

# VAT Taxpayer Guide

## Commercial Agencies

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## **Disclaimer:**

This Guide is intended to provide an understanding of the relevant treatment of supplies made by agents under the Sultanate of Oman's Value Added Tax ("VAT") Law and aims to provide a better general understanding of taxpayers' tax obligations. It is not intended to comprehensively address all possible tax issues that may arise. While the Sultanate of Oman's Tax Authority ("TA") has taken the initiative to ensure that all information contained in this Guide is correct, the TA will not be responsible for any mistakes and inaccuracies that may be contained, or any financial loss or other loss incurred using the information from this Guide. All information is current at the time of preparation and is subject to change.

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## **1. Introduction**

### **1.1. What is this Guide about?**

This Guide has been issued by the TA to provide additional interpretation and guidance for the application of the VAT Law and its corresponding Executive Regulations to supplies related to agents.

This Guide explains the TA's interpretation of key provisions of the Law relevant to agents and outlines how the TA's administrative policies pertain to transactions made by or through agents. Specifically, "Administrative Practices" are highlighted in italics where relevant – Administrative Practices are administrative approaches accepted by the TA following consultation with the industry, to facilitate taxpayers' compliance with VAT obligations.

Administrative Practice may in some cases differ from strict application of the text of Executive Regulations, but the TA will accept these approaches if adopted by taxpayers in accordance with the text and conditions.

### **1.2. Who should use this Guide?**

You should read this Guide if you carry out any activity on behalf of a principal in Oman or make supplies as an agent to customers in and outside Oman.

### 1.3. Definitions

- **Agent:** A person authorized by another person to do something on that other person's behalf.
- **Principal:** A person who authorizes the agent to act on their behalf.
- **Economic activity:** Activity that is conducted in a continuous and regular manner, particularly commercial, industrial, professional, artisanal, or service activity.
- **Taxable person:** Person who conducts economic activity independently for the purpose of generating income and is registered with the TA (or is required to register pursuant to the provisions of the VAT Law).
- **Place of Residence:** The place where the Workplace or Fixed Establishment is located, or the place of usual residence with respect to a natural person that does not have a Workplace or Permanent Establishment, or the place most closely associated with the supply if the person has a residence in more than one State.
- **VAT Law:** The VAT Law of the Sultanate of Oman issued by Royal Decree No. 121/2020 dated 12/10/2020 promulgating the VAT Law.
- **Executive Regulations:** Regulations to the VAT Law issued by the TA in Decision No. 53/2021 dated 10/03/2021, and as amended by Decision No. 456 of 2022.
- **GCC Member State:** Any other member state of the Gulf Co-operation Council of the Arabic Gulf States, provided this state has fully implemented the provisions of the Unified VAT Agreement for the Co-operation Council for the Unified Arab States of the Gulf. At the time of issue, no states have yet fully implemented this Agreement. During this transitional period, all Gulf states should be treated as third country states.

## 2. Registering for VAT

VAT is a self-assessed tax; therefore, businesses are required to continually assess the need to be registered for VAT and to ensure that they meet and live up to their obligations under the VAT Law.

VAT registration falls into two categories: mandatory registration and voluntary registration.

If a taxable person's total annual value of supplies exceeds the mandatory registration threshold, it is obligated to register. If the value does not exceed the mandatory registration threshold but exceeds a voluntary registration threshold, the person has the option to register voluntarily.

The following are taken into account to calculate the annual value of supplies for registration:

- Taxable supplies (i.e., Standard Rated and Zero-Rated supplies) less the value of any supplies that are part of the business' capital assets.
- Intra-GCC supplies of goods and services; and
- Value of goods and services supplied to the taxable person in the Sultanate where the Reverse Charge Mechanism is applicable.

### **Mandatory registration threshold:**

Every person residing in the Sultanate is required to register by applying the following tests:

1. **Backward Look:** If the total value of supplies made exceeds the mandatory VAT threshold (OMR 38,500) in the current month plus the previous 11 months.
2. **Forward Look:** If it is expected that the total value of supplies to be made will exceed the mandatory VAT threshold (OMR 38,500) in the current month plus the next 11 months.

