



**Morison Muscat**  
An independent member of Morison KSI

# VALUE ADDED TAX GUIDELINES FOR E-COMMERCE

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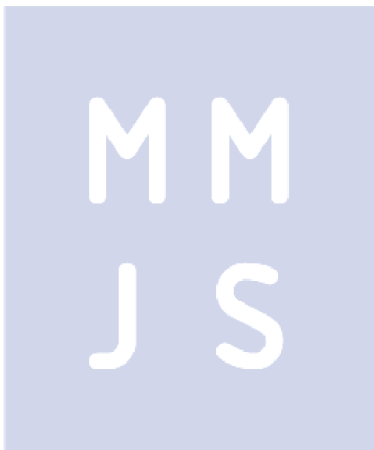


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This guide aims to provide a general understanding of the transactions related to the Value-Added Tax Law and its Executive Regulations in the Sultanate of Oman. It also clarifies the procedures related to tax compliance. It is not expected that this guide will provide a comprehensive treatment of all potential tax issues that may arise. Although the tax authority has taken the necessary measures to ensure the correctness of all the information contained in this guide. The tax authority shall not be responsible for any errors or actions that may be issued by a taxpayer or the occurrence of any financial or other loss that may be incurred by any person using the information in this guide.

All information provided was updated at the time of preparation and shall be subject to change as necessary.



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## I. Introduction

### I.1 Content of this guide:

The main purpose of this guide is to provide an explanation of the principles and rules for applying value-added tax to supplies of goods and services within the e-commerce sector, in accordance with the law and regulations up to the date of issuance of this guide.

This is purely an indicative guideline and may not include all relevant tax laws and regulations. This guide is not binding on the Tax Authority or any taxable person with respect to any transaction carried out and cannot be relied upon in cases of tax dispute.

For further instructions on specific transactions, please contact the tax office. For more information on VAT, please visit the website of the Tax Authority: [www.taxoman.gov.om](http://www.taxoman.gov.om)

### I.2 Who should use this guide?

Every person who engages in activities within the e-commerce sector, that is, he supplies goods and services through electronic means such as websites, electronic applications or online stores, social networking sites should review this guide.

### I.3 Definitions

- **Taxable value:** the value on which the tax is computed in accordance with the provisions of Value Added Tax Law.
- **Supply:** The supply of goods or services for a consideration in accordance with the provisions of the VAT Law.
- **Supplier:** A person who supplies goods or services.
- **Customer:** A person who receives goods or services.
- **Taxable Person:** A person who carries out an activity independently with the aim of generating income and has been registered with the Tax Authority or is obligated to register with it in accordance with the provisions of the law.
- **Taxable Supplies:** The supplies on which Tax is charged at the standard or zero rate, and the Input Tax related thereto is deductible according to the provision of the VAT Law. It is carried out in the Sultanate of Oman for a consideration as part of the economic activity of the taxable person and the related input tax is deducted.
- **Input Tax:** The tax borne by the taxable person in relation to the goods or services supplied to him or imported for the purposes of conducting the activity.
- **Output Tax:** The tax due that is levied on the subject supply of Goods and Services.

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- **Consideration:** Everything that has been or will be received by the taxable supplier from the customer or from a third party in return for the supply of goods or services, including tax.
- **Goods:** All physical assets, including, in particular, water and all types of energy, including electricity and gas.
- **Resident:** A person who has a place of residence in the Sultanate of Oman for the purposes of the value-added tax.
- **Non-resident:** a person who does not have a place of residence in the Sultanate of Oman for the purposes of value-added tax.

## 2. Introduction to e-commerce

E-commerce means the supply of goods and services through electronic means such as websites, electronic platforms, social media stores, or an electronic application. The online marketplace, forum, or similar applications may act as an agent or intermediary to facilitate transactions of selling goods or services from the supplier to the customer that allow the completion of the transaction through them.

The different types of e-commerce models depend on the status of the parties involved in a supply transaction (for example, individuals or companies), and e-commerce models are generally classified into four traditional models:

1. Business-to-Business (B2B).
2. Business-to-Consumer (B2C).
3. Consumer-to-Consumer (C2C).
4. Consumer-to-Business (C2B).

