

VAT Taxpayer Guide

Education

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Disclaimer:

This information is intended to provide a general understanding of the relevant treatment under the Sultanate of Oman's Value Added Tax 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 incurred by individuals using the information from this Guide. All information is current at the time of preparation and is subject to change when necessary.

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1. Introduction

1.1. About this guide

This guide has been issued to provide additional interpretation and guidance for the application of the VAT Law and its corresponding Executive Regulations to the education sector.

This guide explains the TA's interpretation of key provisions of the VAT Law relevant to the provision of education and of related goods and services.

This is strictly a guideline and may not include some relevant legislative provisions from the VAT legislation. This guide is not binding on the TA, or on any taxpayer in respect of any transaction carried out, and it cannot be relied upon in case of dispute.

For further guidance on specific transactions, you may apply for a ruling, or visit the TA's website at www.taxoman.gov.om

1.2. Who should use this guide?

You should read this guide if you are a supplier of any education services within Oman, or a provider of related goods and services within the industry.

1.3. Definitions

- **VAT Law:** The Value Added Tax Law of the Sultanate of Oman issued by Royal Decree No. 121/2020.
- **Executive Regulations:** Regulations to the Value Added Tax Law issued by Tax Authority Decision No. 53/2021.
- **Authority:** The Tax Authority
- **Taxable Value:** The value used as a base to compute VAT in accordance with the provisions of the VAT Law.
- **Supply:** A supply of Goods or Services for Consideration in accordance with the VAT Law.
- **Supplier:** The person who supplies Goods or Services.
- **Customer:** The person who receives Goods or Services.
- **Taxable Person:** The person who conducts the activity independently for the purpose of generating income and is registered with the Tax Authority or is required to register with it pursuant to the provisions of the VAT Law.
- **Taxable Supplies:** The supplies on which Tax is charged at the standard or zero rate, and the Input Tax related thereto is deductible according to the provision of the VAT Law.
- **Person:** Any natural or juristic person, including joint ventures, and partnership agreements signed outside the Sultanate which do not acquire the form of a company.

2. Overview: VAT exemption in the education sector

VAT is a broad-based indirect tax which is imposed at 5% on Goods and Services supplied in the Sultanate, subject to some limited exceptions. The VAT General Guide, available on the TA portal, explains the basics of how VAT is applied in Oman.

One of the limited exceptions – technically termed exemptions - from the standard 5% VAT application applies to certain supplies made in the education sector:

- The provision of education by a licensed educational institution in the Sultanate is exempt from VAT, and
- the provision of related goods and services by or through a licensed educational institution.

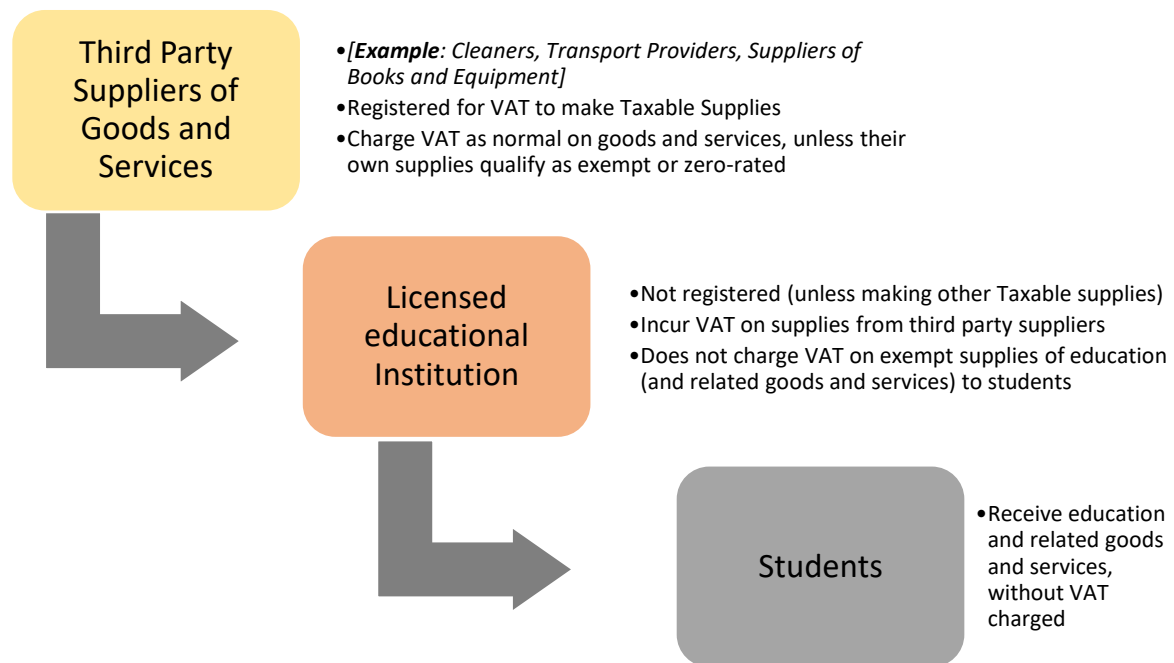
Applying this across the supply chain means that:

- (1) Licensed educational institutions are not required to register if they only make exempt supplies.
- (2) Licensed educational institutions do not charge VAT on revenues received for providing education, and related goods and services.
- (3) Third party suppliers apply VAT as normal to the goods and services they supply to licensed educational institutions.
- (4) Licensed educational institutions are not eligible to deduct any VAT incurred on costs which relate to their exempt activities.

If goods or services provided by an educational institution or otherwise within the education sector do not qualify for exemption, those goods and

services will be subject to the application of VAT as normal, depending on the nature of the goods and services supplied.

Figure 1. Simplified diagram of typical education sector supply chain



3. Exempt education services

3.1. General principles

Article (81) of the VAT Executive Regulations applies exemption to those educational services “supplied by educational institutions licensed by Competent Authorities in the field of education in the Sultanate” with the exception of courses provided outside the approved school curriculum.

The Ministry of Education (MoE) and the Ministry of Higher Education, Scientific Research and Innovation (MoHESRI) have primary ministerial responsibility for oversight of the education sector in the Sultanate. These powers may be exercised together with other Ministries and bodies (for example, the Education Council has jurisdiction for development and review of curricula).

Educational services include education at all levels, including the following types specifically referred to in Executive Regulations:

“1- Education in Pre-primary and kindergarten stages.

2- Education in all stages.

3- Higher education.

4- Vocational and technical education (theoretical or practical education to qualify persons to practice a profession or a craft).

5- Adult education for adults who did not attend formal schools.

6- Education for people with special needs, including the blind, deaf and dumb.

7- Teaching languages.

8- Vocational institutes.”

In cases of uncertainty, the relevant Ministries shall determine if a specific educational institute or curriculum is licensed or authorized for provision in the Sultanate.

Education services include any services provided as a part or whole of a curriculum approved for teaching by the relevant, competent authorities. It is not necessary for the service provider to provide the full curriculum in order to apply exemption.

Example: A person working as an accounts clerk enrolls in a single accountancy subject, usually provided by a university as part of an approved diploma program. The accounts clerk does not intend to complete the full diploma program, but the course still forms part of an approved curriculum. The fees for the single accountancy subject qualify as an exempt supply of education services.

Exemption applies any consideration paid by or on behalf of the student for the provision of education: including tuition fees and similar costs, and any ancillary charges such as registration fees, administration fees, and examination fees. Formal education services are provided to the enrolled student for VAT purposes, even if another person (a parent, employer, charity, or other body) enters the contract for services and/or is liable to pay for the services.

Example: An overseas guardian of a child living in Muscat enters into a contract with a private school to provide formal language teaching to the child under the approved curriculum. Contractually, the school is liable to the overseas guardian for performance of the services, but the recipient of the services is resident student.

3.2. Special cases

This section describes the application of VAT in some specific circumstances.

3.2.1. Education provided by state schools in Oman

State schools, which provide basic education and post-basic education services to children under the standard Omani curriculum would not typically be viewed to carry on an economic activity for VAT purposes.

As for a private school offering exempt education services, a State school which did not carry on an economic activity would not be eligible to register for VAT or to deduct VAT incurred on goods and services acquired from third parties.