These tests must be carried out on a monthly rolling basis by an unregistered person engaged in an economic activity. If the answer is yes for either test, the person must register for VAT.

A non-resident of a GCC member state, making any taxable supply in the Sultanate, is required to register regardless of the turnover.

### **Voluntary registration threshold:**

For the purposes of voluntary VAT registration, a person may register based on the annual value of supplies or expenditures. For example, a business that has not fully commenced its economic activity but intends to do so may register, if it has already acquired VAT taxable expenditures that exceed the voluntary registration threshold.

Every person residing in the Sultanate has the right to register voluntary registration by applying any of the following tests:

#### **1) Backward Look:**

- a. If the total value of supplies made exceeds the voluntary VAT threshold (OMR 19,250) in the current month plus the previous 11 months.

b. If the total value of expenses exceeds the voluntary VAT threshold (OMR 19,250) in the current month plus the previous 11 months.

## **2) Forward Look:**

a. If it is expected that the total value of supplies to be made will exceed the voluntary VAT threshold (OMR 19,250) in the current month plus the next 11 months.

b. If it is expected that the total value of expenses will exceed the voluntary VAT threshold (OMR 19,250) in the current month plus the next 11 months.

These tests can be carried out on a monthly rolling basis by an unregistered person engaged in an economic activity.

If the answer is yes for either test, the person may register for VAT.

### 3. Place of Supply

#### 3.1. Supply of goods or services

Determining whether the supply is one of goods or services is essential to the correct application of VAT, as it affects the place where a supply is viewed to be made, the applicable VAT rate, the manner in which VAT is collected, and the tax due date.

#### 3.2. Place of supply

The VAT Law only applies to supplies of goods and services made in Oman. The provisions of the Law include place of supply rules to determine whether a supply is made in Oman.

The place of supply for services is typically determined based on the residence country of the supplier and/or the customer. However, special rules apply to certain services.

Note: The place of supply for services provided by agents can differ from the place of supply of goods and services they arrange. The agent must determine the place of supply of their services independently from the place of supply of the goods and services they arrange.

**For example,** if an agent arranges the sale of a commercial vehicle in the name of a principal in Oman, the principal will have made a supply of goods (the vehicle). The commission earned by the agent for facilitating the sale is a supply of agency services.

Please refer to the General VAT Guide for more information on the place of supply rules.

## 4. VAT treatment of supplies by or through Agents

### 4.1. The agent for VAT purposes

The VAT Law and Executive Regulations do not include a definition for the term “agent”. For the purposes of this guide, an agent is generally accepted to be a person that represents or acts for another person or persons (the principal) to arrange or facilitate specific supplies of goods or services on behalf of the principal. An agent may arrange for supplies that are made by the principal (for example as a selling agent) or supplies made to the principal (for example as a buying agent). It is normal for there to be an explicit contract or agreement between agent and principal over the extent of the agency relationship, powers and responsibilities.

Remuneration received by agents for their services are commonly described as fees or commissions.

To be considered as an agent, there must be an agreement between the agent and the principal for the agent to act on the principal’s behalf with respect to specific transactions. The agreement may be written or oral, or in certain cases it may be inferred from conduct of business. Actions taken by an agent in their capacity as an agent will legally bind the principal.

In all cases the agent and principal must clearly show to the Tax Authority the following:

- The agent is arranging or facilitating transactions for the principal;
- The agent does not own the goods, or use the services arranged for the principal; and
- The nature or value of supplies made by the principal and third parties will not be changed by the agent.

Example: A manufacturer in Muscat signed an agreement with Company “A” in Sohar. Per the agreement Company “A” will purchase raw materials from a third party in Muscat on behalf of the manufacturer. In this case, Company “A” is acting as a purchasing agent of the manufacturer.

Example: An auctioneer acts for a wholesaler to sell goods for a commission. The wholesaler is the principal, and the auctioneer is the agent. The auctioneer provides auction services to the wholesaler for a commission.

Note: There are cases where a person will be commercially described as an agent however, they will not be considered as such for VAT purposes as they do not truly act on behalf of another person but make supplies in their capacity as a principal itself. In other cases, a person may not be labeled as an agent for commercial purposes, but they will be acting as an agent in respect of some transactions they are involved in.

