

VAT Taxpayer Guide

Transportation

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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 its Executive Regulations 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.

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1. Introduction

1.1. About this guide

This guide has been issued to provide explanations of VAT rules and principles in Oman, in addition to provide interpretation and guidance for the application of the VAT Law and its corresponding Executive Regulations to the transportation sector.

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, or for matters not addressed by this guide, please get in touch with the TA.

General information about VAT 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 make supplies of transportation, including either transport of passengers or transport of goods (freight transport). You should also read this guide if you make supplies relating to qualified means of transport.

1.3. Definitions

- **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.
- **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 Cooperation 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.
- **International Transport:** The Transport, carried out by qualified means of transport, of passengers or goods from inside the Sultanate to a place outside the Sultanate, or vice versa. The term includes the transportation of passengers or goods inside the Sultanate when such transportation forms part of the international transport. [Article (89) of Executive Regulations].
- **Transport-related services:** Any service necessary to complete the transportation of Goods or passengers, including without limitation [Article (25) of Executive Regulations]:
 1. port fees or charges, including docking, mooring, landing and parking fees,
 2. customs duties or charges for customs clearance relating to the transportation,

3. air navigation services,
4. pilotage services,
5. Supplies of crew members,
6. loading, unloading or reloading,
7. stowing,
8. opening for inspection,
9. cargo security services,
10. preparing or amending bills of lading, air or sea-waybills and certificates of shipment
11. packaging necessary for transportation,
12. storage services

- **Services related to International Transport:** The supply of services in connection with a supply of international transport, including without limitation [Article (51) of VAT Law and article (90) of Executive Regulations]:

1. Supply of Goods and Services for use or consumption on qualifying means of transport;
2. Services provided for undertaking the transport of Goods, including loading, unloading, stacking, packing, weighing and measuring services;
3. Renting containers, machines and equipment used in transporting Goods;
4. Goods packing, packaging and re-packaging services.

- **Local Passenger Transport:** Local Passenger Transport is defined to mean the transport of passengers from one place in the Sultanate to another place within the Sultanate by land, air or sea. It specifically includes [Article (84) of Executive Regulations]:
 1. Organised public transport of passengers on a published route; and
 2. Transport provided through public taxis, except taxis operated by specialised companies.

- **Qualifying Means of Transport:** Means of air, sea and land transport that are designated for the transportation of passengers and goods for commercial purposes, being the following [Article (91) of Executive Regulations]:
 1. Aircraft, ships, boats or floating structures designed or prepared for use in the commercial transportation of passengers or goods, provided they are not designed or prepared for use for recreational or sporting purposes;
 2. Motor vehicles, trains or the like, designed or prepared for use in public transport for ten passengers or more; or
 3. Motor vehicles with a payload capacity of not less than two tons.

- **Goods or Services related to qualifying means of transport:** Goods and Services for maintenance, repair or conversion purposes including the supply of spare parts and consumables for means of transport, including components that have been permanently installed or affixed to the means of transport. [Article (91) of Executive Regulations]

2. Registering for VAT

During a transitional period upon the introduction of Value Added Tax in the Sultanate, different rules will apply for registration. A separate transitional VAT registration guide has been published for that purpose, available on the Taxpayer Portal of the TA website:

VAT Law VAT Regulation Chairman Decisions Registration Forms VAT FAQ's - VAT - Taxpayer Portal (taxoman.gov.om)

Information in this guide relates to rules that apply after the transitional period.

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

Generally, 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; 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:

- 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:

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. Applying VAT to Transportation: Place of Supply

Transportation is a supply of services which involves the movement of goods (freight) or passengers from one place to another. Transportation can be either local or international.

The first step in applying VAT to supplies made in the transportation sector is to look at the place of supply rules. There is specific place of supply rules for the sector, which must be followed to determine whether the Place of Supply falls in the Sultanate of Oman for VAT purposes.

If a supply takes place in the Sultanate of Oman, the rules described in sections 4 and 5 of this guide determine if it is subject to VAT at 5%, at 0%, or is VAT exempt.