3.2.2. Education provided in Oman by International schools

An international school or college typically offers education services under a curriculum which is approved for instruction to students in the Sultanate by the competent authorities. Fees for educational services under such an approved curriculum is exempt.

If a school offers other courses which do not form part of an approved curriculum for instruction in the Sultanate, these services will not qualify for exemption.

This includes a school or college which is established in association with an international diplomatic or consular body but offers educational services to the public (outside of its official diplomatic or consular duties, to which the provisions of the Vienna Convention on Diplomatic Relations will apply).

3.2.3. Provision of education to another institution's students

Provision of education services to students under a contract with another (sending) educational institution will be viewed as the supply of educational services directly to the student.

Example: *An international college provides a one-year diploma to students in the Sultanate, for OMR 10,000. This is an exempt supply of educational services.*

As part of the diploma course, the students attend a specialist college in Salalah for two months. The specialist college charges the international college OMR 2,000 per student. This is also an exempt supply of educational services by the specialist college.

3.2.4. Provision of teaching staff by an educational institution to another institution

The TA accepts that where a licensed educational institution supplies staff (for example under a loan or secondment arrangement) to another licensed educational institution to carry out educational work, this supply qualifies for exemption.

3.2.5. Digital learning provided within Oman

The provision of education services under a formal curriculum might be provided through digital means, such as:

- Live lecture through audio or video streaming, or online conference facilities.
- Provision of digital content (such as online learning materials including “on demand” lessons).
- Online examination facilities.

The provision of educational services through a digital method, from a supplier in Oman to a student in Oman, attracts the same VAT treatment as educational services provided in-person. Therefore, VAT exemption shall apply to digital educational services provided by licensed institutions within the Sultanate. Other digital services are subject to VAT.

The provision of educational services to or from Oman is discussed in Section 4.

3.2.6. Professional training

A training or education program provided in a professional or business environment would not typically qualify for exemption (as this form of training does not usually form part of a curriculum licensed by the competent authorities in the Sultanate).

The provision of professional training within Oman by a Taxable Person is a supply of services which will generally be subject to VAT at 5%.

3.2.7. Private tutors

Tuition provided by private tutors, or tutoring business which are not educational institutions, does not qualify for exemption.

If a Taxable Person provides tuition services within Oman, this is subject to VAT at 5%.

***Example:** A tutoring business in Muscat offers individual or small group lessons to assist children with additional mathematics instruction outside of school hours. Whilst the courses are aimed at improving the children's results in the school exams, the business is not a licensed institution and the course is not part of the school curriculum. The business must charge VAT on the supply.*

If a private tutor is not a Taxable Person (for example, because the annual supplies do not exceed the mandatory VAT registration threshold), VAT will not be charged on any tuition fees.

3.2.8. Free educational materials

Taxable Persons might make educational materials (such as articles, conference presentations, online quizzes) freely or widely accessible, in order to promote their business or to generate goodwill.

Administrative Practice (1): The TA accepts that where materials are made freely available online, or made available to a broad range of recipients, that this supply has zero value for the purposes of the “deemed supply” provisions for services provided without consideration. This means that the provider of these materials is not required to account for Output Tax when making such material available.

4. Education provided into or outside of Oman

Education services are often provided in a cross-border context: students might travel for teaching, or increasingly education is made available online or through an electronic medium. Specific rules apply to determine the “place of supply” (and the country in which VAT is charged) in these circumstances.

If education is delivered or made available through classes, lectures or other in person teaching, the place of supply is where this education is actually performed.

Distance learning services supplied over the internet or an information network are “electronically supplied services” for VAT purposes. This includes “on demand” written, audio-visual and other electronic content such as automated learning programs. Electronically supplied services have a place of supply in the country of actual usage (typically this can be clearly established by the IP address, or customer’s residence address).

4.1. Supply of distance learning from Oman to non-residents

If an Omani educational institution or service provider supplies distance learning electronically to non-resident students (who access the information from outside Oman), this supply is outside the scope of VAT.

The Omani supplier does not charge VAT on the supply and is not entitled to deduct Input Tax on any purchases relating to the provision of the distance learning.

4.2. Supply of distance learning to Oman from an overseas institution

The supply of distance learning to an Omani recipient is subject to VAT.

