



Oman to implement Value Added Tax from 2021

Everything you need to know for day one compliance

The Oman Government has announced the approval of Royal Decree No. 121/2020 dated 12 October 2020, publicizing the long-awaited Value Added Tax (VAT) Law. We believe that at the time of writing this alert, the VAT Law will come into effect 180 days from the date of its publication in the Official Gazette. If this is released on 18 October 2020, the VAT Law should go live on 16 April 2021.

This is a significant development in the fiscal reform in Oman. VAT has been anticipated for some time, amidst a range of tax reforms recently announced by the Tax Authority (TA). The announcement of the Law and likely effective date of implementation means all businesses with supply chains in the Sultanate must look at their VAT implementation plans. It is essential for businesses to be prepared for day one VAT compliance.



What you need to know?

The TA has started issuing VAT guidance on its website including a [VAT basics and FAQs guides](#). In the meantime, please find below some key highlights:

VAT framework

The Law follows the framework of the Gulf Cooperation Council (GCC) VAT Agreement – similar but not exactly the same as what has been implemented in Bahrain, the Kingdom of Saudi Arabia (KSA) and United Arab Emirates (UAE). Executive Regulations are expected to be released in two months' time i.e. by December 2020. Headlines are that the standard rate of VAT will be 5% on the go-live date, with zero-rating and exemptions applying to some supplies.

The scope of VAT is very wide, and likely to apply on most goods and services. VAT would also be applicable on importation of goods and services into Oman. Transactions like “free of charge” items and private use of business assets are to be treated as “deemed” supplies, falling within the VAT territory.

Exemption

We expect the Law to provide exemption from VAT for certain supplies like financial services, healthcare and education, bare land, renting or resale of residential property, etc...

Zero-rating

Zero-rating is likely to be applied to:

- Certain food items (like, dairy products, fruits and vegetables, fresh eggs, water, tea and coffee beans, sugar, salt, bread, grains, baby food products, fish, meats);
- Medicines and medical equipment;
- Investment gold, silver and platinum;
- International or intra-GCC transport of goods as well as passengers, plus related services;
- Crude oil, oil derivatives and natural gas;
- Supply of means of transport like aircrafts, vessels, etc.; and
- Exports of goods and services/

More details on specific transactions to be exempted or zero-rated and applicable conditions should be set out in the Executive Regulations and guidance to be issued by the TA.

Registration requirements

Registration process is expected to begin from January 2021. More guidance is expected shortly. Based on the GCC VAT Agreement, the different types of registrations expected, include:

- **Mandatory registration:** Subject to any transition period or rules, businesses reaching the GCC set mandatory registration threshold (United States Dollar (USD)100,000 or Omani Rial (OMR)38,500 of taxable turnover in a year) would have to compulsorily register. Details of how this will work – a mechanism of both looking forward and back – is expected shortly.

Note that there is likely to be relief given for businesses making only zero-rated supplies. Such businesses would have an option to seek exemption from registration, subject to the prior approval of the TA. Once again details to be confirmed.

- **Voluntary registration:** Businesses which do not reach the mandatory registration threshold would have an option for voluntary registration. There is to be a prescribed threshold for voluntary registration determined based on the value of total supplies (probably (USD50,000 or OMR19,250) or on qualifying expenses.

VAT grouping:

Businesses having multiples entities within a corporate group would likely to have an option of forming a VAT group. The advantage for businesses seeking group registration would be that supplies made within the group would be outside the scope of VAT. In our experience, it would be worthy to do a feasibility study before forming a tax group under VAT.

Non-resident persons:

Businesses with no place of residence in Oman would also likely have to compulsorily seek registration, if they make any taxable supplies in Oman. There is no minimum registration threshold for non-resident persons as per the GCC VAT Agreement. A non-resident business would likely to have an option to appoint an agent in Oman – we understand that the agent does not have to be jointly and severally liable, nor a fiscal representative of the principal. More will emerge in the VAT Law and the Executive Regulations.

Customs duty suspension zones, free zones and special zones:

Businesses operating in tax or customs duty suspension zones, free zones or special zones should take note of special VAT rules. Based on our experience, certain concessional VAT treatments are likely to be applicable for supplies within, to and from the customs duty suspension zones, free zones or special zones. Importers, who are availing themselves of customs duty suspension benefits under the GCC Common Customs Law, would also likely be eligible for similar benefits under VAT - we expect some clarifications in the coming weeks.

Invoicing requirements:

Every person making any taxable supply of goods or services would have to mandatorily issue tax invoices. Details required on tax invoices generally include dates, specifics of transactions covered, VAT rates and amounts in addition to data on the business issuing the tax invoice. English tax invoices are expected to be accepted, as may electronic invoices. The Executive Regulations, expected in the next 2 months, will detail these requirements and should also specify conditions for simplified tax invoices, as well as define cases where a business would be exempted from issuing tax invoices.

Compliance:

Some of the other key compliance requirements in VAT include:

- **Record keeping:** Every registered taxpayer will have to maintain proper records – including details of tax invoices, customs documents, accounting books plus for import and export transactions.
- **Returns filing:** Returns are to be filed in respect of tax periods (expected to normally be three months), with due dates for filing the return either the end of the following month or 30 days following the end of the tax period.
- **Collection/refund of VAT:** Net tax due shall be payable to the TA in line with the returns filing period – the end of the following month or within a period of 30 days from the end of the tax period. VAT on imports of goods is expected to be due on the dates of importation or may have an option to defer payment of VAT until the due date of submission of the tax return, subject to conditions.

Transitional provisions:

The Law also is expected to set out a transition period, plus rules on the applicability of VAT on transactions which would straddle the effective dates of VAT implementation. We await further details – particularly on long term supply arrangements.

Penalties:

In case of violation or non-fulfilment of VAT obligations, penalty provisions are expected to apply. More information will emerge on how these rules will apply.

**What does this mean to you and what are the next steps?**

The Oman tax landscape is rapidly changing now that VAT will become a reality. Businesses need to start preparing for implementation now by evaluating where they are at the present date, what have their

teams done so far, what are the available resources? And if they have a plan as to how they can get ready? From Deloitte's recent VAT implementation experience across the GCC and globally, even the most streamlined, efficient and organized enterprises need at least 3 months to prepare.

We of course face unprecedented challenges with COVID-19, plunging oil prices, and stuttering markets. Now is not the time to panic – but with clear-headed planning, and an experienced, practically-minded advisor, you navigate these challenges and be ready for day one VAT compliance.



Deloitte upcoming webinar:

Join us for our Oman tax webinar taking place on **Tuesday, 20 October, 2020** at 12:00pm Oman time. The focus of the webinar will be on the recent introduction of VAT in Oman and lessons learnt from other GCC countries who have recently gone through implementation. This session is part of a series of webinars that will be held on monthly basis. To register for the session and the wider tax series, please click [here](#).



Contacts

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