It is worth noting that the e-commerce model connects non-resident suppliers of goods and services to consumers in the Sultanate of Oman and allows Omani customers to make direct purchases with non-resident suppliers. This guide also focuses on the tax obligations arising from supplies made by non-resident suppliers.

## 3. VAT registration

VAT is a self-assessed tax, so people have to self-evaluate the obligation to register for VAT. In general VAT registration is either mandatory or optional. If a taxable person exceeds the mandatory registration threshold, he is considered obligated to register, but if he exceeds the voluntary registration threshold, he has the option to register.

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The following must be taken into account when registering for VAT:

- Taxable supplies (i.e. supplies that are subject to tax at the standard rate or zero rate), less any supplies that are part of the company's capital assets.
- Intra-GCC supplies of goods and services.
- The value of goods and services supplied to the taxable person in the Sultanate and subject to the reverse charge mechanism.

For more instructions on VAT registration requirements, please visit the Tax Authority's website: [www.taxoman.gov.om](http://www.taxoman.gov.om)

### 3.1 Registration of non-resident suppliers

Suppliers who engage in e-commerce activities and who do not have a place of residence in the Sultanate must register for VAT if they are obligated to collect the value added tax due on their supplies to the Sultanate.

Suppliers will be required to register for tax in the Sultanate in any of the following cases:

- 1) The supply of goods or services that have a place of supply in the Sultanate of Oman (the rules of the place of supply for goods and services are discussed in this guide).
- 2) If the customer is not a taxable person in the Sultanate of Oman, while the taxable customer will be obligated to self-calculate the VAT on the supplies received (the mechanism for calculating the VAT using the "reverse charge mechanism" is discussed in Section 5 of this guide).

The mandatory registration threshold does not apply to suppliers who do not have a place of residence in Oman, and if a supplier who has no residence is obligated to collect tax, they must register regardless of the value of those supplies.

Example: If a supplier who does not have a place of residence in the Sultanate of Oman supplies goods or services that are subject to VAT in the Sultanate to a non-taxable consumer, the non-taxable consumer will not be obligated to calculate the self-payable tax using the "reverse charge mechanism", and therefore the supplier who does not have a place of residence in the Sultanate must register for and impose VAT on that supply (and on any similar supplies).

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However, if the supplier who does not have a place of residence supplies the goods or services that are subject to VAT in the Sultanate of Oman only to a taxable person (registered for VAT) who is obligated to self-calculate the tax on the supplies received using the reverse charge mechanism, the supplier who does not have a place of residence is not obligated to register for VAT in the Sultanate of Oman.

More details on how to register non-resident suppliers can be found in the VAT registration guide for non-residents, and the administrative practices for each sector must be followed as stipulated in the VAT guidelines. It will be updated from time to time.

## **4. Supply of goods**

### **4.1 Introduction**

The supply of goods in the context of conducting e-commerce involves the consumer purchasing goods through an electronic means (such as a website or an electronic market) and once the goods are purchased, they will then be delivered to the customer, where the goods are usually delivered by the supplier, site or electronic marketplace that the goods were purchased through (details in Section 6 of this guide).

The rules for applying VAT depend on the place of supply, the recipient “customer” and the nature of the goods.

### **4.2 Place of Supply**

Place of supply is where tax is imposed on goods at the end of the supply chain, and this is an important feature of goods that are moved between two countries.

Supplies of Goods made in the Sultanate of Oman (and the place of supply is in the Sultanate of Oman) are considered to be within the scope of Omani VAT and will therefore be subject to VAT. As for supplies made outside the Sultanate of Oman, they will be outside the scope of VAT.

The general rule for determining the place of supply of goods to be delivered to a customer is the place from which the supplier delivers the goods (where transportation begins).