The exemption for educational services does not apply to providers outside Oman who are not licensed or authorized institutions in the Sultanate. This is regardless of whether the educational services provided are comparable with teaching provided by licensed institutions in Oman.

If a non-resident provides distance learning services which are used by a student within Oman, (and that student is not a Taxable Customer), the education provider must register for VAT in Oman and charge 5% VAT on the amounts received.

Administrative Practice (2): The TA accepts that an Omani student enrolled for in-person instruction at an overseas university or institution may access a small amount of distance learning whilst returning home for a short visit. This would not require the foreign institution to charge Oman VAT. However, if a course was offered for remote instruction and was predominantly accessed by a student in Oman, this would require the institution to charge VAT on the tuition fees.

5. Goods and services related to exempt educational services

VAT exemption is extended to Goods and Services which directly relate to exempt educational services; provided that these directly related Goods or services:

- Are limited to students and complement the educational services; and
- Are provided by or through the licensed educational institution.

The term “by or through” means that the educational institution must either directly provide the related Goods and Services to the student itself, or it must directly arrange and instruct the supplier to provide Goods and Services to the students.

If a third-party supplier provides Goods or Services to the educational facility itself, and the educational facility makes an onwards supply to the student, the third party supplier does not qualify for VAT exemption on its supply. The educational institution is unable to claim input tax deduction for Goods and Services which it purchases for onwards VAT-exempt supply as part of this category.

The Executive Regulations set out six specific examples of Goods and Services which would be included within this concept:

1- Provision of residence, food and drinks.

Interpretation notes:

Residence must be offered to students only for the period covering their studies (including vacation periods adjacent to study periods).

Food and drink (including associated catering services) must be provided at the educational institution for consumption by students onsite, or at an educational residential facility for consumption by students staying at the facility.

2- Organizing cultural, educational, or professional activities or seminars.

Interpretation notes:

Activities or seminars must be available to students only and should be related to or complement the curriculum of the educational institution. VAT exemption would not apply to other events, such as a school performance where families or friends of students paid a fee for attendance.

3- Organizing trips, provided that these trips are related to a specific curriculum.

Interpretation notes:

Trips must be provided to students only and must be related to a specific curriculum which being provided to the students attending the trip.

4- The supply of educational materials provided these materials are related to a specific curriculum.

Interpretation notes:

Educational materials may include any materials which the educational institution requires for the provision of the approved curriculum. This includes books and written materials (in printed or digital format).

Stationery and other prescribed classroom equipment (including digital devices) which are required under the curriculum and supplied by the educational institution to students are Exempt as Goods related to the educational services. VAT exemption does not apply to classroom equipment provided by a third-party seller who offers the same goods to the public.

5- Supply of the transport of students.

Interpretation notes:

Exemption applies to transport services offered to students only. Public transport routes are typically exempt from VAT, but under an exemption for Local Passenger Transport.

If a third-party transportation provider supplies charter transport to the school itself, this does not qualify for exemption.

6- Supply of school uniforms.

Interpretation notes:

Clothing must be prescribed by the school as a part of its regular uniform and sold by or on behalf the educational institute for the use of the student only.

VAT exemption does not apply to uniform clothing items (e.g. plain shoes) provided by a third-party seller who offers the same goods to the public.

5.1 Specific cases

Further examples are considered below. If an educational institution makes supplies which do not qualify for exemption, it must determine whether it is required to register for VAT (based on its annual taxable supplies) and charge VAT on these supplies.

5.1.1 Rental of facilities

Rental of facilities by a school or educational institution (e.g. weekend use of a classroom or gymnasium by a third party) does not qualify for exemption.

5.1.2 Donations, sponsorship and advertising

The supply of advertising by an educational institution does not qualify for exemption. The TA accepts that if an educational institution acknowledges a donation or sponsorship to the public in a non-commercial manner (for example, by publishing a note of thanks in a newsletter), this does not constitute a supply of advertising.

5.1.3 Goods and services supplied to the public

Events involving supplies of goods or services to the public (e.g. public concerts or sales of used assets), do not qualify for exemption.

