



# Summary of the key provisions of the Oman VAT law

1. **Effective date:** The Oman VAT Law will be effective 180 days from the date of its publication in the Official Gazette. Since this event happened on 18 October 2020, VAT will be implemented in Oman from Friday, 16 April 2021.
2. **Executive Regulations:** The Oman Tax Authority has up to six months from the effective date to issue the Executive Regulations. In other words, the Oman Tax Authority has until 13 October 2021, to issue the Executive Regulations, notwithstanding that VAT will be implemented from 16 April 2021.
3. **Scope of VAT in Oman:** Oman VAT will be chargeable on:
  - a. Supply of goods or services in Oman by a taxable person
  - b. Deemed supply of goods or services in Oman by a taxable person
  - c. Import of goods
  - d. Receipt of goods or services in Oman by a taxable person from a supplier who does not have a place of residence in Oman and is not subject to VAT in Oman (i.e. cases where the reverse charge mechanism is applied).
4. **Deemed supply of goods:** In instances where the taxable person has deducted input tax related to the goods, the following are deemed to be supply of goods for the purposes of the Oman VAT Law:
  - a. Assigning the goods for purposes other than the economic activity, whether with or without a consideration
  - b. Changing the use of goods to use for non-taxable supplies
  - c. Retaining the goods after ceasing to carry on the economic activity
  - d. Supply of goods without consideration, unless the supply is related to the economic activity
5. **Deemed supply of services:** In instances where the taxable person has deducted input tax related to the services, the following are deemed to be supply of services for the purposes of the Oman VAT Law:
  - a. Use of goods forming a part of the taxable persons assets without consideration, for purposes other than the economic activity
  - b. Supply of services without consideration
6. **Supplies not subject to VAT:** Supply of goods or services in the following cases is not subject to VAT, subject to the conditions to be specified in the Executive Regulations:
  - a. Supply between members of the same VAT group, except in case of deemed supplies
  - b. Settlement of an insured's insurance claim by an insurer under an insurance contract that is taxable
  - c. Transfer of whole or independent part of a business by a taxable person to another taxable person
7. **Exempt supplies:** The following supplies are exempt for Oman VAT, subject to the conditions to be specified in the Executive Regulations:
  - a. Financial services
  - b. Healthcare services and related goods and services
  - c. Educational services and related goods and services
  - d. Bare land
  - e. Resale or lease of residential properties
  - f. Local passenger transport
8. **Exempt imports:** The following imports from outside the GCC are exempt from Oman VAT, subject to the conditions to be specified in the Executive Regulations:
  - a. Import of goods, the supply of which is exempt or zero rated in the final destination point of entry
  - b. Import of goods by/for specified diplomatic and consular bodies, international organizations, and heads and members of consular bodies, on the condition of reciprocity

- c. Import of specified goods by the Armed Forces and Internal Security Forces
  - d. Import of personal effects and used household items by Omani citizens residing abroad upon return, as well as foreigners moving to live in Oman for the first time
  - e. Import of goods for non-profit charities
  - f. Returned goods
  - g. Personal effects and gifts accompanying travelers arriving in Oman
  - h. Import of specified goods for people with special needs
9. **Suspension:** Payment of VAT will be suspended on import of goods under a customs suspension, subject to the submission of a financial guarantee of an amount equal to the value of tax due that is valid throughout the period of suspension.
10. **Zero rating of supplies made in Oman:** The following supplies will be zero rated, subject to the conditions to be specified in the Executive Regulations:
- a. Crude oil, oil derivatives and natural gas
  - b. Specified food items
  - c. Specified medicines and medical equipment
  - d. Investment gold, silver and platinum
  - e. International or intra-GCC transport of goods or passengers, and supply of services in connection with such transport
  - f. Means of air, sea and land transport designated for transportation of goods and passengers for commercial purposes and the supply of related goods and services
  - g. Rescue planes, and rescue and assistance boats
11. **Zero rating of supplies made outside the GCC:** The following supplies when made outside the GCC will be zero rated, subject to the conditions to be specified in the Executive Regulations:
- a. Export of goods
  - b. Supply of goods and services in custom suspension cases mentioned in the Common Customs Law, in addition to supply of goods within such custom suspension cases
  - c. Re-export of goods temporarily imported into Oman for repair, refurbishment, conversion or processing
  - d. Supply of services, other than certain services covered by special place of supply rules, by a taxable person having a place of residence in Oman to a customer who does not have a place of residence in the GCC, provided the customer benefits from the service outside the GCC
  - e. Supply of goods and services exempt in Oman, when supplied to a territory outside the GCC
12. **Supplies from and to special economic zones:** Supplies of goods or services from, to and within special economic zones will be treated the same as customs suspension cases, subject to the conditions to be specified in the Executive Regulations.
13. **Resident registration:** Registrations will fall into two categories: mandatory and voluntary. If a business exceeds the mandatory/voluntary registration threshold in (a) the current month plus 11 months preceding the current month; or (b) the current month plus 11 months succeeding the current month, the business shall/may apply for VAT registration in Oman.
- The mandatory registration threshold is OMR 38,500. The voluntary registration threshold is OMR 19,250.
- For the purposes of mandatory registration, only the value of supplies will be considered. For the purposes of voluntary registration, the value of supplies as well as inputs (expenses) subject to Oman VAT will be considered.
14. **Non-resident registration:** A person who does not have a usual place of residence in Oman but makes supplies in Oman will be required to register for the purposes of VAT. Such a person may