The determination of the existence of an agency arrangement will depend on the contractual arrangements and reality of the actual transaction such as knowledge of the existence of the agency agreement by the third parties.

**Example:** A wholesaler in Salalah is described as the “exclusive agent” in Oman for a well-known brand of televisions manufactured in Egypt. The agreement between the wholesaler and the foreign manufacturer stipulate that the wholesaler will purchase televisions from the manufacturer, import them into Oman and sell them to customers in Oman. Even though the wholesaler is described as an agent for commercial purposes, they are not considered as such for VAT purposes, when looking into the commercial contracts and true nature of the transactions between the parties.

**Example:** A travel agent purchases cinema tickets from a theatre that it subsequently sells to their customers as part of a package. The dealer does not act as an agent of the theatre for VAT purposes.

## 4.2. Supplies by an Agent

Generally, an agent will be involved in two separate transactions:

1. between the principal and the third party; and
2. between the agent and the principal.

The VAT liability of each supply must be determined separately and depends on whether the agent is a disclosed or an undisclosed agent.

## 4.3. Disclosed Agent

An agent that acts in the name of a principal and on his/her behalf in respect of a specific supply, is usually considered to be a disclosed agent. The third party and principal will be aware of each other (even if they do not communicate directly) and will enter into a contract directly between themselves for the underlying supply of goods or services.

For VAT purposes a disclosed agent will only make one supply, being a supply of their services to the principal. The principal is considered the person supplying the underlying goods and services directly to the third party.

**Note:** Only the principal is eligible to deduct any input tax charged on the underlying goods and services subject to normal input tax deduction rules.

An agent who works in the name, and on behalf, of a principal must (where requested or required) provide the Tax Authority the following documents:

1. An official power of attorney from the principal expressly authorizing the agent to act in his name and on his behalf in order to make one or more supplies.
2. A sale contract, an invoice or a discharge, which clearly indicate that the supply is explicitly in the name of the principal and on his behalf, provided that these documents include, in addition to the supply, the names and

addresses of the parties of the contract (the principal and the benefiting third parties).

3. Any other documents specified by the Authority.

**Example:** A property management company entered a contract with an owner of a commercial building in Thumrait. The property management company will be responsible to market the building to new tenants and collect monthly rent from existing tenants for a commission calculated as a percentage of monthly rent. The lease agreement is signed directly between the owner and tenant. In this case, the property management company is acting a disclosed agent. It must notify the Authority of its agency and must account for VAT on the commission earned for property management services it provides to the owner.

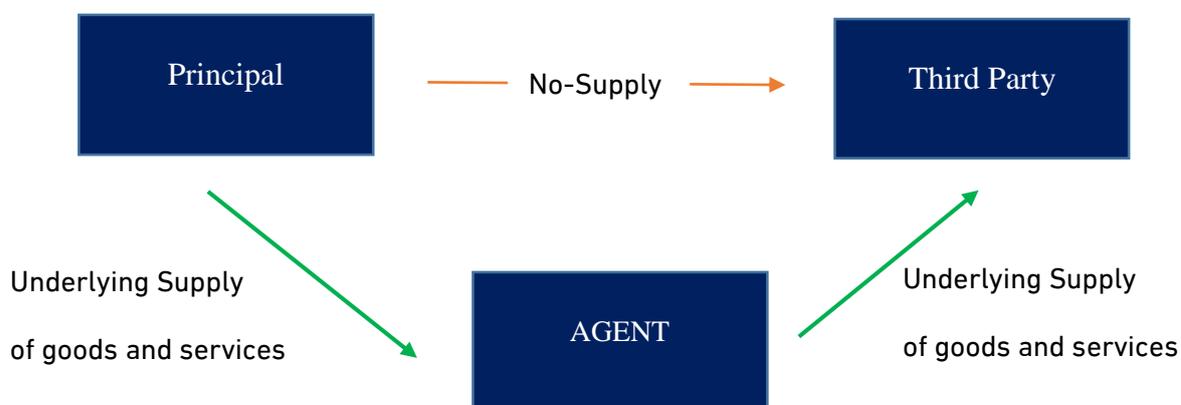
The owner (the principal) must account for VAT on the commercial lease to the tenant.

