1. What is excise tax?

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

Members of the Gulf Cooperation Council (GCC) have executed the Common Excise Tax Agreement that 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 on 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 and tax warehouse keepers in the supply chain are liable for excise tax and are required to register, submit periodical returns, pay the excise tax due and maintain excise tax specific 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. When will excise tax come into effect in Oman?

The Decree Law will come into effect after 90 days from the date of publication. The Decree Law was published on March 13, 2019. Accordingly, excise tax will come into effect from June 12, 2019 in Oman.

4. Are the Executive Regulations on excise tax law published?

No. The Executive Regulations on the Excise Tax Law (‘Regulations’) have not yet been published. The decree law allows the minister responsible for financial affairs up to 6 months from the effective date of the Decree Law to issue the Regulations.

5. What goods will attract excise tax?

The Decree Law does not specify which goods will attract excise tax. Goods liable to excise tax and the tax rates will be specified in a decision from the minister responsible for financial affairs and approved by the council of ministers. However, according to recent news reports, it appears that the following goods will be subject to excise tax in Oman:

- Alcohol – 100 percent
- Carbonated drinks – 50 percent
- Energy drinks – 100 percent
- Pork and pork products – 100 percent
- Tobacco and tobacco products – 100 percent
6. What does the scope of carbonated drinks include for the purposes of excise tax?

The Decree Law does not specify which goods will attract excise tax. The scope of such goods will be specified in a decision from the minister responsible for financial affairs and approved by the council of ministers.

For guidance, according to Cabinet Decision No. 38 of 2017 on Excise Goods, Excise Tax Rates and the Method of Calculating the Excise Price of the United Arab Emirates (‘Cabinet Decision 38/2017 of the UAE’), for the purpose of excise tax carbonated drinks mean –

- any aerated beverage except unflavoured aerated water; and
- any concentrate, powder, gel, or extracts intended to be made into an aerated beverage.

Carbonated drinks do not include any beverage containing alcohol, even if such drink is otherwise considered an aerated beverage.

7. What does the scope of energy drinks include for the purpose of excise tax?

For guidance, according to Cabinet Decision 38/2017 of the UAE, for the purpose of excise tax energy drinks mean –

- any beverages marketed or sold as an energy drink that may contain stimulant substances that provide mental and physical stimulation, which includes caffeine, taurine, ginseng and guarana or any substance that has an identical or similar effect as the aforementioned substances; and
- any concentrate, powder, gel or extracts intended to be made into an energy drink.

Energy drinks do not include any beverage containing alcohol.

8. What does the scope of tobacco products include for the purpose of excise tax?

For guidance, according to Cabinet Decision 38/2017 of the UAE, tobacco and tobacco products include all the items listed within Schedule 24 of the GCC Common Customs Tariff that are imported, cultivated or produced in the State.

Items listed within Schedule 24 of the GCC Common Customs Tariff are –

- Cigarettes
- Cigars
- Cheroots
- Cigarillos
- Unmanufactured tobacco
- Manufactured tobacco
- Chewable and sniffing preparations
- Extract
• Essence

9. **When is excise tax levied?**

Excise tax is triggered upon the release of excise goods for consumption. The Decree Law does not specify instances where excise goods are deemed to have been released for consumption. These will be specified in the Regulations.

According to the Common Excise Tax Agreement of the States of the GCC and based on precedence in the GCC, excise goods are deemed to have been released for consumption upon the occurrence of any of the following:

• Production of excise goods outside a tax suspension situation;
• Import of excise goods outside a tax suspension situation;
• Possession of excise goods outside a tax suspension situation, on which excise tax due has not been paid;
• Release of excise goods from a tax suspension situation;
• Loss or damage of excise goods while in a tax suspension situation where the licensed person (person licensed to operate a tax warehouse) is unable to demonstrate that the loss or damage is attributable to causes beyond his control.

10. **What is a tax warehouse?**

A tax warehouse is a place where the warehouse keeper / licensed person is allowed to produce, process, possess, store and receive any excise goods under a tax suspension situation.