appoint a tax agent to act on his behalf, subject to approval of the Oman Tax Authority and conditions to be specified in the Executive Regulations.

15. **Exemption from registration:** A taxable person effecting zero rated supplies may apply for an exemption from registration, subject to the conditions and procedures to be specified in the Executive Regulations.
16. **Tax group:** Two or more persons may apply for registration as a tax group, subject to conditions to be specified in the Executive Regulations. The tax group will be treated as a taxable person independent of and separate from the members of the tax group. All the members of the tax group will be jointly and severally responsible for the tax group's obligations during the continuity of their membership.
17. **Valuation of supply between related parties:** In case of supply of goods or services between related parties for consideration below the market value, the taxable value of the supply will be the market value determined by the Executive Regulations.
18. **Time limit for deducting eligible input tax:** A taxable person may deduct input tax within three years from the end of the tax period in which the right to deduct arose.
19. **Exception to adjustment of input tax previously deducted:** A taxable person is not required to adjust input tax previously deducted in the following cases, subject to the conditions to be specified in the Executive Regulations:
  - a. Loss, damage or theft of goods
  - b. Use of goods as commercial samples or gifts
20. **Tax invoices in foreign currency:** A tax invoice may be issued in Omani Rials or any foreign currency. In cases where the tax invoice is issued in a foreign currency, the tax value is required to be converted into and shown in Omani Rial. The rate of exchange for the purposes of conversion will be the average buy and sell price of the relevant currency published by the Central Bank of Oman on the date the tax becomes due.
21. **Books of accounts in foreign currency:** A taxable person is not allowed to maintain records or books of accounts in foreign currency unless specifically approved by the Oman Tax Authority.
22. **Retention of records:** A taxable person is required to retain records including but not limited to tax invoices, accounting records, books, and customs documents related to the import and export of goods in a secure way:
  - a. For a period of 15 years from the end of the tax year in which the tax return is filed, where such records are related to real estate
  - b. For a period of 10 years from the end of the tax year in which the tax return is filed, in all other cases
23. **Periodicity of returns:** The tax period for which a taxable person must file a return will be determined by the Executive Regulations and cannot be less than one month.
24. **Time limit for filing return:** The return will be due within 30 days following the end of the tax period.
25. **Assessment of tax in case of failure to file a return:** Where a return is not filed within the specified time limit, the Oman Tax Authority is empowered to assess the tax for the relevant tax period. The Oman Tax Authority is required to assess such tax within five years from the date the tax return was due for submission. If the registration was not obtained within the specified time limit, such period can be extended to 10 years.

26. **Anti-evasion provisions:** The Oman Tax Authority is empowered to take necessary action in cases where it is proven that:
- A person committed fraud
  - The primary objective of any transaction effected, or activity carried out, before or after the effective date, is to avoid the tax due for any tax period, in full or in part
27. **Deferral of import VAT:** A taxable person may request deferral of payment of import VAT until the submission of return for the period in which the import was effected, subject to the conditions and procedure to be specified in the Executive Regulations.
28. **Refund:** A refund of tax may be granted in the following cases, subject to the conditions and procedure to be specified in the Executive Regulations:
- Tax paid by the taxable person exceeds the tax due
  - Tax paid by specified foreign government, military, diplomatic and consular bodies, international organizations, and heads and members of consular bodies, on the condition of reciprocity
  - Tax paid by a non-taxable person that does not have any place of residence in Oman or any other GCC State
  - Tax paid by tourists visiting Oman, on goods purchased in Oman and carried with them in their personal luggage at the time of their departure outside the GCC
  - Any other cases, as specified in a decision of the Oman Tax Authority
29. **Objection:** A taxable person may file an objection with the Head of the Oman Tax Authority against a tax assessment, adjustment of return by the Oman Tax Authority, registration decision, or the refusal of registration or cancellation of registration, within 45 days of being notified.

