

VAT Taxpayer Guide

Health Care

Version 1: June 2023

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.

Copyright info:

Copyright (2023). All rights reserved to the Tax Authority and are subject to the Copyright Law of Oman.

The Guide may be withdrawn, either wholly or in part, by publication of a new guide. No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form, including on-site for commercial purposes without written permission from the TA. In reproducing or quoting the contents, acknowledgment of source is required.

Contents:

1. Introduction.....	3
1.1.What is this guide about?.....	3
1.2. Who should use this guide?.....	3
1.3.Definitions.....	4-6
2. Registering for VAT.....	7-10
3. Healthcare services.....	11
3.1.VAT exemption of Healthcare services.....	11-12
3.2.Cosmetic and other elective medical services.....	13
3.3.Goods and services related to healthcare services.....	14-15
3.4.Other Charges	15
3.5.Advertising, Sponsorship and Donations.....	16
3.6.Medical Insurance.....	16
4. Medicines and Medical Goods.....	17
5. Input Tax Deduction.....	18
5.1.Overview of Input Tax Deduction.....	18-19
5.2.Proportional deduction.....	19-21
5.3. Input Tax Deductions on Capital Assets.....	21
6. Reporting VAT.....	22
6.1.Charging VAT.....	22
6.2. Identifying the Tax Due Date.....	22-23
6.3. Issuing tax invoices.....	23
6.4. Filing Tax Returns.....	23-24
6.5. Keeping records.....	24-25

6.6. Correcting past errors.....	25
7. Further inquiries	26
7.1. Contact Information	26
7.2. Forms and Publications	26
7.3. VAT News	26

1. Introduction

1.1. What is this guide about?

This guide has been issued by the Sultanate of Oman Tax Authority (“TA”) to provide additional interpretation and guidance for the application of the VAT Law and its corresponding Executive Regulations to the healthcare sector.

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

This guide is intended to provide a general overview of the rules applying to the sector. For further guidance on specific transactions, or for matters not addressed by this guide, please get in touch with the TA. General information about VAT in Oman can be found in the VAT portal of the TA website: www.taxoman.gov.om.

1.2. Who should use this guide?

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

1.3. Definitions

The following defined terms are dealt with in this guide:

- **VAT Law:** The Value Added Tax Law of the Sultanate of Oman issued by Royal Decree No. 121/2020 dated 12/10/2020.
- **Executive Regulations:** Regulations to the Value Added Tax Law issued by Tax Authority Decision No. 53/2021 dated 10/03/2021, and as amended by Decision No. 456 of 2022.
- **Health Care Services:** Services provided by Medical Institutions that are licensed in accordance with the laws in force in the Sultanate. Health Care Services include, in particular, the following:
 1. General Medicine Services.
 2. Medical specialty services.
 3. Dental services and laboratory work.
 4. Psychiatric services.
 5. Physical therapy services.
 6. Nursing services in hospitals, nursing homes or similar licensed institutions.
 7. Legal midwifery services.
 8. Diagnosis and treatment of diseases for individuals.
 9. Service of surgical, reconstructive, and cosmetic surgeries.
- **Related Goods and Services:** goods and services which are supplied as an integral part of the healthcare services. These include, in particular, the following:

- a. Transporting the sick and wounded in ambulances equipped for such purposes.
- b. Provisions of residence, food, and drinks.
- c. Operation room expenses.
- d. Medicines and Medical Supplies

Goods and Services related to Health Care Services shall not include the supply of Services of a commercial nature, such as, the supply of food and drink to visitors, the provision of parking lots for visitors, and all activities that are not included in the medical treatment, such as a TV rental fees or telephone calls allowances.

- **Zero rated Medicines:** Pharmaceutical goods and vitamins having the classification codes which are included in the decision of the Chairman and published by the Ministry of Health in the “List of Medicines Subject to Value Added Tax at Zero-Rate”.
- **Zero rated medical equipment:** Any equipment with the classification codes included in the decision of the Chairman and published by the Ministry of Health in the “List of Medical Equipment Subject to Value Added Tax at Zero-Rate”.
- **Taxable Person:** a person who conducts an economic activity independently for generating income and is registered for VAT in Oman or who is required to register for VAT in Oman.
- **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.