3.1. Place of Supply of Transport Services

Oman VAT is only applicable to services for which the place of supply is the Sultanate of Oman. Article 24(1) of the VAT Law prescribes a special place of supply rule applying to the transport sector:

“Transport services of goods, passengers and related services shall be at the place where transportation begins”

For applying this rule, the territory of the Sultanate of Oman includes the Special Zones. Transport starting in the Sultanate of Oman is subject to VAT, but can either take place to a local or international destination. For the purposes of VAT these are treated differently.

Conversely, transport services which did not begin in the Sultanate of Oman shall be considered to fall outside the scope of Oman VAT. The chart below provides a summary:

Transportation Begins	Transportation Ends	Place of Supply	VAT application
In the Sultanate of Oman	In the Sultanate of Oman	Domestic transport: The place of supply is in the Sultanate of Oman	Depends Goods: Standard rate Passengers: Often exempt
Outside the Sultanate of Oman	In the Sultanate of Oman	International transport: The place of supply is outside the Sultanate of Oman	No - out of scope
In the Sultanate of Oman	Outside the Sultanate of Oman	International transport: The place of supply is in the Sultanate of Oman	Yes Likely zero-rated
Outside the Sultanate of Oman	Outside the Sultanate of Oman	Transport outside Oman or Transit through Oman: The place of supply is outside the Sultanate of Oman	No - out of scope

This place of supply rule applies regardless of the residence or VAT registration status of the supplier or customer. The place of supply of transportation services, and the applicable VAT rates, will be the same whether booking was made in person, or online via electronic booking services.

A single supply of transport involves one supplier agreeing to provide transport from one starting place to one destination place. This might comprise different forms or means of transport and may include short breaks between the various legs of transport. The transport supplier may itself supply the transport, or it may subcontract some or all of the transport to other transport providers. The entire journey can still be considered one supply of transportation services.

Example: A passenger purchases a ticket with a French airline to fly from Paris to Salalah. As there is no direct flight the route has a stop in Muscat, where the passenger disembarks and catches a domestic flight to Salalah. The French airline subcontracts the domestic flight to a local Omani airline. The French airline has made one single supply of International Passenger Transport, with the place of supply outside of the Sultanate of Oman.

Alternatively, if a customer contracts with different suppliers for different legs of a journey, these will be viewed as separate supplies of transport services.

Example: An Oman manufacturer arranges for goods to be collected from his factory and transported to the Port Sultan Qaboos in Muscat. He then contracts with a different supplier to ship his goods from Port Sultan Qaboos to the UAE. Although this is the transport of the same goods, it will be treated as two separate supplies of transport as there are separate suppliers. Each supply begins in the Sultanate of Oman and has a place of supply in the Sultanate of Oman.

In the case of passenger transport provided with accommodation (or other substantial services), careful consideration will need to be given as to why the accommodation is provided and whether it can be treated as a single supply.

Example: An airline provides a night's hotel accommodation to a passenger, where that hotel is close to an airport at which the passenger is required to connect flights to a service leaving the next day. The accommodation forms a necessary part of the transport service.

Example: An airline markets a week-long stay in an exclusive resort, with air transportation to and from that location. In this case, the accommodation is not part of the transport service.

3.2. Place of Supply of Transport-Related Services

Transport-related services are any services necessary to complete the transportation, including a list of twelve items specified in the definition:

1. port fees or charges, including docking, mooring, landing and parking fees,
2. customs duties or charges customs clearance relating to the transportation,
3. air navigation services,
4. pilotage services,
5. Supplies of crew members,
6. loading, unloading or reloading,
7. stowing,
8. opening for inspection,
9. cargo security services,
10. preparing or amending bills of lading, air or sea-waybills and certificates of shipment,
11. packaging necessary for transportation,
12. storage services.

This is not an exhaustive list. Transport-related services may include other services, provided these are necessary for a supply of transportation.

In cases where a supplier of transportation also provides the transport-related services, the place of supply of the transport-related services will

be the same as for the underlying transport (that is, the place where the transport starts). This rule is applicable regardless of the residence or VAT registration status of the supplier or customer.

Example: A freight company makes an additional charge to a customer for security services provided for a cargo shipped from Salalah to Singapore. The security services relate to the transport of goods and are supplied in the Sultanate of Oman where the transport starts.

Note that in this instance, the supply may then be subject to the zero-rating as the services are related to International Transport, provided that all conditions specified in the regulations are fulfilled.

