



## OMAN VAT

### SUMMARY OF KEY PROVISIONS UNDER OMAN VAT LAW



## Oman VAT law - summary of key provisions

The Royal Decree for Oman VAT law was published in Arabic on 18 October 2020. We have prepared a reference summary of the key provisions of Decree law for Oman VAT, as below:

### 1. Implementation dates (Preamble to the Decree law)

The Oman VAT Law shall be applicable 180 days from the date of its publication in the Official Gazette, which was 18 October 2020.

Thus, the effective date of VAT applicability in Oman should be 16 April 2021 or 17 April 2021 subject to confirmation from Tax Authority

Executive Regulations can be released anytime up to 6 months from the date of applicability of VAT in Oman (i.e. 6 months from 16 April 2021 or 17 April 2021).

### 2. What is liable to VAT and who should pay VAT?

- All taxable supplies made in Oman;
- Deemed supplies;
- Import of goods into Oman; and
- Import of services into Oman liable to VAT under reverse charge.

Taxable person (i.e. taxable supplier) is required to pay VAT to the Oman tax authorities. In case of imports the person liable to VAT is typically the importer.

### 3. On what value VAT should be paid? (Article 31-35)

- Taxable value (i.e. value on which VAT should be paid) is determined on the basis of the amount of consideration excluding tax
- It includes the value of all expenses imposed by the taxable supplier on the Customer, and any fees or taxes payable upon supply, excluding discounts, allowances, grants or amounts set by the Executive Regulations
- In other cases such as supply to related party, deemed supplies, imports, goods temporarily exported outside Oman for specific purposes; taxable value is to be specifically computed

### 4. What rate? (Article 36, Article 47 and Article 51, 52 & 53)

- Standard rate of Oman VAT is 5%
- Certain specific supplies will be:
  - a) Zero-rated
  - b) Exempt or
  - c) Out-of-Scope

### 5. Registration (Article 55, Article 57, and Article 61)

- If a taxable person exceeds the mandatory registration threshold of supplies by end of a given month (plus 11 months preceding the said given month); or by end a given month (plus 11 months succeeding the said given month), the business shall/may apply for VAT registration in Oman

- Non-resident will be required to register for the purposes of VAT in certain cases
- While computing voluntary registration threshold, the value of expenses for 12 months (current month and upcoming 11 months) should be considered as well as to whether or not the same exceeds the voluntary registration threshold.

#### 6. Input tax deduction (Article 41, 42 & 44)

- A taxable person may deduct for any Tax periods, the Input Tax incurred on purchases of taxable supplies or imports, subject to conditions
- If the taxable person makes taxable supplies in addition to exempt supplies, or if part of the Goods imported are used for purposes other than the taxable activity, then Input tax is deducted subject to certain restrictions (partial recovery)
- A taxable person may postpone input tax deduction for a given tax period up to (3) three years, from the end of the period in which the right to deduct the tax arose

#### 7. Exempt supplies (Article 47)

The following supplies are exempt for Oman VAT, subject to conditions:

- a. Financial services;
- b. Healthcare services and related goods and services;
- c. Education services and related goods and services;
- d. Undeveloped land (Bare land);
- e. Resale of residential properties;
- f. Local passenger transport
- g. Lease of residential properties

#### 8. Zero rating of supplies made in Oman (Article 51)

The following supplies will be zero rated, subject to conditions:

- a. Certain food items to be specified at a later date;
- b. Medicines and medical equipment to be specified in Executive Regulations;
- c. Supply of investment gold, silver and platinum;
- d. Supply of services for international goods or passengers transport, and supply of related services;
- e. The supply of sea, air and land means of transportation for transporting of goods and passengers for commercial purposes, and the supply of goods and services related to these means of transportation.;
- f. Rescue planes, and rescue and assistance boats;
- g. Supply of crude oil, oil derivatives and natural gas.

#### 9. Zero rating of supplies made outside the GCC (Article 52)

The following supplies when made outside the GCC will be zero rated, subject to conditions:

- a. Export of goods;
- b. Supply of goods and services to a customs duty suspension situation mentioned in the Common Customs Law,
- c. Re-export of goods that have been temporarily imported into Oman for repair, refurbishment, conversion or processing as well as services added to such goods;
- d. Supply of services 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 (except cases covered by special place of supply rules).

#### 10. Supply of goods and services which are VAT exempt, to a place outside Oman (Article 53)

- The supply of Goods and Services out of the Sultanate shall be subject to the zero rate when such supply is exempt from VAT inside the Sultanate.

#### 11. Supplies from and to special economic zones (Article 54)

- 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.

#### 12. Record keeping (Article 70)

- 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
- For a period of 10 years from the end of the tax year in which the tax return is filed, in all other cases

#### 13. Returns and VAT payment (Article 71, 72 and Article 82)

- 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).
- The time limit for filing return and payment is within 30 days following the end of the tax period.

#### 14. Transitional provisions - For discrete supplies (Article 105)

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 is done after any either of these two dates, the supplier of the goods or services will be considered to have made a 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 delivery of the goods is after the effective date or after the date of registration.
- b. If the date of completion of the service is after the effective date or after the date of registration.

#### 15. Transitional provisions - For Consecutive supplies (Article 105)

- 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 VAT clauses, the amounts received for the supply (i.e. consideration) will be considered to be inclusive of tax once VAT is due.

#### 16. Summary of other important provisions highlighted as below

- An express provision for anti-evasion cases empowers the tax authority to take necessary actions in fraud and evasion cases.
- Assessment/ Objection/ Re-objection/ appeal are the stages of assessment and litigation.
- Late payment penalties at one percent of the tax due for every tax period or part of the period for which the tax remains due, do not seem draconian.
- However, penalty clauses prescribe fines up to RO 20,000. Jail term too has been prescribed in case of concealment/ evasion cases.

*The above summary is for information purpose. It is advisable to read the same along with upcoming regulations and guidance to be issued by the tax authority in Oman in due course, for better interpretation and comprehension.*



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