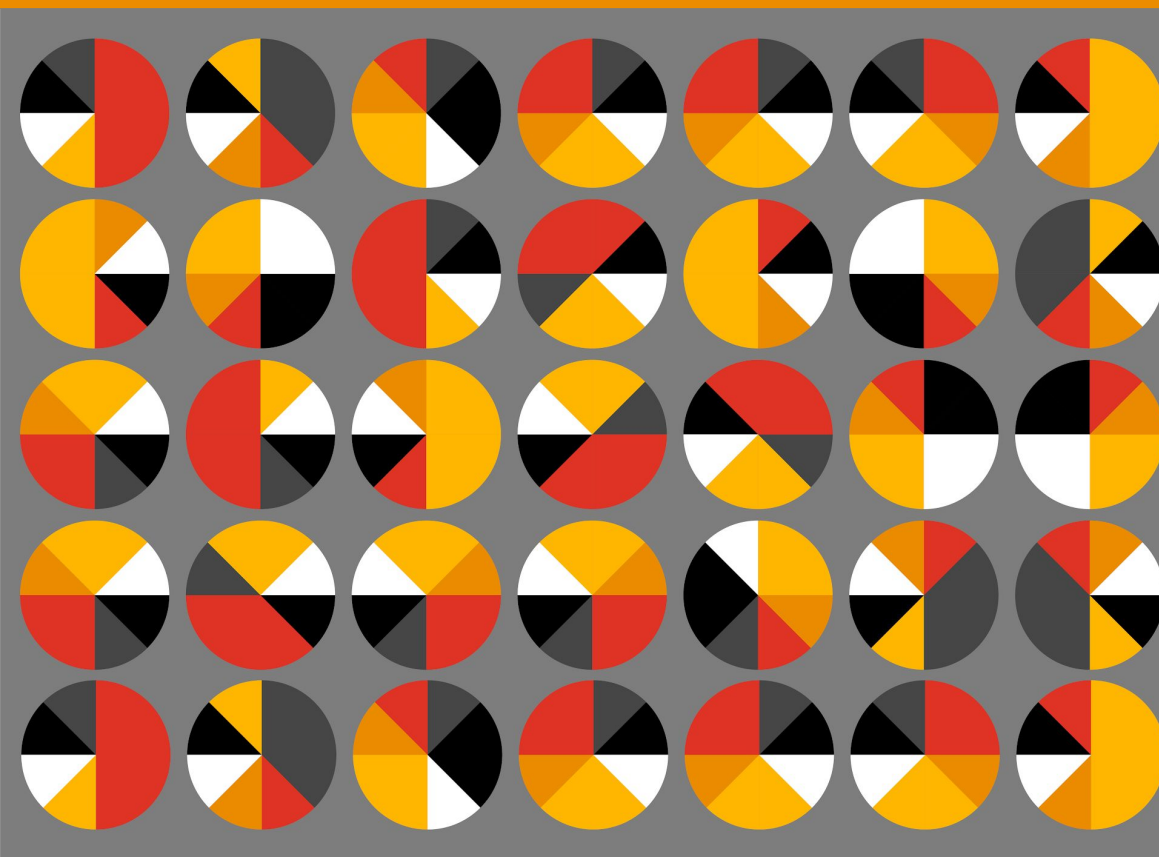


Oman: Oman VAT Law published in the Official Gazette

October 2020



Following the issuance of Royal Decree No. 121/2020, the VAT Law was published in the Official Gazette of Oman on Sunday, 18 October 2020.

The VAT Law contains 106 Articles divided into 13 Chapters covering provisions relating to registration, taxable value, zero-rated and exempt supplies, invoices, penalties, and transitional provisions. The Executive Regulations are expected to be released by the end of this year.

Background

Oman announced the implementation of Value Added Tax ('VAT') on 12 October 2020. The VAT Law was published in the Official Gazette of Oman on Sunday, 18 October 2020 vide Royal Decree No. 121/2020. The date of implementation of VAT in Oman is 16 April 2021 (i.e. 180 days from the date of publication of the Law in the Official Gazette). The standard rate of VAT in Oman is 5% and consistent with the GCC Unified Agreement, and there are provisions for zero rating and exemptions in the Oman VAT Law. By global standards, 5% is one of the lowest VAT rates implemented in the world. The online registration for VAT is not yet live but is likely to commence from January 2021.

In detail

The Oman VAT Law is based on the principles laid down in the Unified GCC Agreement for VAT, comprising 106 Articles which are divided into 13 Chapters. A brief summary of the key provisions of the Oman VAT Law is given below.

- **Zero rating** - Subject to the conditions mentioned in the Executive Regulations, the following supplies are zero rated as per the Oman VAT Law:
 - Supply of certain food products specified by a decision from the Chairman.
 - Supply of specified medicines and medical equipment.
 - Supply of investment gold, silver, and platinum.
 - Supplies of international or intra GCC transport of goods or passengers, and supply of services in connection with this transport.
 - Supply of air, sea and land means of transport that are designated for the transportation of passengers and goods for commercial purposes and the supply of related goods and services.
 - Supply of rescue planes, and rescue and assistance boats.
 - Supply of oil, oil derivatives and natural gas.
 - Supplies made outside GCC countries in specified cases, subject to certain conditions.
 - Supply of goods and services that are exempt from VAT in Oman and that are supplied to the territory outside of the GCC.
- **Exemption from VAT** - Subject to the conditions mentioned in the Executive Regulations, the following supplies shall be exempt from VAT as per the Oman VAT Law:
 - Financial services.
 - Healthcare services and related goods and services.
 - Educational services and related goods and services.
 - Undeveloped land (bare land).
 - Resale of residential properties.
 - Local passenger transport.
 - Rental of properties for residential purposes.
 - The Oman VAT Law also specifies certain imported goods that will be exempt from VAT such as returned goods, personal luggage, etc.
- All supplies of goods and services in Oman, except those mentioned above will attract VAT at the standard rate of 5%, subject to the place of supply provisions mentioned in the Oman VAT Law.