If transport-related services are provided by a supplier who did not carry out the transportation, the place of supply is determined under standard rules. This typically means that supplies by Omani suppliers will have a place of supply in the Sultanate of Oman. Note again that zero-rating might apply to these supplies, in certain cases.

Example: A customer arranges with a foreign freight provider for transport of goods from Singapore to Salalah. Separately, the customer arranges with a warehouse in Salalah for the storage of goods before their release into the Sultanate.

The provision of transport, commencing in Singapore, is outside the scope of Oman VAT. However, the provision of storage services is supplied separately by an Omani warehouse and its place of supply is not related to the transport. The place of supply of the storage services is in the Sultanate of Oman.

3.3. Place of Supply of Goods

When tangible goods (including a means of transport itself, or spare parts) are supplied, the place of supply will be where the goods are physically located (when placed at the customer's disposal). In cases where the goods are themselves transported to the customer the place of supply would be where the transport of those goods commences.

If a supply of goods involves an import into the Sultanate of Oman, the import of the goods is a separate taxable event to the supply. VAT is paid by the importer to the Directorate General of Customs on entry. A supply of goods made after the import of the goods into the Sultanate of Oman is subject to VAT in the Sultanate of Oman.

Examples:

Domestic supply of goods	An Oman transport company orders spare parts from a local supplier, who sends these from a distribution centre in Sur. The place of supply of these goods is in the Sultanate of Oman, and VAT is charged at 5%.
Goods from overseas; imported by customer	The Oman transport company is required to order a special component for one of its vehicles directly from the supplier in Germany. The supplier ships these goods to the Oman transport company. The transport of the spare part begins outside of the Sultanate of Oman, so the supply is not subject to Oman VAT (and the German

	<p>supplier does not include Sultanate of Oman VAT on its invoice).</p> <p>The Oman transport company must however pay import VAT at 5% on entry of the goods into the Sultanate as it is the importer of the goods. The import VAT will either be payable directly to the Directorate General of Customs or can be deferred (subject to certain conditions being met) and paid via the VAT return of the Oman transport company.</p>
<p>Goods from overseas; sold after import</p>	<p>The Oman transport company orders another component, which is sourced from Singapore. The terms of the purchase are that the component supplier imports the component into the Sultanate of Oman, before delivering it to the Oman company's warehouse.</p> <p>The component supplier acts as the importer and pays VAT to the Directorate General of Customs. After the import, the transport of the goods commences within the Sultanate of Oman. The original origin of the goods in Singapore is ignored. Oman VAT will apply to the goods supplied – although this might be zero-rated (for example, if the goods are used in a qualifying means of transport).</p>

3.4. Leasing of means of transport

Where a vehicle or other means of transport is leased by a taxable person to a private individual or another non-taxable customer (i.e., a business or entity that does not have a VAT registration in the Sultanate of Oman or in any other GCC Member State), the leasing services are supplied in the country where the customer is provided with the means of transport (i.e. the place where the leased means of transport is placed at the customer's disposal).

Example: An individual leases a car for two weeks from a business in Sur to drive and see his family in the UAE. The lease is deemed to be supplied in the Sultanate - the country where he picked up the vehicle (where the vehicle is placed at his disposal). The supplier should charge Oman VAT on the lease. This is not affected by usage of the car in the UAE.

For leases to business customers who are VAT registered in a GCC Member state, the place of supply is dictated by where that customer is resident, based on the rules for intra-GCC trade. At the time of issue of this guide, the intra-GCC trade rules have not yet been implemented. Therefore, any transport lease made available in the Sultanate of Oman has a place of supply in the Sultanate of Oman.

4. The VAT treatment of Passenger Transportation

Below is a high-level summary of the VAT treatment of passenger transportation, explained in further detail in this section.

Description	VAT treatment
Domestic passenger transport within the Sultanate of Oman	<ul style="list-style-type: none">• Exempt if conditions apply (see 4.1)• Zero-rated if part of an international trip (see 4.2)• Standard rated (5%) in all other cases
International passenger transport commencing from the Sultanate of Oman	<ul style="list-style-type: none">• Zero-rated if within a qualifying means of transport (see 4.2)• Standard-rated otherwise
International passenger transport commencing outside the Sultanate of Oman	Outside the scope of VAT (see 3.1)
Services related to international passenger transport	Zero-rated (see 4.3)

Goods and Services for use or consumption on international passenger transport	Zero-rated (see 4.4)
Other goods and services not specified above	Standard rated (5%), unless another specific exemption or zero-rate applies.