- **Economic Activity:** An activity that is conducted in a continuous and regular manner, particularly commercial, industrial, professional, artisanal, or service activity.

2. Registering for VAT

VAT is a self-assessed tax; therefore, businesses are required to continually assess the need to be registered for VAT.

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 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.

The supply of exempt healthcare services is not included in the annual value of supplies.

Mandatory registration threshold:

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

i) **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.

ii) **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 registration, a person may register based on the value of supplies or expenses. For example, a business that has not yet fully begun economic activity, but intends to, and has incurred expenses subject to VAT in excess of the voluntary registration threshold, may opt to register.

- Every person residing in the Sultanate is allowed to register voluntarily by applying either one of the following tests:

i) 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.

ii) 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.

If a healthcare provider makes only exempt supplies of healthcare services, these supplies will not allow it to register under the voluntary threshold. A provider might be eligible to register if total expenses exceed the threshold, but input tax deduction would still not be available for inputs relating to exempt supplies. Refer also to the section on Input Tax.

3. Healthcare services

3.1. VAT exemption of Healthcare services

Healthcare services are exempt in Oman when provided by Medical Institutions that are licensed in accordance with the laws in force in the Sultanate. Currently, the main such relevant law is the Law Governing the Practice of the Medical Profession and Allied Health Professions (Royal Decree 75/2019), and its corresponding bylaws and Ministerial Decisions.

A Medical Institution includes all of the following:

- Public healthcare: being public hospitals, government health centrescenters and clinics;
- Private healthcare: being private hospitals, polyclinics, medical centrescenters and clinics licensed to provide services under the supervision of the Directorate General of Private Health Establishments; and

Healthcare services include, but are not limited to, nine specific examples listed in Executive Regulations:

1. General Medicine Services.
2. Medical specialty services.
3. Dental services and laboratory work.
4. Psychiatric services.
5. Physical therapy services.
6. Nursing services in hospitals, nursing homes or similar licensed institutions.
7. Legal midwifery services.
8. Diagnosis and treatment of diseases and individuals.

9. Service of surgical, reconstructive, and cosmetic surgeries.

For example, the provision of specialist eye care services provided by an ophthalmologist will qualify for exemption.

VAT exemption means that if a charge is made by a public or private healthcare provider for carrying out the healthcare service, VAT will not be applied on this charge. Healthcare providers will not be able to deduct VAT on inputs to the extent these relate to exempt healthcare services (see Input Tax Deduction section).

Exemption for healthcare services only applies to provision of healthcare to humans. It does not include veterinary services.

Any services which are provided by a non-licensed health provider do not qualify for exemption and are subject to VAT at the appropriate rate (usually 5%).

Example: A person obtains a diagnostic test for a virus from a licensed medical testing provider, based on a policy set by the Ministry of Health. The charge from the healthcare provider is exempt from VAT.

A luxury resort requires its guests to receive a similar diagnostic test before using common facilities. The test is carried out onsite by the resort and is not licensed by the relevant ministry. The resort must charge VAT at 5% on the provision of the service.

3.2. Cosmetic and other elective medical services

Cosmetic and other medical services (such as fertility clinics) qualify for VAT exemption if they are prescribed by a medical professional as being necessary for health purposes, such as restorative or reconstructive cosmetic procedures.

This means that elective cosmetic surgeries for aesthetic purposes would not qualify for exemption unless the healthcare professional performs this as part of treating a medical condition or a critical physical discomfort.

Example: A person who received severe burns in a fire required hospital treatment. As part of his treatment, the individual requires plastic surgery and skin grafts. These restorative treatments are a necessary part of restoring the individual back to health and thus any charge for these services are VAT exempt.

Example: An individual requests a teeth whitening procedure from a dental technician, for improving their appearance. This procedure is not prescribed for health purposes by a qualified medical professional. This service is subject to VAT.

3.3. Goods and services related to healthcare services

Goods and services related to healthcare services are those goods and services supplied by a Medical Institution which are an integral part of providing the healthcare services to a patient.