- **Registration**
 - Mandatory registration - If the total value of supplies made at the end of a month, or expected to be made at the end of the month, in addition to the immediately preceding eleven months, exceeds OMR 38,500, then VAT registration is mandatory.
 - Voluntary registration - VAT registration can be applied for voluntarily in case, the total value of supplies/expenditure made at the end of a month or expected to be made at the end of the month, in addition to the immediately preceding eleven months exceeds OMR 19,250.
 - The registration process will be online.
 - The Oman VAT Law specifies that a non-resident who makes supplies in Oman must also register for VAT as a non-resident taxpayer, irrespective of the threshold limits. The non-resident VAT registration can also be obtained by appointing a tax representative in Oman.
 - The Oman VAT Law also stipulates VAT Group registration and the Executive Regulations will contain details around conditions to be met in order to register as a VAT Group.
 - The Oman VAT Law mentions that the mandatory registration threshold shall be determined and amended by a decision from the Chairman of the Oman Tax Authorities.
- **Input tax recovery**
 - In a tax period, the taxable person can deduct and adjust recoverable input tax from the value of the output tax liability.
 - Subject to conditions mentioned in the Oman VAT Law and the Executive Regulations (yet to be published) eligible input tax credit can be claimed by the taxable person within three years from the date of a valid tax invoice.
- **Tax returns and refunds**
 - While the frequency of filing VAT returns will be mentioned in the Executive Regulations, the Oman VAT Law details the content required in a VAT return, such as, the value of the taxable and exempt supplies, the value of imported goods, value of output tax and input tax claimed and the value of tax due during the period.
 - The Oman VAT Law stipulates refunds in specific cases such tourist refunds, etc.
- **Transitional provisions**
 - Transactions will be subject to Oman VAT wherein the handover of goods or completion of services takes place after VAT go-live date, even if an invoice is issued or the consideration is paid for the supply before the effective date (16 April 2021) or before the date of registration.
 - For the contracts entered into prior to the effective date, any supplies made after the effective date will be subject to VAT, at the appropriate VAT rate.
 - The consideration mentioned in the contract will be considered inclusive of VAT, unless specifically mentioned otherwise.
- **Record keeping** - Interestingly, unlike the other GCC countries that have implemented VAT this far, records must be maintained for a period of 10 years and 15 years for business in the real estate sector. Generally, the record keeping requirement is for 5-6 years but it has been enhanced to 10 years in Oman under the Oman VAT Law.
- **Special Economic Zone (SEZ)** - The Oman VAT Law recognises the transactions undertaken by the business based in the SEZ. However, there is no indication in the Oman VAT Law the VAT treatment for the transactions in the SEZ to be determined in the Executive Regulations.
- **Penalties** - As per the provisions of the Oman VAT Law, significant penalties, both monetary and/or in the form of imprisonment can be levied for the breach of specific conditions. Late payment penalty is also levied at 1% of the unpaid amount.

- Uniquely, as per the Oman VAT Law, a "Responsible Person" must be assigned by each Taxable Person; usually the owner or the manager as the case may be. The VAT Law lays down certain obligations and restrictions for the Responsible Person.
- **Out of scope supplies** - Supplies outside the scope of the Oman VAT Law include the following supplies:
 - made by a non-taxable person.
 - made outside Oman.
 - not made in the course of an economic activity.
 - The taxable person transfers his activity to another person.
 - Sales that take place from a place outside Oman to another place outside the Sultanate.
 - made between the insurer and the insured in order to settle insurance requirements of a taxable insurance contract will not be subject to VAT
- The Executive Regulations will provide the necessary clarification and guidelines to implement the VAT Law. Amongst other things, clarity around determination of the tax period, treatment of vouchers, list of blocked input tax credit, rules for input tax recovery, conditions for tax group registration, invoice requirements, etc., is awaited in the Executive Regulations.

The takeaway

With the release of the Oman VAT Law, businesses must start preparing and ensure that they are ready to comply with the VAT requirements by 16 April 2021. The mandatory registration threshold shall be determined and amended vide a decision from the Chairman of the Oman Tax Authorities.

The concept of a 'Responsible Person' is unique to Oman and the other three GCC countries that have implemented VAT thus far do not have such a concept *per se*. The Oman Tax Authority is expected to release sector specific guides to help business in various sectors prepare for the VAT implementation.

With a very limited frame, before VAT goes live in Oman, business must immediately identify team members for their VAT implementation projects (whether external or inhouse), assess their transactions and the applicable VAT treatment, assess their IT systems readiness and review their contracts to ensure a seamless VAT implementation.



Let's talk

For a deeper discussion on how the introduction of VAT in Oman will impact your business, please contact:

Omar Al Sharif

Country Senior Partner

T: +968 2455 9118

omar.al-sharif@pwc.com

Darcy White

Tax and Legal Services Partner

T: +968 2455 9154

darcy.white@pwc.com

Jeanine Daou

Middle East Indirect Tax Leader

T: +971 4304 3744

jeanine.daou@pwc.com

Imran Mushtaq

Indirect Tax Director

T: +968 9679 1979

imran.x.mushtaq@pwc.com

Kanval Ashar

Indirect Tax Senior Manager

T +968 9679 2441

kanval.x.ashar@pwc.com

Jesal Shah

Indirect Tax Manager

T +968 9712 7343

jesal.s.shah@pwc.com

©2020 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details. This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers, its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.