4.1. Local Passenger Transportation

VAT exemption applies to the transport of passengers within the Sultanate and falls within two general categories as described below. All other supplies local transportation which does not meet the criteria for exemption is subject to VAT at 5%, if provided by a Taxable Person.

Organized public transport on a published route

This includes travel on any means of transport (e.g., bus, train, boat or plane) by a supplier organized to offer regular transport on known routes and timings which are published in advance.

Organized public transport does not include:

- Taxi services (note a separate exemption might apply)
- Chauffer services
- Chartered transportation (for example students or company workers) which is not on a published route
- Sight-seeing or pleasure journeys which do not run on published routes
- Passenger transport organized for the principal purpose of transporting the passenger's goods.

Any supply of the transport of students, which is provided by an education institution (related to an education service), is also exempt.

The exemption applies to all charges for organized public transport and related services when supplied as a single supply (including, for example: charges for accompanied luggage, booking charges, on-board catering, or Wi-Fi charges).

Taxi services

- Exemption applies to the provision of passenger transport through public taxis, licensed by the relevant municipality and available for hire by the public.
- The exemption applies to any related charges paid to the transport provider (e.g. waiting charges or luggage charges).

- VAT exemption does not apply to transportation provided by a specialized company offering transportation services through a fleet of vehicles.
- VAT exemption for local passenger transport does not apply to transportation booking fees paid to a person other than the transport provider.

4.2. International Passenger Transportation

An international passenger journey which commences in the Sultanate of Oman and ends in a place outside the Sultanate of Oman (either a GCC or non-GCC country) is zero-rated, provided that the transport takes place in a qualifying means of transport (see full definition at 1.3).

For passenger transport purposes, this means that zero-rating can apply to international journeys carried out on:

Aircraft or ship	Any plane or boat designed or adapted for commercial passenger transportation, except for those adapted for recreation, pleasure or sports. Includes: commercial flights or ferry services Does not include: private yacht, private planes for leisure use
Land transport	Any motor vehicle, bus, train or land transport which is designed or adapted for public transport of 10 or more passengers. Includes: Large buses (seating 10 or more passengers) on public or charter trips Does not include: Car or minivan transport

A supplier of an international journey to a passenger may also extend the zero-rating also applies to any component domestic transport which is ticketed or sold as part that overall international journey. For example, this would occur where a connecting domestic flight is sold within the same ticket. This would typically involve domestic transport on one or more planes / means of transport, and international transport on another plane or means of transport.

In such cases, the domestic transportation forms part of the international transportation, and the entire ticket is zero-rated. The zero-rating applies in preference to the exemption that would usually apply to the domestic transport.

Note that if the gap between the domestic and international transport exceeds 72 hours, this will typically indicate that the domestic transport cannot be zero-rated. The TA may consider cases in which a supplier can show that a longer gap is necessary.

Example: A passenger flies from Salalah to Muscat on 20 April. After completing a week or work, the passenger flies from Muscat to Dubai on 25 April with the same airline. The domestic journey from Salalah to Muscat is unable to be included as part of the eventual international travel to the UAE. The domestic journey does not qualify for zero-rating.

4.3. Services related to international passenger transport

Certain services are considered to be related to international passenger transport for VAT purposes. This means these also qualify for zero-rating.

This extends to all services which are a necessary part of the international transport, including those for the passenger's use or consumption during the journey. The TA's interpretation is that this includes:

- Booking or reservation services relating to international transport (this would include fees for reservation, rescheduling or cancelling an international journey);
- Brokerage or intermediary services for international passenger transport;
- Transport of goods accompany a passenger on the journey (additional luggage fees);
- Use of transport facilities/infrastructure (for example, port, airport or passenger fees which are passed on to passengers within the ticket);
- Provision of services for the passenger's enjoyment of the journey (such as restaurant or catering services, charges for Wi-Fi access, or the access to certain parts of the plane / ship).