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### A summary specifying the place of supply of the goods received:

Transaction	Details	Place of supply
Supplying goods within Sultanate of Oman	Supply of Goods by a VAT-registered Omani Supplier, and Transportation/Shipping of Goods in Oman to an Omani Customer	Sultanate of Oman
	The supply of goods by a non-resident supplier, moving them from a warehouse physically located in the Sultanate of Oman	Sultanate of Oman
	The supply of goods by an Omani supplier registered for VAT and transfer of goods from the Sultanate of Oman to a non-resident customer	Sultanate of Oman (zero tax is applied on export supplies)
Supply of goods from outside the Sultanate of Oman	Supply of Goods by a Non-Resident Supplier to a Customer in the Sultanate of Oman: Delivery begins outside the Sultanate of Oman	Outside the Sultanate of Oman (VAT is applied on the import of goods)

Note: Special rules may apply in the future to trade between the countries of the Gulf Cooperation Council, for goods transported between the Sultanate of Oman and another country in the Gulf Cooperation Council countries that apply value-added tax. The Tax Authority will issue more guidelines as soon as the 'Gulf Cooperation Council' countries implement the rules of intra-regional trade fully, but until then all the GCC countries are considered as other third party countries.

### 4.3 Implementation of VAT

VAT applies to goods supplied in the Sultanate of Oman by a taxable person. The tax also applies when goods are imported into the Sultanate of Oman.

#### 4.3.1 Supply of goods in the Sultanate of Oman

As discussed in Section 4.2 of this Guide, Goods are deemed to have been supplied in the Sultanate of Oman if they are delivered or made available in the Sultanate of Oman, and therefore Goods sold and delivered in the Sultanate of Oman will have their place of supply in the Sultanate of Oman.

When a taxable supply is made in the Sultanate of Oman by a taxable supplier in the Sultanate of Oman (i.e., who is registered or obligated to register for VAT), the supplier must determine the appropriate tax rate and apply it to the supply and the standard rate of 5% is applied to most of the goods sold within the Sultanate of Oman. The zero-rate tax applies to certain types of goods, such

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as foodstuffs, medicines and specific medical equipment, and in some limited cases, the goods may be “exempt” from VAT, but these exemptions do not apply to goods supplied in the context of e-commerce.

The taxable value of a supply includes both the monetary consideration and the non-monetary consideration payable in full as consideration for the supply, excluding tax, as well as any expenses, fees or taxes imposed by the supplier.

VAT does not apply in cases where a person who is not registered for VAT in the Sultanate of Oman (i.e. a supplier whose annual turnover does not exceed the mandatory registration threshold) supplies goods to a customer in the Sultanate of Oman. However, tax registration requirements must be checked by the supplier.

#### **4.3.2 Importing goods from outside the Sultanate of Oman**

When the goods are supplied by a non-resident supplier to a customer resident in the Sultanate of Oman, and these goods are moved from a place outside the Sultanate of Oman, the place of supply of those goods will be outside the Sultanate of Oman, and tax will not be imposed on the supply, but will be collected when the goods enter the Sultanate of Oman as import.

In most cases, VAT at the rate of 5% will be applied to the import of goods, based on the sale value of the Omani customer declared in the import declaration, and the tax will be calculated and collected by the Directorate General of Customs in accordance with its procedures.

Note: VAT does not apply to zero-rate or exempt goods if they are supplied in the Sultanate of Oman.

More details about the tax treatment of imports are included in the guideline on imports and exports on the website of the Tax Authority.

## **5. Supply of services**

### **5.1 Introduction**

The VAT executive regulations specify certain types of services that are considered to be services that are provided electronically, which are services that are provided directly through the Internet or a website, where the supply of services is done automatically and requires minimal human intervention and this supply can be done using information technology.

These services do not include communication between the service provider and the customer - the recipient of the service by e-mail or any similar means. In addition, the Internet can be used to provide

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information on commercial transactions without changing the nature of the transaction and making it a supply of services supplied electronically. For example, companies using e-mail to provide information while the nature of the transaction remains unchanged.

The supply of electronically supplied services includes - in particular - the following services:

- a) Supply of digitized products generally, including software and changing or upgrading a software
- b) Providing or supporting a business or personal presence on an electronic network such as a website or a webpage.
- c) Services automatically generated from a computer via the Internet or an electronic network, in response to specific data input by the recipient.
- d) Transfer of the right to put Goods or Services up for sale on an Internet site operating as an online market on which potential buyers make their bids by an automated procedure- for a consideration- and on which the parties are notified of a sale by electronic mail automatically generated from a computer.
- e) Internet Service Packages (ISP) of information in which the telecommunication component forms an ancillary and subordinate part (i.e. packages going beyond mere Internet access and including other elements such as content pages giving access to news, weather or travel reports, playgrounds, website hosting and access to online debates).
- f) Website hosting and webpage hosting.
- g) Providing digitized content of books and other electronic publications.
- h) Providing access and subscriptions to online newspapers and journals, online news, traffic information and weather reports.
- i) Accessing or downloading music, jingles, excerpts, ringtones, or other sounds.
- j) Accessing or downloading films, video, games, including online games that are dependent on the Internet, or other similar electronic networks, where players are geographically remote from one another.
- k) Supply of distance education Services.
- l) The supply of advertising space on a website and the related rights to that advertisement.
- m) Live broadcast via the internet.

## **5.2 Place of supply of electronically supplied services**

### **5.2.1 Special rule for determining the place of supply:**

Special rules apply to determine the place of supply of services provided electronically related to the place of their supply, which may differ from the usual rules based on the place of residence of the supplier or customer, where the services provided electronically are considered to be provided at the place of actual use or benefit of those services, as explained in Part 5.2.2 from this guide on how to determine where to actually use or make use of the Services.

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Services that are not electronic per se but that are ordered, booked or coordinated through electronic means (for example, booking a hotel room via a mobile application), are subject to the normal place of supply rules that 'apply' to the provision of the underlying service.

Example: The place of supplying the hotel accommodation service - the supply of services related to the real estate is in the country in which the property is located and this supply of services is not affected by the use of the electronic platform to make it.

Please see the General Guide to Value Added Tax for more information on the general rule for the place of supply of services, and other exceptions applicable to services supplied electronically.

### **5.2.2 Determine the location of the actual use or benefit of electronic services**

The executive regulations specify the rules for determining the place of actual use or benefit of the services, and the rules require the supplier to determine whether his customer is a taxable person or a non-taxable person.

#### **Taxable Customer**

The place of supply of electronically supplied services to the taxable person is the place of residence of the taxable person.

For most taxable persons, the place of residence is referred to as “the place of business” - a term defined in the VAT law as “the place of legal establishment of the business or the location of the actual management center in which the main decisions regarding the conduct of business are taken, as different from the place of establishment.”

A taxable person may also have a fixed establishment other than the place of work, and the fixed establishment is also defined under the VAT law as “any fixed place other than the place of business, through which any foreign person carries out his activity in the Sultanate, in whole or in part, either directly or by proxy”.

In the event that the taxable person has more than one place of residence, the place of supply will be considered as the place of residence most connected to receiving the services supplied electronically.

Example: A French engineering company has a branch in Muscat, this branch is registered with tax in Oman, the branch office has subscribed to access a technical database managed by a supplier in Singapore and the subscription is used exclusively by the employees of the branch office.

In this case, the engineering company has a principal place of business in France and a fixed facility in the Sultanate of Oman, and since the receipt of the services is closely related to the Omani fixed facility will be the place of supply in the Sultanate of Oman.

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### **Non-taxable customer**

The place of supply of electronically supplied services to a non-taxable person is the place of actual use and benefit of the services and for the purposes of determining the place of actual use and benefit, the location must be determined according to the following:

- If receiving the supply of electronically supplied services requires the customer to be physically present in a specific fixed location: This location is the place to use and benefit from these services.
- If the receipt of the supply of electronically supplied services does not require the physical presence of the customer at a specified fixed location: the customer's usual place of residence is the place of actual use, and accordingly the usual place of residence will be the place of supply of services.

### **Determining the customer's usual residence:**

Unless the supply of electronically supplied services is provided at a specific location, the provider of those services must specify the usual place of residence of his customer.

The exact determination of the place of residence of the customer may be difficult for the supplier, especially in the case of individuals who do not have a registered office or place of business, and in cases where the supply is made to a non-taxable customer and the service provided electronically does not require that the customer be in Fixed place, the residence of the customer is determined according to the following:

- The international symbol for the electronic chip used by the Customer to receive Telecommunications Services and the Electronically Supplied Services.
- The Internet Protocol (IP) address of the device the Customer is using or any other method that identifies the Customer's geographical location.
- The Customer's address as stipulated in the Tax invoice or the documents used to send the invoices.
- Customer's bank account details.
- Other information of a commercial nature.