The Oman Tax Authority is expected to decide on the objection within five months of the date of submitting the objection, extendable by an additional three months.

30. **Grievance:** A taxable person may file a grievance against the objection decision of the Head of the Oman Tax Authority before the Tax Grievance Committee, within 45 days of being notified of the decision.
31. **Appeal:** A taxable person may file an appeal against the grievance decision of the Tax Grievance Committee before a competent Primary Court, within 45 days of being notified of the decision.
32. **Conciliation and arbitration:** Conciliation or arbitration will not be allowed in tax litigations.
33. **Penalties:**

Late payment of tax will be subject to additional tax at rate of one percent of the tax due for every month or part of the month the tax remains due.

The following cases are punishable with imprisonment for a period of not less than two months and not exceeding one year, or with a fine of not less than OMR 1,000 and not exceeding OMR 10,000, or both. In case of repetition of the offence, the penalty may be doubled, and the maximum limit prescribed for the punishment by imprisonment may be increased by not more than half of this limit.

- The taxable person deliberately refrains from identifying the responsible person
- The responsible person deliberately fails to notify the Oman Tax Authority and obtain its consent to appoint another responsible person during the period of his absence for a period of more than 90 days
- The taxable person deliberately fails to notify the Oman Tax Authority of any adjustments to his data in accordance with the provisions of the Oman VAT Law

- d. The responsible person deliberately fails to appear as required by the Oman Tax Authority
- e. The responsible person deliberately fails to submit a tax return for any tax period
- f. The taxable person deliberately fails to maintain records and accounting books in a regular manner in accordance with the provisions of the Oman VAT Law
- g. Deliberately refraining from maintaining tax invoices and documents for the required period in accordance with the provisions of the Oman VAT Law
- h. Deliberately refraining from issuing a tax invoice when required in accordance with the provisions of the Oman VAT Law
- i. Deliberately issuing an invoice stating the amount of the tax due, other than the tax imposed in accordance with the provisions of the Oman VAT Law
- j. Committing any act or refraining from committing an act to prevent the Oman Tax Authority's officers or delegates from carrying out the functions or tasks prescribed under the VAT Law
- k. Deliberately refusing to submit any documents, data, records, accounting books, tax invoices or others in accordance with the provisions of the Oman VAT Law
- l. Deliberately including inaccurate data or information in a refund application

The following cases are punishable with imprisonment for a period of not less than one year and not exceeding three years, or with a fine of not less than OMR 5,000 and not exceeding OMR 20,000, or both. In case of repetition of the offence, the penalty may be doubled, and the maximum limit prescribed for the punishment by imprisonment may be increased by not more than half of this limit.

- a. Deliberately refraining from registering with the Oman Tax Authority
- b. Deliberately refraining from reporting the correct data as to the taxable amount and tax due in the return
- c. Submitting forged tax returns, documents or records to evade payment of tax, in part or full
- d. Intentionally destroying, concealing or disposing of any documents, records, accounts, lists or any other information requested by the Oman Tax Authority for submission in accordance with the provisions of the Oman VAT Law, if the destruction, concealment, or disposal is within one year from the date of receipt of the Oman Tax Authority's notice in this regard
- e. Deliberately motivating or supporting the taxable person in submitting returns or records or other documents that are incorrect

#### 34. **Transitional provisions:**

If an invoice is issued or consideration is paid for the supply of goods or services before the effective date or before the date of registration, and the supply occurs after any of these two dates, the supplier of the goods or services will be considered to have made a taxable supply after the effective date or after the date of registration, as the case may be in the following two instances:

- a. If the date of handover of the goods is after the effective date or after the date of registration, as applicable
- b. If the date of completion of the service is after the effective date or after the date of registration, as applicable

For consecutive supplies in case of contracts concluded before the effective date or prior to the date of registration as the case may be, VAT will be due on the supply that is made, wholly or partially, after the effective date or registration date, as applicable.

If a contract does not include a clause related to VAT, the consideration will be considered to be inclusive of tax if VAT is due according to the provisions of the Oman VAT Law or Executive Regulations.



# Thank you

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