5.1.4 Provision of administrative services by an educational institution

The supply of administrative services does not qualify for exemption, including in “cost-sharing” cases where one educational institution incurs a service fee and makes partial cross-charges to other institutions who also make use of the service. These supplies must normally be subject to VAT.

5.1.5 Provision of staff by an agency

The supply of staff by an agency is normally subject to VAT.

However, the TA accepts that if staff are put under the full control of an educational institution for a set period, and the salary costs are identified

separately on the invoice and commercial documentation, the payment of salary for loaned staff can be treated as a disbursement which falls outside the scope of VAT. Any commission or additional fees charged by the supplier will remain subject to VAT.

5.1.6 Assessment of academic performance

The supply by a Taxable Person engaged to audit, assess or evaluate the academic performance of an educational institution is a taxable supply of services. VAT exemption does not apply to these services.

6. Deduction of VAT

6.1 Input Tax connected with exempt supplies

A 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 or zero-rated supplies

Educational Institutions which only supply exempt education services will not be eligible to deduct input VAT.

6.2 Proportional deduction

Some educational institutions will make both taxable supplies and exempt supplies. These suppliers are entitled to proportional deduction:

Input VAT directly and only used for the purpose of taxable supplies	Deduct in full
Input VAT directly and only used for the purpose of exempt supplies	No deduction
Input VAT that is used both in making Taxable and Exempt supplies – including overheads or costs which cannot be directly attributed	Partial exemption deduction based on apportionment calculation

The partial exemption deduction is calculated at the end of each Tax Period, based on the supplies made during that period, using following formula:

$$\frac{\text{Total value of Taxable Supplies}}{\text{Total value of Taxable and Exempt Supplies}} \times 100\%$$

The deducted input tax is deemed as an initial deduction. The taxable person must, at the end of every tax year, calculate the annual partial exemption in order to determine the deductible input tax amount that he is entitled to deduct for the taxable year.

The annual partial exemption is calculated based on the following formula, (rounded to three decimal places):

$$\frac{\text{Total value of Taxable Supplies in the Tax Year}}{\text{Total value of Taxable and Exempt Supplies in the Tax Year}} \times 100\%$$

Determining the deductible input tax in a tax year is as follows:

- 1- Where the calculated amount as a result of applying the partial exemption annual recovery percentage exceeds the total of values calculated per initial exemption for the tax period, the difference may be deducted in the tax return for the tax period that follows the end of the tax year.
- 2- Where the calculated amount is less than the total values calculated per initial exemption for the tax period, the difference must be returned to the Tax Authority through the tax return for the first tax period that follows the end of the tax year.

The taxable person may seek approval from the TA to use an alternative partial exemption method, provided this gives an acceptable apportionment, is based on the actual use of the goods and services, and includes an annual adjustment.

The TA may approve alternative methods in cases where it is satisfied that these better reflect the actual use of VAT incurred and can be appropriately reviewed on a regular basis.

An alternative method may only be used after formal notice of permission has been provided by the TA. This notice will specify the period for which the alternative method can be used.

6.3. Deduction for recipients of educational services

Most students receive educational services in their private capacity as individuals. In these cases, no input tax will be deductible for a student who incurs VAT on education (e.g. training from a private or overseas institution).

A Taxable Person who engages in a business offering his or her own services may incur VAT on personal education. This can be deducted where the education is used by the Taxable Person in the course of their economic activity which provides taxable supplies.

Example: A VAT-registered lawyer, who carries on a business in Oman, incurs VAT on a specialist litigation skills course offered online by an overseas university. The litigation is relevant to the lawyer's ongoing business. The cost is deductible.

If an employer agrees to pay the cost for its employee to undertake a training course, provided directly by an educational institution to the employee, the employer does not receive the services and cannot deduct input tax (if VAT is charged by the educational institution).

However, if an employer asks a provider to design and carry out a bespoke training course for its employees, this would be viewed as a supply made to the employer. In this case, the employer would be able to deduct VAT charged as Input Tax – provided the training course relates to the employer's taxable business.

7. Further inquiries

7.1. Contact Information

For more information, please contact the TA:

- Al Mawaleh South, Seeb
- 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

7.2. Forms and Publications

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

7.3. VAT News

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

www.taxoman.gov.om