Travel insurance issued to a passenger on an overseas voyage typically covers a broader range of risks than the transport itself. To the extent that travel insurance relates to the actual passenger transport (such as insurance covering delayed departure, cancellation of transport, damage to accompanying goods or injury to passengers during the transportation service) the zero-rate may apply. The portion of insurance not directly

related to the transport of the passengers (such as those covering health and injury when abroad or cancellation of accommodation) will not qualify for the zero-rate.

4.4. Goods for use or consumption on international transport

Goods intended for consumption on a qualifying means of transport making an international voyage are subject to zero rating.

This provision would typically apply to goods of a relatively small value which are intended for the better enjoyment of the trip (for example: snacks, toys, headphones) – even though the passenger is able to use these after the flight.

Goods which are sold on a flight departing the Sultanate of Oman, but which are not intended for the passenger's use on the flight (such as cigarettes, jewellery, perfumes or other 'duty free' goods) – are also not subject to VAT, because these goods are being exported outside the Sultanate of Oman. Likewise, the sale of goods on a flight into the Sultanate of Oman are not subject to VAT, but the goods may be imposed with import VAT on entry by the Directorate General of Customs.

4.5. Travel Packages

Travel Suppliers and agencies provide their customers with travel packages. These packages may be made up of different components such as flight tickets, accommodation, entertainment including local tours and meals, insurance and commission. The different components of the package might have different treatment for VAT.

The travel supplier here must determine the value of each component in the package and apply the appropriate VAT treatment separately.

4.6. Travel Agents

Travel agencies arrange for the provision of transport and travel packages to travellers. If an agency sells transport or other services in the name of a transport provider, the transport or other travel services will have viewed as being directly supplied from the transport provider. In these cases, the travel agent will often collect the fees for the transport as a disbursement, with an intermediary fee for their agency services.

If an agent collects a fee in the name of a transport provider, this does not give rise to any additional VAT consequences. The transport provider must apply VAT as appropriate on the supply to the customer.

A separate intermediary fee charged by an agent is a supply of intermediary services. This is subject to VAT for arranging local transport services. The arranging of international transport is a service related to international transport and is zero-rated.

Example: A business traveller uses a travel agency in Muscat to book a return flight on with an airline from Muscat to Salalah. The airline charges

the passenger a fare of OMR100 for local passenger transport, which is exempt from VAT. The agency collects the OMR100 and charges a 2% booking fee to the customer. The agency's booking fee of OMR2 is subject to VAT (an additional OMR0.100 is added to the invoice).

If a travel agency sells transport or other services in its own name, it acts as a principal for VAT purposes. It should apply the required VAT treatment to the full value of the supply charged to the traveller.

5. The VAT treatment of Freight Transport

Below is a high-level summary of the VAT treatment of freight transportation, explained in further detail in this section.

Description	VAT treatment
Domestic freight transport within the Sultanate of Oman	<ul style="list-style-type: none">• Standard rated (5%)• Zero-rated if part of an international trip (see 5.2)• Special rules may apply to freight in Special Zones (refer to separate guide)
International freight transport commencing from the Sultanate of Oman	<ul style="list-style-type: none">• Zero-rated if within a qualifying means of transport (see 5.2)• Standard-rated otherwise
International freight transport commencing outside the Sultanate of Oman	Outside the scope of VAT (see 3.1)

Services related to international freight transport	Zero-rated (see 5.3)
Goods and Services for use or consumption on qualified means of transport	Typically zero-rated (discussed in section 6)
Other goods and services not specified above	Standard rated (5%), unless another specific exemption or zero-rate applies.

5.1. Domestic Freight Transport

Supplies of freight transportation taking place within the Sultanate of Oman are subject to VAT at 5%.

Note that special VAT rules exist for services supplied to customs suspension and to Special Zones. Please refer to the published guide covering the application of VAT to these areas.

Suppliers of domestic transport into or within these zones should also refer to this guidance to determine the application of VAT to their case.

5.2. International Freight Transport

An international passenger journey which commences in the Sultanate of Oman and ends in a place outside the Sultanate of Oman (either a GCC or non-GCC country) is zero-rated, provided that the transport takes place in a qualifying means of transport (see full definition at 1.3).

