



Oman excise tax alert



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1. What is excise tax?

Excise tax is a single-stage indirect tax imposed on specified goods.

Members of the Gulf Cooperation Council (GCC) executed the Common Excise Tax Agreement which entitles each member state to adopt a common excise tax system. Under the common excise tax system, member states are authorized to levy excise tax at different rates on goods deemed harmful to human health or to the environment, as well as luxury goods.

2. How does excise tax work?

As a consumption tax, excise tax is ultimately borne by the final consumers, but collected earlier in the supply chain by businesses. Importers, manufacturers, tax warehouse keepers and stockpilars are liable for excise tax and are required to register, submit periodical returns, pay the excise tax due and maintain specific excise tax records. Where the person originally liable for the excise tax fails to pay it, the tax will become payable by the business holding these excise goods.

3. What goods currently attract excise tax in Oman?

In Oman, excise tax is currently levied on carbonated drinks at 50 percent and energy drinks, pork and port products and tobacco, and tobacco products at 100 percent.

Oman has extended the levy of excise tax to sweetened drinks at the rate of 50 percent from 1 October 2020. The legislative amendments are effected *vide* Decision No. 34/2020 issued by the Oman Tax Authority on 16 June 2020 that amends Decision No. 112/2019 issued on 2 June 2019 on Determination of value, types of excise goods and rate of tax imposed on each of such goods (Decision No. 34/2020) with effect from 1 October 2020.

4. What does the scope of sweetened beverages include, for the purposes of excise tax?

According to the Decision No. 34/2020, sweetened beverages include:

1. Any beverage to which sugar, sugar derivative or other sweetener is added
2. Any concentrate, powder, gel, extract or compound to which sugar, sugar derivative or other sweetener is added and that can be converted into a sweetened beverage

The Schedule to Decision No. 34/2020 clarifies that juices, sport drinks, barley drinks (malt drinks and non-alcoholic beer), ready to drink/packaged coffee and tea and artificially flavored powders and concentrates (capable of being converted into beverages) that contain sugar, sugar derivative or other sweetener, unless eligible for exclusion, are examples of sweetened beverages liable to excise tax.

5. What is the scope of sugar, sugar derivatives and other sweeteners for the purposes of excise tax?

According to Decision No. 34/2020, sugar, sugar derivatives and other sweeteners, in the context of sweetened beverages include sucrose, glucose, fructose, lactose, galactose, coconut sugar and sugar cane.

6. Do sugar substitutes also qualify as sugar, sugar derivatives and other sweeteners for the purposes of excise tax?

Yes. According to Decision No. 34/2020 sugar substitutes like stevia, saccharine, neotame, sucralose, aspartame, erythritol and acesulfame K qualify as sugar in the context of sweetened beverages for the purposes of excise tax. According to the information originally released by the Oman Tax Authority, such sugar substitutes did not qualify as sugar in the context of sweetened beverages for the purposes of excise tax.

7. Are there any exclusions from the scope of sweetened beverage for the purposes of excise tax?

Yes. The following products as defined in Decision No. 34/2020, are not considered as sweetened beverages for the purposes of excise tax and therefore not subject to excise tax as sweetened beverages:

1. Natural fruit and vegetable juices
2. Milk and milk substitutes
3. Ready-to-drink beverages containing at least 75 percent milk
4. Ready-to-drink beverages containing at least 75 percent milk substitutes
5. Artificial baby milk, baby formula or baby food
6. Beverages intended for special dietary/nutritional needs
7. Beverages intended for medical needs

8. What is the scope of milk substitutes for the purposes of excise tax?

According to Decision No. 34/2020, milk substitutes include a drink used for all or most uses of milk as a milk substitute, has consistency similar to milk, contains 120 gm of calcium per 100 ml, and is extracted from legumes, pulses, nuts, seeds or any other type of plant, but does not contain aerated substances.

9. Who is required to obtain an excise registration?

Any business that:

1. Imports excise goods into Oman.
2. Produces excise goods released for consumption in Oman.
3. Stockpiles excise goods in Oman (when excise tax is made effective, i.e. 1 October 2020).

10. Does introduction of excise tax impact businesses with mere inventory of excise goods on the date of implementation?

Yes. In certain cases, inventory of excise goods held by a person in Oman in the course of business, on which excise tax is due but has not been paid, may be subject to excise tax on the date excise tax is introduced on such goods.

11. On what value will excise tax will be computed?

Excise tax will be computed on the higher value of either of the below:

1. Price published by the Oman Tax Authority for the excise good in a standard price list
2. Retail sales price for the excise good

12. What businesses are likely to be impacted by the extension of excise tax to the new category of excise goods?

Among others, the transitional or on-going excise tax compliances are likely to impact:

- Importers of excise goods
- Manufactures of excise goods
- Supermarkets
- Pharmacies
- General stores
- Restaurants
- Hotels

13. What should businesses do to prepare for excise tax implementation on the new category of excise goods?

Based on our implementation experience, introduction of excise tax on any goods is likely to impact cash flows, profitability, pricing, statutory compliances, invoicing, documentation, record keeping, IT systems, contract terms and product demand to list some. Therefore, it would be important for businesses to consider the following, among others, as part of their implementation strategy:

- Ascertain taxability of products
- Assess the areas and extent of the impact
- Make representations to the Oman Tax Authority for clarifications, if necessary
- Identify changes necessary to labelling, packaging, marketing strategy, etc.
- Update IT systems to generate reports necessary for statutory compliance
- Conduct independent physical stock takes to identify transitional inventory
- Undertake transitional compliance
- Obtain excise tax registration
- File returns

14. How can KPMG help?

Our team at KPMG can assist you in your effort to:

- ✓ Ascertain taxability of products
- ✓ Assess the areas and extent of the impact
- ✓ Make representations to the Oman Tax Authority, if necessary
- ✓ Suggest changes to the IT systems to generate reports necessary for statutory compliance

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- ✓ Conduct independent physical stock takes to identify transitional inventory
- ✓ Obtain excise tax registration
- ✓ File returns
- ✓ Provide on-going advisory support.

If you need any assistance with excise tax in Oman, please reach out to your tax advisors at KPMG or the contacts mentioned in the email.



Thank you

Contact us

Ashok Hariharan
Partner
Head of Tax
KPMG Lower Gulf Limited
E: ahariharan@kpmg.com

Aabha S. Lekhak
Director
Indirect Tax
KPMG Lower Gulf Limited
E: alekhak2@kpmg.com

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