These include, but are not limited to, the following:

- Medicines and medical supplies (including bandages and other medical consumables, or surgical implants) administered or used while performing qualifying medical services.
- Transport services for patients or injured persons
- Accommodation and catering services provided by a qualified medical provider to its patients.
- Other operation room expenditures.

Goods and services relating to healthcare services are also exempt from VAT. This exemption applies regardless of whether individual medicines or medical goods would be zero-rated if supplied separately.

Goods and Services related to Health Care Services shall not include the supply of Services of a commercial nature. Any charges made in a commercial nature should be subject to VAT at the appropriate rate. Such charges include the following:

- The supply of food and drink to visitors,
- The provision of parking lots for visitors and employees, and
- All services and goods which are not necessary as part of the medical treatment, such as TV rental fees or a telephone call allowances.

A commercial business which is not a Medical Institution is unable to apply exemption to healthcare-related services.

Example: A commercial transportation company provides a charter helicopter flight to a Muscat private hospital, to transport an injured patient from a remote location to the hospital. The transportation company is not a Medical Institution its supply of transporting a patient would not be exempted as a healthcare-related service.

3.4. Other Charges

Private Medical Institutions and Medical Professionals carry out an economic activity for VAT purposes. The normal VAT rules apply to any other commercial or non-healthcare activities carried out.

If a Medical Professional carries out services which are separate to the activities of their healthcare profession authorized by the Ministry of Health, this will not qualify for exemption. The professional will need to determine if they must register and charge VAT on any payments received.

Example: A medical professional contributes expert advice to an organization a research study, in return for payment. The provision of this advice is in the field of health but is not the practice of a healthcare service under the relevant laws in force in the Sultanate. If the medical professional is registered for VAT, they must charge VAT at 5% on the supply of services.

If a Medical Institution provides both exempt healthcare and other (taxable) commercial goods or services to a patient, it must attach an appropriate commercial value to the taxable and exempt components.

3.5. Advertising, Sponsorship and Donations

Medical Institutions might enter into commercial agreements with third parties for sponsorship or advertising. These institutions might also be provided with money or equipment to carry on their activities, by way of a grant or donation. The VAT consequences of these arrangements depend on the nature of the arrangements between the parties.

If a Medical Institution gives a legally enforceable undertaking to a donor provide advertising, naming rights or other services in return for the money or equipment donated, this is a supply of services which is subject to VAT.

***Example:** A private company gives a hospital a large monetary donation to build a new facility. The hospital agrees to name the facility after the private company for a period of five years. This is the provision of advertising services by the hospital. The hospital would be required to charge VAT on the supply.*

If the Medical Institution receives funding and chooses to provides a small public acknowledgement of thanks (such as a plaque in the clinic reception, or a small notice on the clinic web site) to the donor, this would not be considered a supply.

3.6. Medical Insurance

The provision of medical insurance is not a supply of healthcare services. VAT is applied at the standard rate to health insurance premiums.

The VAT liability of the healthcare services provided to the patient is not affected by the insured status of the recipient, nor who bears the liability to pay for the services.

4. Medicines and Medical Goods

The commercial supply of Zero-Rated Medicines and Zero-Rated Medical Goods, which are not supplied as part of the provision of healthcare services, are zero-rated.

A zero-rated supply means that zero VAT will be charged to the recipient of the goods. However, a Taxable Person supplying Zero-Rated Medicines or Medical Goods is eligible to deduct input tax on the costs relating to these zero-rated supplies. See chapter 5 on Input Tax.

A decision published by the Ministry of Health sets out the specific goods which constitute Zero-Rated Medicines and Medical Goods for the purpose of applying article 51 of the VAT law, based on the “HS” commodity codes for each item.

The lists will be updated as necessary and from time to time. It is currently published online at Oman Ministry of Health website.

(<https://www.moh.gov.om/en/web/dgpadc/-9>).

The zero-rating will apply to all supplies made in Oman throughout the supply chain, including by distributors, wholesalers, pharmacies, and retailers.

Supplies of medicines or medical equipment which are administered, injected, or applied to the patient or recipient during a treatment form part of the exempt supply of healthcare and cannot be zero-rated.