Example: A Canadian provider of streaming content has a personal subscriber “client” who did not provide full contact details upon registration, yet the customer accesses the content using an Omani IP address and provides payment details associated with their residential address in Oman. This business information indicate that the location of the usual residence is Oman and hence, the place of supply is in Oman.

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### 5.3 Application of tax on services

VAT applies to services that are provided in the Sultanate of Oman by a taxable person, and the tax is also applied when services are “imported” into Oman i.e., services purchased by an Omani customer from a non-resident supplier.

All electronically supplied services supplied in the Sultanate of Oman are subject to VAT at the standard rate of 5% unless any exemption applies.

The taxable value of the supply includes the cash consideration and the non-monetary consideration payable as consideration for the supply without tax, and includes any other expenses, fees or taxes charged by the supplier.

In some cases, we may combine the service between a supply of electronically supplied services and other items, and for VAT purposes these multiple or combined supplies must be assessed on a case-by-case basis to determine the correct VAT treatment.

Please see the General Guide to VAT for information on applying VAT to composite supplies.

#### 5.3.1 Supplying electronic services in the Sultanate of Oman

For the purposes of supplying services supplied electronically, the resident supplier must - in all cases - impose value-added tax and include it in the tax invoice issued to the customer, in accordance with the requirements for issuing invoices in accordance with the VAT Law and the Executive Regulations.

If it is agreed that the selling price is exclusive of VAT, then VAT at the rate of 5% must be added to the agreed price. The prices declared to final consumers in the local market must be shown as including value added tax. If the price is inclusive of value added tax (or if value added tax is not mentioned), the amount of value added tax is calculated through the following equation:  
Consideration x 5 / 105

For example, if the sales price inclusive of VAT is 60,000 Omani Riyals, the amount of value added tax is calculated as:  $60,000 \times 5 / 105 = 2,857.143$

The rate of VAT on the taxable supply of services in the Sultanate of Oman is 5% , but the supply may be exempted from tax if it falls within any of the exempt supplies, for example, a supply of educational services through digital means is processed from a supplier in the Sultanate of Oman to a student in the Sultanate Oman has the same tax treatment for educational services provided in person, so the exemption from VAT will apply to digital educational services provided by licensed institutions within the Sultanate.

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### 5.3.2 Import of services

Unlike goods, services are not physically transferred to Oman and are not subject to import procedures, so when services provided electronically are provided by a non-resident to a customer in Oman, VAT is collected on the supply from the taxable customer or non-resident supplier.

When services are received by a taxable customer in the Sultanate of Oman, this customer - who is responsible for receiving these services - must self-calculate the tax, using the reverse-charge mechanism, and reverse-calculation mechanism allows easy collection of tax on transactions between one customer and non-resident supplier (without having to require non-resident suppliers to register), and this ensures that non-resident activities will not gain a competitive advantage over Omani activities that provide the same services.

The reverse charge mechanism must be applied when a company registered for VAT in the Sultanate of Oman imports or receives a taxable service from a company that is not located in the Sultanate of Oman and according to the rules of the place of supply the service will be taxable in the Sultanate of Oman.

The customer has the right to deduct the self-computed VAT in accordance with the relevant conditions, and for the fully taxable activities that are entitled to deduct the input tax - in full - this means that the use of the reverse charge mechanism is a necessary measure to declare the tax (with no net tax due repayment). Please see the VAT guide on implementing the reverse charge mechanism for more details.

If a private individual or any other non-taxable person receives electronically supplied services - or other taxable services and the place of supply is in the Sultanate - from a non-resident supplier, it is natural for the supplier to be responsible for calculating VAT on that supply and the non-resident supplier will have to register for VAT in the Sultanate of Oman and impose tax on the supply.

**Example 1:** A non-VAT registered Omani uses an Australian web hosting company to publish his content about tourism in Oman. The company charges A\$ 900 for this service, and the customer is non-taxable person and cannot calculate VAT by himself under the reverse charge mechanism, accordingly. The Australian company has to register in Oman to charge the supply tax.