11. **What is a tax suspension situation?**

A tax suspension situation is a situation under which the levy of excise tax on excise goods produced locally or imported is suspended.

The Decree Law does not specify tax suspension situations. These will be specified in the Regulations.

According to the Common Excise Tax Agreement of the States of the GCC and based on precedence in the GCC, tax on excise goods is suspended in the event of:

• Production, processing, possession, storage or receipt of locally produced excise goods by a licensed person (person licensed to operate a tax warehouse) in a tax warehouse;
• Import of excise goods into a tax warehouse in the state;
• Movement from a tax warehouse to another tax warehouse within the state;
• Movement between tax warehouses in member states of the GCC;
• Movement from a tax warehouse to the point of exit of excise goods from the GCC for export or re-export in accordance with the provisions of the Common Customs Law.
12. Who must register for excise tax?

According to the Decree Law, any person who engages in the following activities in Oman must register for excise tax:

- Production of excise goods;
- Import of excise goods;
- Possession of excise goods, on which the excise tax due has not been paid; and
- Licensed to establish a tax warehouse.

A person importing excise goods in a non-regular manner may be exempt from registration subject to conditions to be prescribed in the Regulations.

13. Who is exempt from paying excise tax?

According to the Decree Law, subject to conditions, the following are exempt from excise tax:

- Excise goods received by diplomatic and consular missions, international organizations and heads and members of diplomatic and consular missions accredited by Oman on the condition of reciprocity; and
- Excise goods accompanied by travelers entering Oman, provided they are of non-commercial status and satisfy the terms and conditions specified in the Common Customs Law.

14. Who is entitled to refund of excise tax?

According to the Decree Law, subject to conditions, the following persons / cases qualify for a refund of excise tax paid on excise goods:

- Diplomatic and consular missions, international organizations and heads and members of diplomatic and consular missions accredited by Oman, on the condition of reciprocity;
- Transfer of excise goods released for consumption to another Member State of the GCC; and
- Payment in excess of the excise tax due.

In addition to the above, where excise goods are not consumed in Oman, the minister responsible for financial affairs may also specify additional cases that qualify for refund of excise tax paid.

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

The Decree Law does not specify the value on which excise tax is required to be computed. This will be specified in a decision from the minister responsible for financial affairs and approved by the council of ministers.
According to the Common Excise Tax Agreement of the States of the GCC and based on precedence in the GCC, excise tax is computed on the higher of:

- The retail sale price; or
- The standard price list periodically published by the tax administration in the member state.

16. When is the excise tax return and excise tax payment due?

According to the Decree Law, an excise tax return and payment is due within 30 days of the end of the tax period. The tax period is a period of 3 calendar months. The first tax period starts from the date of registration and each subsequent tax period starts from the next day after the end of 3 calendar months.

In case of imports, excise tax may be payable at the time of import into Oman. In such a case, the excise tax payable within 30 days of the end of the tax period (along with the excise tax return) would exclude excise tax that has already been paid. Further, importers may also be exempt from submitting excise tax returns subject to conditions to be prescribed in the Regulations.

17. Is there a tax dispute resolution process?

Yes. According to the Decree Law, a registered person is entitled to file a grievance against a decision of the Secretariat General before the Tax Committee constituted under a decision of the minister responsible for financial affairs. An appeal against the decision of the Tax Committee can be filed before a competent primary court in Oman.

The Decree Law also provides for settlement or conciliatory proceedings except in case of tax suits.