#### **4.4. Undisclosed Agent**

An agent that acts in their own name but on behalf of the principal in respect of a specific supply, is considered as an undisclosed agent. The third party is unaware of the existence of an agency agreement and does not contract directly with the principal.

For VAT purposes an undisclosed agent will be involved in two simultaneous supplies of the same goods or services:

1. Supplying the goods or services arranged for the principal; and
2. Receiving the same goods or services arranged for the principal.



In effect, the undisclosed agent is treated as the buyer and seller of the underlying goods or services. No separate supply of agency services to the principal is recognized for VAT purposes, since the agent acts in its own name. Any “commission” earned for the agent’s activity will be included in the value of the outward supply made by the agent (i.e., will include any remuneration such as markup or commission charged by the agent).

The agent is liable to account for VAT on the supply of the goods or services arranged for the principal. The agent is eligible to deduct any input tax charged on the supply received, subject to normal deduction rules and provided they properly account for VAT on the onward supply to the principal.

In many instances, the same VAT treatment will apply to both supplies however, it may differ. Accordingly, each supply must be analyzed separately for VAT purposes.

**Example:** A purchasing agent acting in their own name purchased 2 tons of aggregate from a factory in Salalah. The factory charged 5% VAT on the supply of aggregate to the agent. The agent later zero rated the export of the goods to their principal in Yemen. The agent will be eligible to deduct the VAT charged by the factory on the aggregate exported.

#### 4.5. VAT on services provided by the disclosed agents

Services provided by disclosed agents that have a place of supply in Oman will generally be subject to VAT at the standard rate of 5% unless the supplies are exempt or zero rated. The VAT treatment must be determined by reference to the specific services provided by the agent. For example, while an agent may zero rate their services to allow a principal to make international transportation services, the same agent may also provide additional services to the principal such as standard rated commercial lease of storage space.

**Example:** A water bottling plant in Barkah hired a VAT registered sales agent to market and sell its products to new clients. The sales agent acting in the name of the plant, sold 1000 water bottles to a hypermarket in Muscat. Even though the underlying goods are zero rated water bottles, the sales agent must standard rate their services to the plant.

Please refer to the industry specific guides for more information on whether services are eligible for exemption or zero rating.

Services provided by agents may be zero rated as an export of service, provided (at the time the services are performed):

- The principal is non-resident in the GCC;
- The services are not services mentioned in article (24) of the VAT Law;
- The services are not directly related to real estate or goods located in Oman; and
- The services are not received by another person in Oman.

#### **4.6. VAT on services provided by the undisclosed agents**

Services provided by undisclosed agents will be subsumed by the underlying goods and services and will follow the same treatment applicable to the underlying goods and services based on the facts applicable to the agent acting as the supplier.

An agent may provide additional services to the principal, for which it is remunerated separately. For example, an agent could charge a base fee for maintaining a physical office and providing after-sales support to customers, as well as earning an agreed markup on products it sells in its own name. Where these services are separate to the main underlying goods and services, the VAT treatment for these services should be determined separately based on specific facts.

## **5. Invoicing**

### **5.1. Invoicing arrangements for disclosed selling agents**

In these cases, the agent arranges a purchaser for the goods and services supplied by a named principal.

If the principal is registered for VAT, it must issue the VAT invoice to the customer for its underlying supplies of goods or services which are arranged by the agent. If the principal is not VAT registered (not a Taxable Person), no VAT is applicable on the supply.

Note that the principal may appoint a third party (including the disclosed agent) to issue its invoices, after obtaining the Authority's approval to do so – see section 5.5 of this Guide for conditions. However, the tax invoice for the underlying supply must in all cases be issued in the name of the principal.

In all cases a VAT registered disclosed agent must issue a separate invoice to account for VAT on its supply of services to the principal.

### **5.2. Invoicing arrangement for undisclosed selling agents**

In these cases, the agent finds a purchaser for the underlying goods or services and sells these in its own name (the original supplier is not disclosed).