**Example 2:** A French news company provides a subscription of online business news, which can be accessed online by companies or individuals in the Sultanate of Oman. For a monthly fee of OMR 12. Falcon, a VAT registered company in Oman, has subscribed to the online service for a period of one year starting from April 1, 2022 and this is a supply of electronic services and takes place in the Sultanate of Oman and therefore Falcon Company as the taxable customer will self-calculate the VAT

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using the reverse charge mechanism, noting that the French company will not be required to register for VAT in the Sultanate of Oman due to its supplies to Falcon or any taxable customers.

## **6. Supplies supplied electronically by agents**

### **6.1 Introduction**

Supplies of electronic services include the transfer of the right to offer goods or services for sale on websites that function as an electronic marketplace in which potential buyers submit their bids through digital procedures and parties are notified about the sale, in exchange for an e-mail generated automatically from a computer.

In the context of e-commerce, the supply of goods and services takes place using electronic marketplaces or similar platforms, where the electronic marketplace may sell goods or services itself, in addition to acting as an intermediary between the supplier and the recipient of the goods or services, i.e., an “agent”.

If the online marketplace makes any supplies of goods or services as a main supplier, it will be treated as a supplier of those goods or services for VAT purposes, so it will be obligated to comply with the rules and obligations of VAT that normally apply to suppliers of those goods or services.

In the event that the electronic market does not make supplies as the main supplier of goods or services but acts as an intermediary / agent only allowing the sale of goods and services, the tax treatment of supplies by agents will depend on the arrangements between the supplier, the agent and the recipient of the supply.

### **6.2 Tax Obligations**

The electronic market or platform acts as an agent or intermediary in providing a platform to provide and connect sellers of goods and services with buyers. In many cases, the platform can set the standards for supply (for example, delivery of goods and services, setting sale price and setting terms and conditions of sale) and may also incur commercial risks on the supply.

In general, the online marketplace will act as a seller of goods or services and will charge a commission or fee for these services. The online market can be considered as a principal or agent depending on the details of the relationship between the seller and the buyer and other circumstances. The electronic market may be:

- 1) An agent for the primary supply of goods or services on behalf of the principal.
- 2) An agent who receives supplies of goods or services from the seller and provides those goods or services to customer / end consumer.

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## 6.3 Tax Treatment

### 6.3.1 Acting in the name of the principal "advertised/disclosed agent"

Pursuant to Article 19 of the VAT Law, a supply of goods or services made by an agent acting in the name and on behalf of the principal is considered a supply by the principal, with the exception of supplies of goods or services from the agent to the principal within the normal scope of the agent's activity.

In this case, the primary supply is made directly from the seller to the final customer, and the agent may impose the consideration on the principal who works for him.

The primary supply of goods and services is subject to VAT for the usual rules of direct supplies from the supplier to the customer, and this will result in the responsibility for the tax obligations of the supply remaining with the main supplier.

Agency services provided by an agent who charges a commission or a fee for the execution of these services are considered as a supply of services, which are 'separated from the primary supply that he makes on behalf of the principal, in which case the agent acts as a supplier and the principal acts as a customer.'

Where the place of supply of agency services is in the Sultanate - based on the rules of the place of supply discussed above that are 'determined by an occupation independent of the place of supply of essential goods and services - the services will be considered a taxable supply at the standard rate of 5% unless the supplies are exempt or subject to zero percent.

Example: EM, a VAT-registered online game portal in Oman, is set as an agent for an Omani mobile game developer ABC who is also VAT-registered. EM is set to find buyers for a new developed game, and after 6 months of promoting the game to potential buyers, a total of 3,000 Single-Game Licenses were purchased at a total selling price of OMR 30,000.

The game was sold directly from ABC to buyers, and a 5% VAT was charged on ABC invoices to each buyer for the game price. EM has separately invoiced ABC for the commission, which is 2% of the sale price. In this case, the EM fee is a separate taxable supply. Please refer to the Agents VAT guide for more details.

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### **6.3.2 Acting in the name of the Special Agent "Undisclosed Agent"**

According to Article 19 of the VAT Law, a supply of goods or services by an agent acting in his name and on behalf of the principal is considered a supply by the agent.

In this case, the third party or the end customer is not aware of the existence of an agency agreement and does not contract directly with the principal.

For VAT purposes, an "undeclared/undisclosed" agent will engage in two operations simultaneously, to make supplies of the same goods or services:

- 1) Receiving supplies of goods or services from the principal.
- 2) Supply of the same goods or services to the end customer.