18. What are the penalties under the Decree Law?

The Decree Law provides for penalties of between OMR 1,000 to OMR 10,000 or imprisonment for a period between two to twelve months, or both, in case of:

- Failure to nominate a responsible person.
- Failure to appoint another responsible person in case of absence of the originally nominated responsible person from Oman for more than 90 days.
- Failure to comply with the requests of the Secretariat General.
- Release of excise goods from a tax warehouse without payment of excise tax.
- Failure to examine excise goods at the time of receipt and prior to placing or storing them in a tax warehouse.
- Failure to maintain regular accounting records and books.
- Prevention or obstruction of employees of the Secretariat General from carrying out their responsibilities and duties.
- Failure to submit excise tax returns.
- Unsealing or removal of seals or distinguished signs in violation of the provisions of the Decree Law.
The Decree Law also provides for more stringent penalties of between OMR 5,000 to OMR 20,000 or imprisonment for a period between one year to three years, or both, in case of:

- Failure to notify the Secretariat General of details of inventory in case of levy of excise tax or increase of the excise tax rate on excise goods.
- Failure to register with the Secretariat General.
- Failure to report correct details in the excise tax returns.
- Submission of forged excise tax returns, documents or records to evade payment of excise tax.
- Destruction, concealment or disposal of any documents, records, accounts, statements or other information requested by the Secretariat General within one year from the receipt of the notice from the Secretariat General.

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

Yes. 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, is likely to be subject to excise tax on the date that excise tax comes into effect. The inventory qualifying for levy of excise tax and the value of inventory for the purpose of computing excise tax is likely to be specified in the Regulations or a decision from the Minister responsible for Financial Affairs and approved by the council of ministers.

20. What businesses are likely to be impacted by the introduction of excise tax in Oman?

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
- Theaters

21. What should businesses do to prepare for excise tax implementation?

Based on our implementation experience, introduction of excise tax is likely to impact the cash flows, profitability, pricing, statutory compliances, invoicing, documentation, record keeping, IT systems, contract terms and product demand to list some. Therefore, it could be critical for businesses to include below list of items (non-exclusive) as part of their strategy in this respect:

- Identify the areas of impact;
- Assess the extent of the impact;
• Make representations to the Ministry of Finance / Secretariat General, if necessary;
• Prepare an implementation plan;
• Ascertain taxability of products;
• Identify changes necessary to labelling, packaging, marketing strategy, etc.;
• Update IT systems to generate documents and reports necessary for statutory compliance;
• Conduct independent physical stock takes to identify transitional inventory;
• Undertake transitional compliance;
• Obtain excise tax registration;
• File regular returns;
• Prepare refund claims; and
• Develop policies and procedures to manage internal processes.

22. When should businesses begin preparation?

With implementation due in less than 90 days, businesses need to begin preparation immediately. While certain details may only be published subsequently in the Regulations and the decision from the minister responsible for financial affairs approved by the council of ministers, there are several preparatory steps businesses can still undertake considering the Common Excise Tax Agreement of the States of the GCC and based on precedence in the GCC.

23. How can KPMG help?

KPMG has assisted businesses with excise implementation both within the region and globally. Our team may assist you in your effort to:
- Identify the areas of impact;
- Assess the extent of the impact;
- Make representations to the Ministry of Finance / Secretariat General, if necessary;
- Prepare an implementation plan;
- Ascertain taxability of products;
- Update IT systems to generate documents and reports necessary for statutory compliance;
- Conduct independent physical stock takes to identify transitional inventory;
- Undertake transitional compliance;
- Obtain excise tax registration;
- File regular returns;
- Prepare refund claims;
- Develop policies and procedures to manage internal processes; and
- Provide on-going advisory support.

If you require assistance with excise tax implementation in Oman, please reach out to your contact at KPMG.
This document is based on an unofficial translation of Royal Decree No. 23/2019 issued on 13 March 2019 by the Sultanate of Oman. The text in this document is provided for information purposes only. Use of the text is at the user’s own risk.

No information contained in this document should be construed as legal advice from us or interpretation of underlying laws and regulations, nor is it intended to be a substitute for legal counsel on any subject matter. It is also not intended to address the circumstances of any particular individual or entity. Application of the text in this document will depend on the circumstances involved. We recommend you obtain professional and legal advice before acting on or refraining to act based on the content of this document.

© 2019 KPMG Lower Gulf Limited, operating in the Oman and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Oman.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.