If the principal is registered for VAT, it must issue the VAT invoice to the agent for supplies arranged by the agent. The value of the supply is equal to the net value of the underlying supply: represented by the total value payable by the third-party customer less any remuneration due for the agency agreement. Input VAT charged by the principal to the agent on the underlying supply may be deducted by the agent. If the principal is not VAT registered (not a Taxable Person), then no VAT is applicable on the supply by the principal.

In addition, the VAT registered undisclosed agent must issue an invoice to the third party to account for VAT its onwards supply of the underlying goods and services. The value of the supply is the total amount charged to the third party.

**Example:** Company "A" (principal) in Muscat signed an agreement with Company "B" (agent) in Sohar. Per the agreement, Company B will sell a computer to a third party on behalf of Company "A". Company "B" will sell the computer to the third party in its own name and will not disclose it is an agent. In this case, Company "B" is acting as an undisclosed agent of Company "A". Both companies are VAT registered. The computer's taxable value is OMR 100 without VAT and Company "B" will receive 6% commission.

1. The principal must issue an invoice to the agent for OMR 94 + OMR 4.700 (VAT).
2. The principal will declare OMR 4.700 in its VAT return as output tax and the agent may deduct the same amount as input tax.
3. The agent must issue an invoice to the third party for OMR 100 + OMR 5 (VAT).
4. The agent will declare OMR 5 in its VAT return as output tax. Its net VAT payable on the two supplies (output tax less input tax) is OMR 0.300.

### 5.3. Invoicing arrangements for disclosed buying agents

In these cases, the buying agent finds a third-party supplier to supply goods or services to its disclosed principal.

If the supplier is registered for VAT, it must issue the VAT invoice to the principal for supplies arranged by the agent. If the supplier is not VAT registered (not a Taxable Person) no VAT is applicable on the supply. In all cases a VAT registered disclosed agent must issue a separate invoice to account for VAT on its supply of agency services to the principal.

### 5.4. Invoicing arrangement for undisclosed buying agents

In these cases, the buying agent finds a third-party supplier to supply goods or services on the instruction of its principal but purchases these in its own name (the principal is not typically disclosed to the third party).

If the supplier is registered for VAT, it must issue the VAT invoice to the agent for the underlying supplies of goods and services. The value of the supply is equal to that charged by the supplier to the agent (i.e. made by the third party supplier). Input VAT charged by the supplier to the agent may be deducted by the agent. If the supplier is not VAT registered (not a Taxable Person), no VAT is applicable on the supply by the principal.

**In addition**, the VAT registered undisclosed agent must issue an invoice to the third party to account for VAT on the supply it arranged. The value of the supply is equal to the value incurred by the agent from the third-party supplier, plus any remuneration due for its agency services.

## 5.5. Issuing invoices on behalf of the principal

The agent may issue an invoice to the customer on behalf of the taxable principal provided it is appointed by its taxable principal to do so, and after approval of the Authority. Approval requires all conditions of article (153) of the Executive Regulations to be met:

1. The agent is a taxable customer.
2. Tax invoices should be issued in accordance with the provisions of the Executive Regulations, depending on the circumstances.
3. There should be a written agreement in this regard that includes a description of the supplies to which this agreement applies.
4. The taxable principal does not issue a tax invoice for the same supply.
5. Both parties shall notify the other party if they are no longer registered for VAT purposes.
6. The agent provides the taxable principal with a copy of the tax invoice issued on its behalf and that the taxable supplier approves it.
7. The tax invoice issued on behalf of the taxable supplier includes the phrase "the Taxable Person is liable to pay any Tax due on the supply".
8. Each party notifies the other party in writing should they wish to cease this agreement.

The Taxable principal is required to submit an application to the Authority, requesting approval for the agent to issue invoices on its behalf. This is submitted together with a copy of the agreement between the two parties.

## 6. Recharges by agents

Agents may incur expenses related to their agency arrangements with the principal. The VAT treatment of the recharge of any expense will depend on whether it is incurred in the name of the principal (a disbursement) or incurred in the name of the agent (a reimbursement).

