

Sultanate of Oman: VAT Guide on E-Commerce

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In brief

On 25 August 2022, the Oman Tax Authority ('OTA') has published a VAT Guide on E-Commerce to provide guidance on how VAT affects businesses which operate within the e-commerce sector. It contains guidance on the VAT treatment of supplies of goods and services through electronic means, supplies made through agents and indicators for electronic suppliers to determine the customers place of residence. The VAT Guide on E-Commerce is currently available only in Arabic and is accessible [here](#).

In detail

The OTA published an E-Commerce VAT Guide (the 'Guide') to provide guidance on the VAT treatment of supplies of goods and services through electronic means, such as over the internet or a similar electronic network.

The Guide discusses various general aspects of VAT applicable to most businesses, including to e-commerce business, such as VAT registration requirements, place of supply rules for goods and services, reverse charge mechanism ('RCM'), input tax recovery and record keeping requirements. In addition to the general VAT provisions, specific e-commerce related VAT considerations are discussed in detail, such as indicators for determining the place of actual use and enjoyment and the supplies made through agents acting as disclosed or undisclosed agents.

Accordingly, we have set out below a detailed understanding of these specific VAT considerations:



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1. Supply of goods by electronic means

A supply of goods in e-commerce involves purchasing goods through an electronic platform, such as a website or a marketplace. Once the goods are purchased, they are then delivered to the recipient.

The Guide confirms that the 'general place of supply rule' for goods applies for determining the place of supply of goods supplied through an electronic platform i.e. the place of supply should be considered in line with where the transfer of ownership or the right to dispose of the goods takes place.

The Guide further discusses the VAT considerations for goods supplied locally, exported goods, sales of goods from outside the UAE and import, including import with assistance of an import clearing agent.

The OTA has clarified in the Guide that the supply of goods from outside Oman is only subject to import VAT. When a non-resident supplier sells goods to customers based in Oman and the goods are delivered from outside Oman, the non-resident supplier does not have an obligation to account for Oman VAT on that supply (as the place of supply of such goods will be the place where transportation begins which is outside Oman).

When a non-resident supplier supplies goods from a warehouse in Oman to a customer not registered for VAT in Oman, the non-resident supplier will be required to register and account for VAT.

The Guide further clarifies that in the case of an import of goods, the import VAT is only deductible by the person acting as the importer, provided that the importer uses the goods for his taxable activities. An agent (broker, clearing agent, etc.) is not entitled to recover import VAT on supplies received in the name of its principal.



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2. Electronically Supplied Services

Electronically Supplied Services ('ESS') are services supplied directly through the internet or an electronic network, where the supply of the services is principally automatic and requires minimum human interference, and can be supplied only with the use of information technology.

The Guide provides a non-exhaustive list of services that qualify as ESS, in line with the Oman VAT Executive Regulations.

The place of supply for ESS is subject to special place of supply rules, i.e. based on the location of "actual use or enjoyment" of such services.

The VAT legislation is silent on the criterias that can be used to determine the place of use and enjoyment. In order to ease out the uncertainty around this, the Guide lays out some principles with examples which can serve as guidance in determining the place of actual use and enjoyment.

- For taxable customers, the place of supply for ESS shall be the place of residence of such taxable customer (i.e. workplace or fixed establishment).
- For non-taxable customers, the place of supply for ESS shall be the place of actual use or enjoyment of such services, determined in the following manner:
 - a. In the case of an electronic service which is delivered to a physical place, the place of use and enjoyment of that service is that physical place.
 - b. If the receipt of ESS does not require the customer to be physically present in a specific fixed location, the use and enjoyment may be determined on the basis of the recipient's location at the time the services are supplied.

The following factors may be indicative of the recipient's location:

1. the country code stored on the SIM card used by the recipient to receive the electronic service;
2. the internet protocol ("IP") address of the device used by the recipient to receive the electronic service;
3. The recipient's billing address;
4. the bank details used by the recipient for the payment;
5. Other information of a commercial nature.



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The Guide confirms that import of ESS by a VAT registered customer in Oman from a non-resident supplier will be subject to VAT under the RCM.

The Guide also confirms that in respect of supply of ESS by a non-resident supplier to a non-taxable customer in Oman, VAT registration obligations will trigger for the non-resident supplier. No registration threshold applies in such cases.

3. Supplies made through “agents”

In e-commerce, the electronic marketplace through which goods or services are supplied plays a vital role in the supply chain. It acts as an intermediary that connects the supplier and the recipient.

The Guide discusses the role of the intermediary in line with the concept of agents and types of agency agreements. Depending on whether the agents are acting as disclosed or undisclosed agents, the relevant VAT rules are applicable. For example, if the intermediary acts as a principal and on his/her own account, then even he/she is referred to as an ‘agent’ in practice, the VAT rules applicable to the intermediary would be as if the agent is acting as the supplier of the goods or services.

Determining the nature of an agency relationship is crucial as that drives the VAT considerations such as person responsible to account for VAT. Usually, the contractual agreements between all parties involved in the transaction, and in particular the agency agreement, dictates whether the agent is acting as an agent or deemed principal.

The Guide lists the VAT compliance requirements for dealing with agents such tax invoicing, VAT reporting and record keeping requirements.

The takeaway

Taxable persons in the e-commerce business or those who are acting as an intermediary providing an online platform for the supply of goods and services need to assess the VAT treatment of their supplies in the context of the VAT legislation and the recent guidelines. For a deeper discussion on various aspects discussed in the Guide that are applicable to your businesses, please get in touch.

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Let's talk

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

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