In some cases, a supplier of international freight transport might arrange a single freight voyage from a named starting point to a named destination point, but this freight voyage involves different “legs” and/or different means of transport. The transport provider may sub-contract certain parts of the transportation to other providers.

In such cases, the transport provider is able to apply the zero-rate to the entire journey, including any domestic “legs”, provided these legs are carried out using a qualifying means of transport. When a sub-contractor applies VAT to its supply of transport, it must apply the relevant VAT rules to the part of the journey which the sub-contractor provides.

Example: AN Cargo LLC provides an Omani manufacturer with a transportation of machinery from a starting point in the Sultanate of Oman to a destination point in Amsterdam. AN Cargo collects machinery from the manufacturer’s premises outside of Muscat, takes these to the port using a truck (which is a qualifying means of transport) and performs the relevant export formalities. AN Cargo then arranges for an international shipping line to ship the machinery to Amsterdam. AN Cargo supplies one service of International transport to its customer, the Omani manufacturer. It should zero-rate the supply, including the truck transport in the Sultanate of Oman.

Example: A UK based firm buys machinery from an Omani company and arranges for an international shipping company to pick up machinery from the manufacturer in Muscat. The international shipping company asks AN Cargo LLC to collect the goods and deliver these to the port. Whilst the goods are eventually destined for an international location, AN Cargo LLC's service is to transport the goods from a place in the Sultanate to the shipping port in the Sultanate only.

In this example AN Cargo LLC is only supplying domestic transport. It must charge VAT on its services to the international shipping company, as the supply of domestic transport service is a standard rated supply.

5.3. Services related to International Goods Transportation

The Transport of goods might require a range of different services connected to the international transport. These supply of services which relate to the supplies of international Transport are zero-rated.

The services related to international transport specifically include:

1. Goods and services for use or consumption on qualified means of transport;
2. The Services provided for undertaking the transport the Goods, including loading, unloading, stacking, packing, weighing and measuring services;
3. Renting containers, machines and equipment used in transporting Goods;
4. Goods packing, packaging, and re-packaging services.

A supply of the above services can be zero-rated in any of the following cases:

- The service is provided by the international transportation supplier;
- This service takes place at an international port, airport or comparable facility in connection with the international transport of goods (including services relating to their import or export clearance); or
- The supplier can otherwise evidence that the service is exclusively related to international transport.

Brokerage or similar services which arrange the provision of international freight transport are related to the international transport and are zero-rated.

If a contract of insurance covers the risks from a specified international transportation of goods, this insurance is sufficiently connected with the international transport to be a zero-rated supply of services.

Services which relate to, or are for use on, a means of transport itself are discussed in section 6 of this guide.

5.4. Fuel and other goods used during international transport

The supply of any fuel, lubricants or other goods which are to be used or consumed by a qualifying means of transport on an international voyage departing the Sultanate of Oman are zero-rated.

Zero-rating only applies to the supply of fuel or consumable goods which takes place at an international port, airport or comparable facility. The fuel supplier must retain evidence that both:

- the fuel or goods is physically placed onto the qualifying means of transport; and
- the qualifying means of transport is departing for a destination outside the Sultanate of Oman.

6. Means of Transportation

6.1. Supply of Qualifying Means of Transportation

The supply of Aircraft, vessels and other qualifying means of Transportation in the Sultanate of Oman is zero-rated.

The zero-rate applies to any means of sea, air and land transport designated for commercial transport of passengers and goods. This is defined to mean any of the following vehicles:

Description	
1	<p>Aircraft, ships, boats or floating structures designed or prepared for use in the commercial transportation of passengers and or goods, provided they are not designed or prepared for use for recreational or sporting purposes.</p> <p>The means of transport under this clause must be (or will be immediately upon sale) registered with the relevant authority in the Sultanate.</p>
2	<p>Motor vehicles, trains or the like, designed or prepared for use in public transport for (10) ten passengers or more.</p> <p>The means of transport under this clause must have (or will have immediately upon sale) a commercial motor vehicle registration issued by the ROP Directorate General of Traffic.</p>
3	<p>Motor vehicles which have a payload of not less than (2) two tons</p> <p>Motor vehicles for the purposes of this clause are means of transport designed to move on wheels and powered mechanically (by a motor).</p>

	For a motor vehicle to qualify for zero-rating, the vehicle must have (or will have immediately upon sale) a commercial motor vehicle registration issued by the ROP Directorate General of Traffic, and a minimum payload of 2 tons.
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A means of transport is not required to be used for international transport to qualify for zero-rating. It must simply be designated for any (domestic or international) transport of goods or passengers for commercial purposes.