### 6.1. VAT treatment of disbursements

A disbursement is a situation where:

- An agent pays a third party,
- In the name and on behalf of a principal,
- For goods and services to be received and used by the principal as customer that are clearly additional to any other services provided by the agent,
- The principal is responsible for paying the third party,
- The principal is aware that the supplies will be provided by a third party and authorized the agent to make the payment, and
- The agent later recovers the precise amount paid from the principal without markup and separately shows the amount in the invoice issued to the principal.

In this situation the supply of goods and services is made directly from the third party to the principal, and any VAT due on this supply should be accounted for by the third party. Therefore, the recovery of amounts paid by the agent is outside the scope of VAT, since it is a disbursement that is not a consideration for a supply by the agent to the principal.

The agent may not claim any input tax charged by the third-party supplier. Only the principal is allowed to deduct any VAT charged by the third party subject to normal input tax deduction rules.

**Example:** An individual in Oman paid an agent to renew their license at the ROP. The agent paid license renewal fees on behalf of the individual and later recovered the amount from the individual. The invoice issued by the agent is illustrated below:

Services	OMR 100
VAT @ 5%	OMR 5
Disbursements (license renewal fee charged by ROP)	OMR 20
Total	OMR 125

## 6.2. VAT treatment of reimbursements

A reimbursement is a situation where an agent acts in their own name and pays a third party for goods and services. The agent later recovers the amount from the principal (this may be with or without a markup). These are costs that the agent incurs itself when supplying goods or services to the principal. The agent buys the goods or services to enable them to perform their services.

Some examples of expenses incurred by an agent that may be considered as reimbursements include:

- **Utility bills**
- **Agent's bank account charges**
- **Telephone charges**
- **Photocopying expenses**
- **Travelling expenses**
- **Mailing costs to send communications**

In this situation the recharge is consideration for an onward supply from the agent to the principal of the same goods and services purchased, or part of a larger dominant supply made by the agent.

The VAT treatment of the onward supply from the agent to the principal must be determined separately but will most likely be the same as that of the original supply, but in some cases may differ depending on the status of the parties.

**Example:** A consultant in Nizwa acting for a local hypermarket incurred long distance charges to make phone calls to international research agencies. The consultant later recharged the amounts to the hypermarket. Such payment will be considered as a reimbursement that is part of a larger consultancy service provided by the consultant.

Excerpt of invoice issued by the consultant:

Services	OMR 100
Recharges (long distance calls)	OMR 20
Subtotal	OMR 120
VAT @ 5%	OMR 11
Total	OMR 131

The hypermarket may deduct the VAT charged by the consultant subject to normal deduction rules for the consultancy services. In addition, the consultant may deduct any input VAT charged by the telecommunications company related to the long-distance charges.

## 7. Reporting the VAT

### 7.1. Tax Due Date

The tax due date is the point in time when VAT becomes chargeable on a taxable supply.

For one-off supplies of goods or services, the tax due date is the earlier of:

- The date on which the service is completed or date of supply of the goods
- The date the invoice is issued by the supplier; or
- The date payment is made by the customer, to the extent of this payment.

This means that a receipt of a customer deposit will require VAT to be charged on the deposit amount, unless the deposit is a refundable security deposit.

Where goods or services are standard rated and considered as supplies which entail the issuance of invoices or payments in a successive manner per article (27) of the Law, the Tax due date is the date of payment specified in the invoice or the date of payment, whichever is earlier, and at least once every twelve (12) consecutive months.

### 7.2. Charging VAT

For supplies made within Oman, the supplier is responsible for the correct application of VAT on supplies they make.

Thus, where a supply is made by a supplier with a place of residence in the Sultanate, that supplier is responsible for charging VAT at the appropriate rate, provided they are registered for VAT. The supplier must issue a tax invoice for all supplies with a place of supply in the Sultanate.

If a supply of services is made by a non-resident supplier to a taxable person who has a place of residence in Oman, the supplier should not charge VAT.

The recipient is responsible for reporting VAT (at the appropriate rate) on their VAT return through the reverse charge mechanism.