In fact, the undisclosed agent is treated as the buyer and seller of the essential goods or services and the provision of the agency services is not detailed to the principal for VAT purposes because the agent operates in his own name and any "commission" earned on the activity will be included. The agent is responsible for the value of the supply he will make later.

Consideration for services rendered by "undisclosed" agents will be included in the value of the essential goods and services and will follow the same treatment applicable to essential goods and services based on the facts applicable to the agent acting as a supplier.

The tax treatment of additional services provided by the undisclosed agent to the principal must be determined separately based on specific facts about those services.

Example: MEED, a VAT registered company in the Sultanate of Oman, was appointed as an agent to find a buyer for a new software product designed by ABC, a software developer in Jordan. After a period of communication with other companies under its own name, "MEED" company reached a client "Najjari" in the Sultanate of Oman, who agreed to purchase the program, and signed a contract with "MEED" in his own name to supply the program from "ABC" for a consideration of OMR 100,000.

Whereas the sale is actually made on behalf of ABC, MEED deals with others in its own name and is viewed as a principal company for value added tax purposes and MEED has purchased the software from a corporation ABC for OMR 980,000 (total selling price minus 2% MEED commission) , and will have to self-calculate VAT on this supply at a rate of 5%.

And since MEED will provide the program to the Omani customer "XYZ", it will have to issue a separate tax invoice in its name to the Omani company against the total selling price of the program in addition to the value-added tax at the rate of 5%. This is a separate taxable supply. Please see our VAT guide for agents for more details.

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## 7. Invoicing

The taxable supplier must issue a tax invoice for every 'supply' made to any person, and the tax invoice can be issued on paper or electronically so that the invoice is available to the customer.

The table below summarizes the basic arrangements required for the issuance of invoices for VAT purposes under:

Billing arrangements	Responsibility for issuing invoices
The supply of goods or services by a taxable Omani supplier	The supplier must issue a tax invoice.
Supply of goods or services by a non-taxable Omani supplier	Non-taxable supply, no tax invoice is required.
The supply of goods by a non-resident supplier, which are sent from a foreign country to a customer in the Sultanate of Oman.	The non-resident supplier issues a commercial invoice in accordance with the laws in that country. No tax invoice is required for Omani VAT purposes. Import VAT is applied based on the import declaration and commercial invoice
Supply of Goods by a non-resident supplier, sent from the warehouse in the Sultanate of Oman to a private Omani customer (non-taxable)	A taxable supply in the Sultanate of Oman. The non-resident supplier must register for VAT and issue a tax invoice that complies with the tax rules and provisions in the Sultanate of Oman
Supply of services provided electronically by a non-resident supplier to a taxable customer in the Sultanate of Oman	The non-resident supplier issues a commercial invoice in accordance with the laws of that country. No separate tax invoice is required for VAT purposes in the Sultanate of Oman, but the taxable customer must account the value of the tax due on the supply under the reverse charge mechanism (in Omani riyals) on the supplier's commercial invoice.
Supply of services provided electronically by a non-resident supplier to a non-taxable customer in the Sultanate of Oman	The supply is taxable in the Sultanate of Oman. The non-resident supplier must register for VAT and issue a tax invoice that complies with the tax rules and provisions in the Sultanate of Oman

Alternatively, the taxable person may issue a simplified tax invoice if the value of the supply is less than 500 Omani riyals excluding tax. The taxable person may also issue a summary tax invoice that includes all supplies of goods and services made to the same customer within a month. The tax invoice must clearly include the necessary data and information in accordance with the executive regulations.

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### **7.1 Issuance of invoices in the case of the advertised/disclosed agent**

As discussed above, the primary supply in this case is directly from the seller to the end customer, and the agent can charge the consideration to the principal who works for him.

As a result, the Principal is responsible for issuing the Tax Invoice for the supply in its name, and the Principal may appoint a third party (including the advertised agent) to issue the invoices, after obtaining the approval of the Authority and in accordance with the conditions stipulated in the Executive Regulations.

The advertised/disclosed and registered agent for VAT must issue a separate invoice for the tax account when supplying services to the principal.