However, where a healthcare provider discharges a patient with Medicines or Medical Goods, intended to be taken or used after the patient is discharged, any separate charge for the these can qualify for zero rating.

5. Input Tax Deduction

5.1. Overview of Input Tax Deduction

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 the Oman Directorate General of Customs on the imports of goods into Oman (or VAT reported on imports through the VAT return, where applicable).

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 or zero-rated supplies

Healthcare providers which only provide exempt healthcare services will not be eligible to deduct input VAT.

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 tax invoice for that purchase (issued pursuant to the provisions of the Law and its Regulations), documents proving the Import and the payment of any Import VAT, tax returns and records of Output Tax in the case of Tax declared under the Reverse Charge Mechanism or deferment of import tax.

Input Tax deduction is subject to the following restrictions:

- Input VAT which is related to the taxpayer’s VAT exempted activities, such as healthcare 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 designed for less than 10 passengers, are also prohibited from deduction.

5.2. Proportional deduction

VAT incurred which relates to a taxpayer’s VAT exempt activities, such as healthcare services, is not deductible as Input VAT.

Some healthcare providers will make both taxable (including zero-rated) supplies and exempted supplies. These suppliers are entitled to the following 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.

5.3. Input Tax Deductions on Capital Assets

The total input tax paid on the purchase of a Capital Asset for use in making Taxable Supplies, can be deducted upfront based on the time of supply of the purchase and the intended use of the Capital Asset.

If the use of the Capital Asset subsequently changes, deducted input tax must be adjusted according to the Capital Asset scheme on a yearly basis over the lifetime of the asset for VAT purposes. Further details on this scheme are provided in a separate guide.

6. Reporting VAT

As a Taxable Person, you have an obligation to assess your own VAT liability, and to comply with your VAT obligations. This includes registering for VAT when required, filing tax returns, correctly calculating the amount of net tax you have to pay, paying tax on time, keeping all necessary records, and cooperating with officers of the TA upon request.

Should you require further information on the scope of your obligations, you should contact the TA.

6.1. 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.

6.2. Identifying the 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:

- date of supply (generally the date on which the service is completed or date goods are put at the possession of the customer).
- invoice is issued by the supplier; or
- payment made by the customer, within the limits of the payment (for example a deposit unless it is a refundable security deposit).

However, the tax is due on supplies, which entail the issuance of invoices or payment in a successive manner, on the date of payment specified in the invoice or on the date of payment, whichever is earlier, and at least once every twelve (12) consecutive months.

6.3. Issuing tax invoices

A taxable supplier must issue a tax invoice for each supply made in the course of its economic activities. **Note that this includes all exempt and zero-rated supplies.**

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

The tax invoice, or simplified tax invoice, must clearly detail information specified in the Executive Regulations, including the invoice date, supplier's tax identification number, taxable amount, tax rate applied, and the amount of VAT charged.

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.

6.4. Filing Tax Returns

Each VAT registered person must file a VAT return with the TA for each monthly or quarterly tax period. The VAT return is considered the Taxable Person's self-assessment of tax due for that period. The VAT return must be filed, and the corresponding payment of net tax due made, no later than the 30th day of the month following the end of the tax period to which the VAT return relates.

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 TA

is required to make payment of said amount within 45 days of filing the return or the due date of the return, whichever is later.

The TA will carry out a process of due diligence of the validity of the return. In some cases, this may result in an inspection before payment.

For more details, please refer to the published guideline on VAT Return Filing.

6.5. Keeping records

All taxpayers are required by law to keep appropriate VAT records relating to their calculation of VAT for audit purposes. This includes any documents used to determine the VAT payable on a transaction and in a VAT return. This will generally 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

Records may be kept in physical copy, or electronically where the conditions specified in the Executive Regulations are met to do so but must be made available to the TA on request.

All records must be kept for at least the standard retention period of ten (10) years. A longer minimum retention period is required for invoices or records that relate to assets that are deemed capital assets for the purpose of VAT and this can be up to 15 years.

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

6.6. 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 the VAT obligation, the TA should be notified immediately, and action taken to correct the error by amending the VAT return. Errors resulting in a net understatement of VAT must be made known to the TA within 30 days of detecting the error or incorrect amount, and the previous return must be amended.

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