For taxable supplies subject to the standard 5% rate, VAT is charged at 5% of the taxable value of the supply. The Taxable Value shall be the value of the Consideration without VAT (or 100/105 of the total Consideration). The Taxable Value shall include all expenses charged by the taxable Supplier to the customer, any fees or taxes due as a result of the supply except for deductions, subsidies and grants.

### **7.3. Issuing invoices**

A taxable supplier must issue a tax invoice for each supply made in the course of its economic activities to any person.

The taxable person may alternatively issue a simplified tax invoice instead in the event that the value of the supply is less than OMR 500 excluding VAT or any other case specified by the Authority.

Further, the Taxable supplier may issue a Summary Tax Invoice that includes all supplies of goods and services provided to the same customer within a month. In all cases, the TA expects that the invoice should be issued within fifteen days of the month end and contains the same details as the tax invoice provided for in Article (144) of the Regulations.

The Tax invoice must be issued at the latest within fifteen (15) days following the date on which any of the events requires the taxable person to issue a tax invoice occurred. The tax invoice may be issued in English provided an Arabic translation upon the Authority's request.

The tax invoice, or simplified tax invoice, must clearly detail information specified in the Executive Regulations in Article (144) & (147). The taxable supplier should also be aware of requirements for electronic invoicing, which is required in the cases specified by the Authority. Electronic

invoicing requires the taxable supplier to issue tax invoices or simplified tax invoices in a prescribed electronic format (Electronic Invoices), and to ensure the authenticity of the origin, the integrity of the content and the legibility of the invoice. The Authority shall specify further requirements for the issue and content of Electronic Invoices.

#### **7.4. Filing VAT returns**

Taxable Persons must file a VAT return with the Tax Authority within 30 days from the end of each tax period. The VAT return is considered the taxable person's self-assessment of tax due or refundable for that period.

The VAT return must be filed, and the corresponding payment of net tax due made, no later than the 30 days following the end of the tax period to which the VAT return relates.

**Administrative Practice:** If the VAT return due date falls on a weekend or a public holiday, the return and payment will be accepted if filed on the next working day.

If the VAT return results in VAT due to the taxpayer of more than OMR (100) and the taxpayer has requested a refund on the specified form then the Tax Authority will, generally, subject to standard and other audit checks, make payment of the refund request within (45) days. The TA will carry out a process of due diligence of the validity of the return. Please note that in some cases, this may result in an inspection before payment.

## 7.5. Records

All taxpayers are required to keep appropriate VAT records relating to their calculation of VAT for audit purposes. This includes any documents used to prepare a VAT return. The information and documents shall include:

- 1) Daily Record in which the taxable transactions are recorded day by day according to their chronological and sequential manner and keep all the documents that enable the control of the accuracy/validity of these activities.
- 2) The Master Record which monitors the opening of accounts and the transactions based on this account, provided that there is a separate account for each type of supplies (taxable or exempted).
- 3) The inventory record, where the inventory items, the budget and the total/result count are recorded.
- 4) Records and documents related to the supplies of imported and exported goods and services.
- 5) Records and documents related to intra supplies of goods and services
- 6) Records and documents related to all customs transactions
- 7) All documents evidencing taxable supplies at zero rate in accordance with the executive regulations
- 8) All tax invoices and other documents issued by the taxable person
- 9) All tax invoices and other documents received by the taxable person

The taxpayers should be able to provide the TA with information about any transactions they had and include all details and information that is necessary to determine the correct treatment of the supplies. An agent supplying goods or services in its own name must maintain sufficient records relating to all such supplies.

The TA may conduct a tax inspection on the activities of the taxable person, provided that the TA issues a prior notice to the taxable person 15 days before the start of the investigation (other than in cases of suspected evasion).

During the examination process, authorized employees of the TA may review the above-mentioned records and make copies of them, comply a meeting and discuss with employees, inspect the technical, financial, and administrative aspects of the taxpayer's activity, and take any actions that seems necessary to achieve the objectives of the VAT law. The taxable person must provide everything necessary to assist the employees of the TA in the performance of their duties.

#### **7.6. Certificate of VAT registration**

A taxable person must display the VAT registration certificate to show they have been registered in the VAT system in a place visible to the public at all places where they carry out the activity.

