

Sultanate of Oman

VAT Taxpayer Guide for 'Promotions'

June 2023





In brief

The Oman Tax Authority has published the VAT Guide for Promotions which provides clarifications/ guidance in terms of VAT implications on transactions related to promotion of commercial activities, including discounts offered to customers, free supplies, barter transactions, marketing schemes, loyalty programs etc.

The Guide is currently available only in Arabic and is accessible [here](#).

In detail

The Oman VAT Guide for Promotions provides guidance on the following matters:

1. Discounts
2. Barter
3. Gifts and samples
4. Free services
5. Vouchers
6. Discount coupons
7. Loyalty program

A summary of key clarifications relating to the above referred matters, is provided in the table hereafter.



VAT Guide for Promotions – Key Clarifications

S.No.	Description	Clarification/ Guidance provided
1.	Discounts	<ul style="list-style-type: none">• General discount offered by a taxpayer to all customers in order to promote sale of goods or services can be adjusted against declared sales price. Accordingly, VAT is calculated on reduced consideration i.e. displayed price less discount offered.• Further, if the supplier and the customer agree on reduced price (less than advertised price) for an underlying supply during usual commercial negotiation, VAT will be calculated on reduced price.• However, if a taxable supplier offers a special discount or reduction to a single customer, the supplier must have a clear policy for such discounts and rebates and have a separate mention of discount amount on a tax invoice.
2.	Barter	<ul style="list-style-type: none">• 'Barter' is a commercial arrangement which reduces the cash consideration of underlying supply as the customer makes a partial payment in kind.• In case of barter, VAT should be calculated on total consideration which includes cash consideration plus monetary value of goods / services received from the customer.• The value of non-monetary consideration must be determined using an appropriate method. In case of commercial arrangements that allow the customer to replace used goods with new ones, value of non-monetary consideration would generally be equivalent to difference between sales price of goods / services procured and cash consideration.



VAT Guide for Promotions – Key Clarifications

S.No.	Description	Clarification/ Guidance provided
3.	Gifts and samples	<ul style="list-style-type: none">• As per the Oman VAT law, if a taxpayer provides goods without consideration, it is regarded as a supply for VAT purposes unless conditions prescribed under the Oman VAT Executive Regulations are fulfilled.• Additionally, the guide also clarifies the VAT treatment of promotional offers where the customer is supplied a bundle of products for one single consideration. Examples may include buy two items and get one free, free cup on purchase of milk bottle etc.• In such case, the total consideration received from the customer should be apportioned to all items forming part of a bundle and VAT needs to be applied on each component separately at respective rate on such apportioned value, especially in cases where zero rated items are bundled with standard rated products.
4.	Free services	<ul style="list-style-type: none">• The VAT treatment in terms of supply of services without consideration is prescribed under the Oman VAT law.• The VAT Guide on Promotions confirms that provision of services without consideration as part of taxpayer's business activity is a supply for VAT purposes, if the taxpayer has deducted VAT incurred on purchase of such services or VAT incurred on expenses which are directly related to performance of such services.



VAT Guide for Promotions – Key Clarifications

S.No.	Description	Clarification/ Guidance provided
5.	Vouchers	<ul style="list-style-type: none">• The concept of 'Voucher' and type thereof i.e. Single Purpose Voucher (SPV) and Multi Purpose Voucher (MPV) have already been stipulated in the Oman VAT Executive Regulations.• The VAT Guide on Promotions further explains these concepts with relevant examples confirming the following:<ul style="list-style-type: none">– The sale of SPV is considered as a supply of services or goods that can be procured upon redemption of SPV. VAT on SPV is due on its issuance and each subsequent sale in the supply chain until it gets sold to the final consumer. All taxable persons within the supply chain who buy SPV for onward sale will be eligible for input tax deduction as per the normal rules / conditions. VAT will not be due at the time of redemption of SPV. The place of supply of SPV is the same as the place of supply of the goods or services which it can be exchanged for.– MPV can be exchanged for multiple goods or services, and therefore VAT due thereon cannot be determined at the time of its issuance. Therefore, in case of MPV, VAT becomes due once it is redeemed to buy goods or services.



VAT Guide for Promotions – Key Clarifications

S.No.	Description	Clarification/ Guidance provided
6.	Discount coupons	<ul style="list-style-type: none">• Discount coupons are usually issued by a taxable person to offer discount on future sales. For example, a discount coupon issued on purchase of certain goods, a discount coupon issued on purchase exceeding certain amount etc.• A discount coupon does not constitute a purchase voucher for VAT purposes. However, where a discount coupon is issued for a consideration by a taxpayer who intends to adjust such discount coupon against future supply, the amount received from the customer at the time of sale of coupon will be regarded as an advance payment for a future supply and subject to VAT. At the time of redemption of a discount coupon, VAT will be due only on additional amount due from the customer i.e. sales price less value of discount coupon.



VAT Guide for Promotions – Key Clarifications

S.No.	Description	Clarification/ Guidance provided
7.	Loyalty program	<ul style="list-style-type: none">• In case of loyalty program, the customers are usually given a card (either paper or electronic) to record their purchases from a taxable person, and once purchase of certain amount has been made, the customer is eligible to receive loyalty points which can be redeemed for future purchases.• The issuance of loyalty points at the time of purchase of goods or services is not a taxable supply. Further, VAT will not be applied to the redemption of loyalty points for future supply as it will be considered as an extension of the original supply. As a result, when the customer pays part consideration in cash and part using loyalty points, only the cash consideration will be subject to VAT. Furthermore, if the customer makes entire payment using loyalty points, this will not be considered as a supply for VAT purposes.• The supplier will be eligible to deduct input VAT related to goods / services supplied against loyalty points, in accordance with the normal input VAT deduction rules.

The takeaway

The VAT Guide for Promotions provides key clarifications/guidance on various matters in terms of promotion of commercial activities, especially relating to discounts offered to customers, gifts and samples, sale of vouchers, loyalty points etc. Thus, businesses shall take this into consideration for analysing VAT implications on business promotions and ensuring compliance with VAT obligations in Oman.

Additionally, businesses offering various promotional benefits to their customers may carry out an analysis to understand associated VAT costs / implications; and determine if there are any cost savings opportunities therein.

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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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