### **7.2 Issuance of invoices in the event of an undisclosed agent**

In the event that the third party or end customer is not aware of the existence of an agency agreement and has not contracted directly with the principal, the undeclared agent has dealt as the buyer and seller of the essential goods or services, the VAT-registered principal shall issue the tax invoice to the agent for the supplies made to the agent.

The net value of the primary supply' represents the total value payable by the "third party" operator minus any value payable under the agency agreement.

An undeclared VAT-registered agent must also issue an invoice to the third party to calculate the tax on the next supply of essential goods and services, and the value of the supply is the total amount incurred by the third party.

### **7.3 Record keeping**

All taxpayers are required by law to keep their tax records related to their VAT account for audit purposes, including any documents used to determine the tax owed on their transactions in the VAT return.

All records must be kept for a period of no less than ten (10) years, and invoices or records relating to real estate must be kept for a longer period, which is up to fifteen (15) years. In the event of violation of these provisions, the obligated person will be subject to the fines stipulated in the law and regulation.

Taxpayers are required to keep their tax records within the Sultanate. The records may be either paper or electronic documents, provided that the conditions specified in the regulations are met to do so and provided they are made available to the Tax Authority upon request, and this also applies to non-resident taxpayers, and in the event that the tax representative is responsible for keeping

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records, he must do so in accordance with these Conditions, and companies that keep their records outside the Sultanate of Oman must have a headquarters inside the Sultanate so that their tax records related to their transactions in the Sultanate of Oman can be accessed.

Taxpayers are responsible for providing any data, records, and documents related to VAT in Arabic if the Tax Authority requests it. Failure to keep or not provide the records requested by the Tax Authority may lead to a legal penalty.

## **8. Input tax deduction**

### **8.1. Overview**

A taxable person may deduct the input tax incurred during the tax period in the course of carrying out his economic activity, and the input tax represents any of the following:

- VAT calculated on taxable supplies of goods or services to a taxable person by a VAT-registered supplier in the Sultanate of Oman.
- The value added tax that is calculated by the self-taxable person using the reverse charge mechanism on services purchased from non-residents.
- VAT paid to the Directorate General of Customs on imports of goods into the Sultanate of Oman (or VAT declared on imports through the VAT return, where applicable).

A Taxable Person may only deduct Input Tax computed on Goods and Services purchased in the course of carrying on the Activity to the extent that such purchases allow the Taxable Person to make Taxable Supplies at the standard or zero rate.

Deductible Input Tax is a credit balance declared in the tax return which is deducted against the VAT due on supplies made during the tax period. Input tax may only be deducted on purchases made in the Sultanate where the supplier issues a valid tax invoice for the taxable person for those purchases.

Input tax deduction is subject to the following restrictions:

- Input tax may not be deducted in relation to the taxpayer's exempt activities, such as domestic passenger transportation.
- No Input tax may be deducted on any 'costs or expenses' that have not been incurred or used as part of the economic activity.
- No Input tax may be deducted on some types of expenses, such as entertainment expenses, food and beverage catering or costs related to company vehicles.

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Please see the General Guide for Value Added Tax or the other Taxpayer Guides for additional details on the input tax deduction and the proportional deduction rules for goods and services used to make taxable and tax-exempt supplies.

## **8.2 Input tax apportionment / proportionate deduction**

The VAT incurred which relates to the activities of the taxpayer that are exempt from VAT, such as exempt financial services or rental of residential real estate is not deductible as input tax, and a person who makes both taxable and exempt supplies may deduct input tax related to taxable supplies only. If a taxable person incurs overhead costs or expenses (overheads) to make taxable and exempt supplies, he must allocate the costs and expenses to determine those related to taxable supplies.

## **8.3 Input tax incurred by agents**

An agent acting in his own name in receiving supplies of goods or services on behalf of the principal shall be treated as if he had received those goods or services for himself. Therefore, the agent acting in his name is entitled to deduct the input tax on these supplies, provided that he has a tax invoice issued in his name and that the above-mentioned conditions for the deduction are met. An agent acting in the name of the principal is not entitled to deduct input tax on supplies received in the name of the principal.

For imports of goods, VAT paid to Oman Customs is deductible by a person acting as an importer only, provided that the importer uses those goods as part of his taxable activity.

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