In the event of a breach of this provision, the person shall be liable to the penalties provided for in the Law and Regulations.

#### **7.7. Correcting past errors**

If a taxable person becomes aware of an error or an incorrect amount in a filed VAT return, or of any other non-compliance with their VAT obligations, they must notify the Tax Authority immediately and take the appropriate action to correct the error. A Taxable Person shall file a revised Tax Return if they become aware of an error or omission in the Tax Return previously submitted. The revised Tax Return shall be filed within (30) thirty days following the discovery of error or omission.

## 8. Input Tax

### 8.1. Overview

A taxable person may deduct input VAT it bore during the Tax Period in the course of carrying on its economic activity. Input VAT is any of the following:

- VAT charged on Taxable Supplies of Goods or Services to the Taxable Person by a VAT-registered supplier in Oman;
- VAT self-accounted by the Taxable person under the reverse charge mechanism on services purchased from non-residents; or
- VAT paid to Oman Directorate General of Customs (or reported in the VAT Return, where applicable) on the imports of goods into Oman.

The taxable person may only deduct input VAT charged on goods and services purchased in the course of carrying on economic activity to the extent that such purchases enable the taxpayer to make either:

- Taxable supplies – including supplies subject to the zero rate; or
- Supplies made to outside the Sultanate - in any of the GCC Implementing States - and which would have been taxable if made in the Sultanate.

Deductible input VAT is a credit entered on the VAT return which is offset against the VAT due on supplies made during that period. Input VAT may only be deducted on purchases within Oman where the taxable person holds a valid supplier tax invoice for that purchase - issued pursuant to the provisions of the Law and its Regulations. If Input VAT arises from imports of goods or services, official evidence of the payment of reporting of VAT through the VAT return is used to document the deduction.

**Input Tax deduction is subject to the following restrictions:**

- Input VAT which is related to the taxpayer's VAT exempted activities, such as exempt financial services, is not deductible as input VAT.
- Input VAT may not be deducted on any costs not incurred or used as part of the economic activity.
- Some expenditure types, such as entertainment expenditures, food and beverage catering services, or costs relating to company vehicles, are also prohibited from deduction.

## **8.2. Partial deduction: Apportionment of input VAT**

VAT incurred which relates to a taxpayer's VAT exempt activities, such as exempt financial services or rent of real estate for residential purposes, is not deductible as input VAT. A person making both taxable and exempt supplies, can only deduct the input VAT related to the taxable supplies. If a taxable person incurs general costs or expenses (overheads) in the making of both taxable and exempt supplies, the costs and expenses must be apportioned to determine costs that relate to the taxable supplies.

## 9. Penalties

The TA may impose penalties or fines on taxpayers for violations of VAT requirements set out by the Law or Executive Regulations. Depending on the nature of the violation, these could be imposed on a principal, an agent, or both.

The TA may impose administrative penalties which range from a fine of OMR 500 up to OMR 10,000, depending on the nature of the offence.

In addition, the TA may impose a penalty in the region of 1% to 25% of any tax incorrectly declared on a tax return (this includes an understatement of output tax or an overstatement of input tax).

**In the cases of tax evasion**, the TA may impose a fine of 300% of the tax evaded or attempted to evade.

In more serious cases the TA may request a prosecution of the taxpayer which can result in fines ranging from OMR 1,000 to OMR 20,000, and possible imprisonment of between two months and three years depending on the offence committed. These penalties can be doubled in the case of recurrence.

## 10. Further inquiries

### 10.1. Contact Information

For more information, please contact the TA:

- Muscat, Seeb – South Mawalih
- P.O. Box: 285, P.C. 100
- Hours: Sunday – Thursday | 07:30-14:30
- Telephone: +968 2474 6996/ Call Center:1020
- Email: [info@taxoman.gov.om](mailto:info@taxoman.gov.om)

### 10.2. Forms and Publications

Further guidance, forms and publications will be issued by the TA and available to the public in due course.

### 10.3. VAT News

For current VAT news and updates, please visit the TA Taxpayer Portal:

[www.taxoman.gov.om](http://www.taxoman.gov.om)