Goods for the purposes of zero rating means of transport include the transport of raw materials, containers, baggage, animals, waste or other things that are transported in containers or other transport units (such as cargo ships, dump trucks, water trucks and garbage trucks).

In addition, the main purpose of the means of transport must be to move goods from one location to another. Specialist vehicles predominantly designed or used to move materials around a single site (such as bulldozers or cranes) are not commercial goods means of transport and do not qualify for zero-rating.

In the case of a leased means of transport that are designated for the transport of goods, the supplier must obtain a statement signed by the recipient certifying that it is a commercial business using the vehicle for commercial purposes to evidence zero-rating. Supply of crew members and drivers required for the operation of the means of transport as part of the lease will also be zero rated but will not include staff for recreational purposes such as cooks and waiters.

A dual-purpose means of transport that are designated for the transport of goods - such as cement mixers, trucks with refrigerators, water tanks or installed cranes to load/unload the means of transport's own cargo- can qualify for zero-rating if the main purpose is to transport a load.

Any subsidiary equipment (crane/tank/mixer/generator/refrigerator) is part of the zero-rated supply provided it is sufficiently affixed to the vehicle and assist in transport.

6.2. Goods and services related to Qualifying Means of Transportation

The supply of goods and services related to the maintenance, repair, and conversion of a qualifying means of transport is zero-rated. This includes any spare parts or consumables which are usually connected with that maintenance, repair or conversion service, and any components which are permanently affixed to the means of transport.

Zero-rating does not apply to supplies of fuel or consumables connected with the regular running of the means of transport (unless fuel or consumables are for use on an international voyage – see 5.4).

The zero-rate is only applicable to goods which are supplied by the person carrying out the maintenance, repair, or conversion services. The supply of these goods without their installation or use in the service is standard-rated.

The supplier must retain records to evidence that the goods and services were supplied to a qualifying means of transport. If it is not clear from the vehicle type that the means of transport is qualifying, the supplier should request confirmation from the customer and retain this with its records.

6.3. Rescue and assistance craft

The supply of rescue and assistance aircraft or boats licensed by the competent authorities in the Sultanate are zero-rated.

7. Input Tax

7.1 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 the Sultanate of 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 the Sultanate of 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.

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 the Sultanate of Oman where the taxable person holds a valid supplier tax invoice for that purchase.

Input Tax deduction is subject to the following restrictions:

- Input VAT which is related to the taxpayer's VAT exempted activities, such as local passenger transport, 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.

7.2. Proportional deduction

VAT incurred which relates to a taxpayer's VAT exempt activities, such as local passenger transport, is not deductible as Input VAT.

Many transportation 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 the following formula:

Total value of Taxable Supplies X 100%

Total value of Taxable and Exempt
Supplies

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):

Total value of Taxable Supplies in the X 100%
Tax Year

Total value of Taxable and Exempt
Supplies in the Tax Year

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.

8. VAT obligations

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, charging VAT to customers as appropriate, issuing tax invoices, 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.

8.1. Charging VAT

For supplies made within the Sultanate of 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.

8.2. The Tax Due Date

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

8.3. Issuing tax invoices

A taxable supplier must issue a tax invoice for each supply made in the course of its activities for a registered Taxable Person or any other person.

A Taxable Person may issue a simplified tax invoice in the event that the value of the supply is less than OMR500 and the nature of supply does not require a standard tax invoice.

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.

8.4. Filing Tax Returns

Each VAT registered person must file a VAT return with the TA for each 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. 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.

8.5. Keeping 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

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.

8.6. 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.

9. Further taxpayer information

9.1. Contact information

Please contact the TA if you have questions which are not addressed by this guide, require further clarification regarding the application of VAT to your activities, or require more information.

Oman Tax Authority:

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

9.2. Forms and Publications

Further guidance, forms and publications will be issued by the TA and made available to the public at the TA Taxpayer Portal.

9.3. VAT News

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

www.taxoman.gov.om