



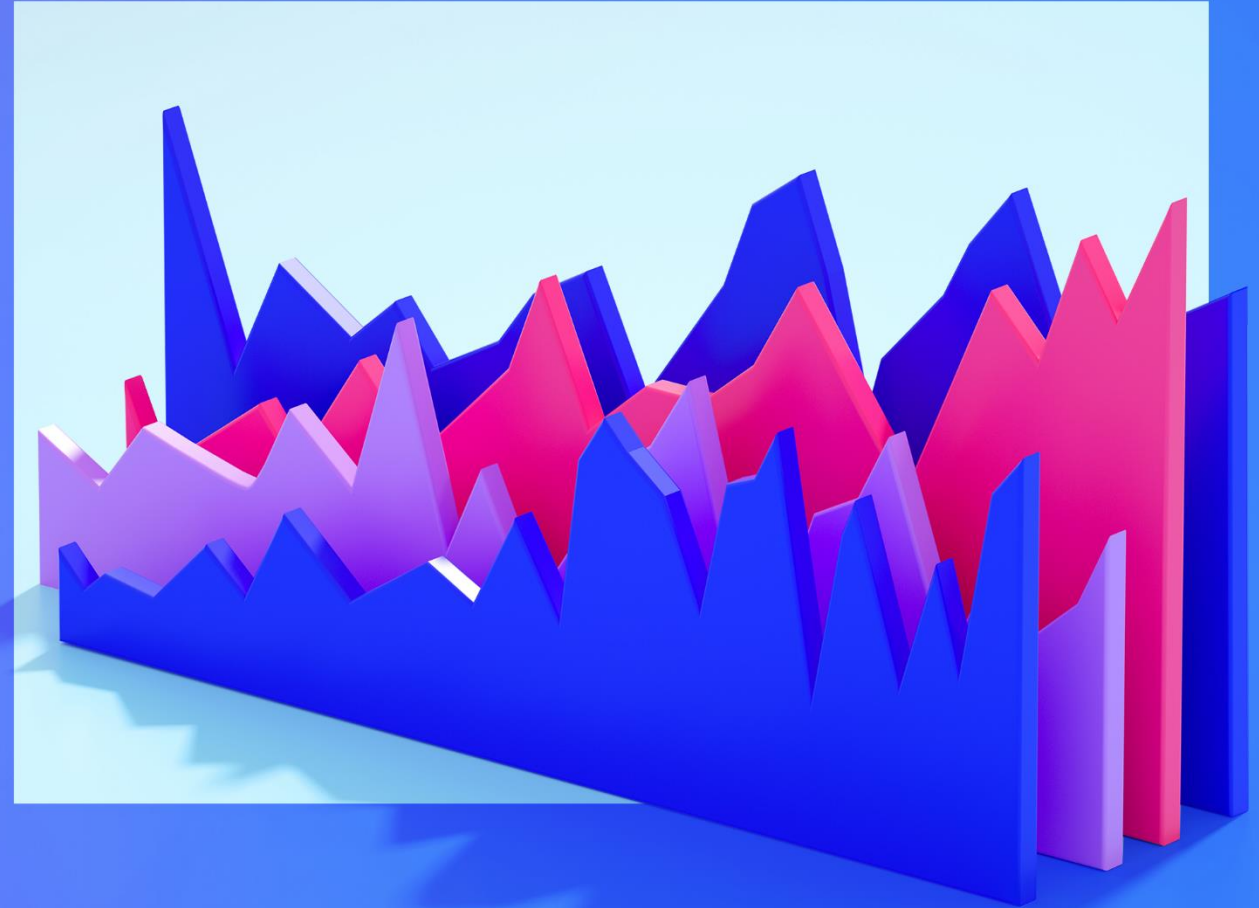
365 days of VAT in Oman

Financial Services Sector

Webinar
30 May 2022

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KPMG speakers today



Moderator:
Stuart Cioccarelli
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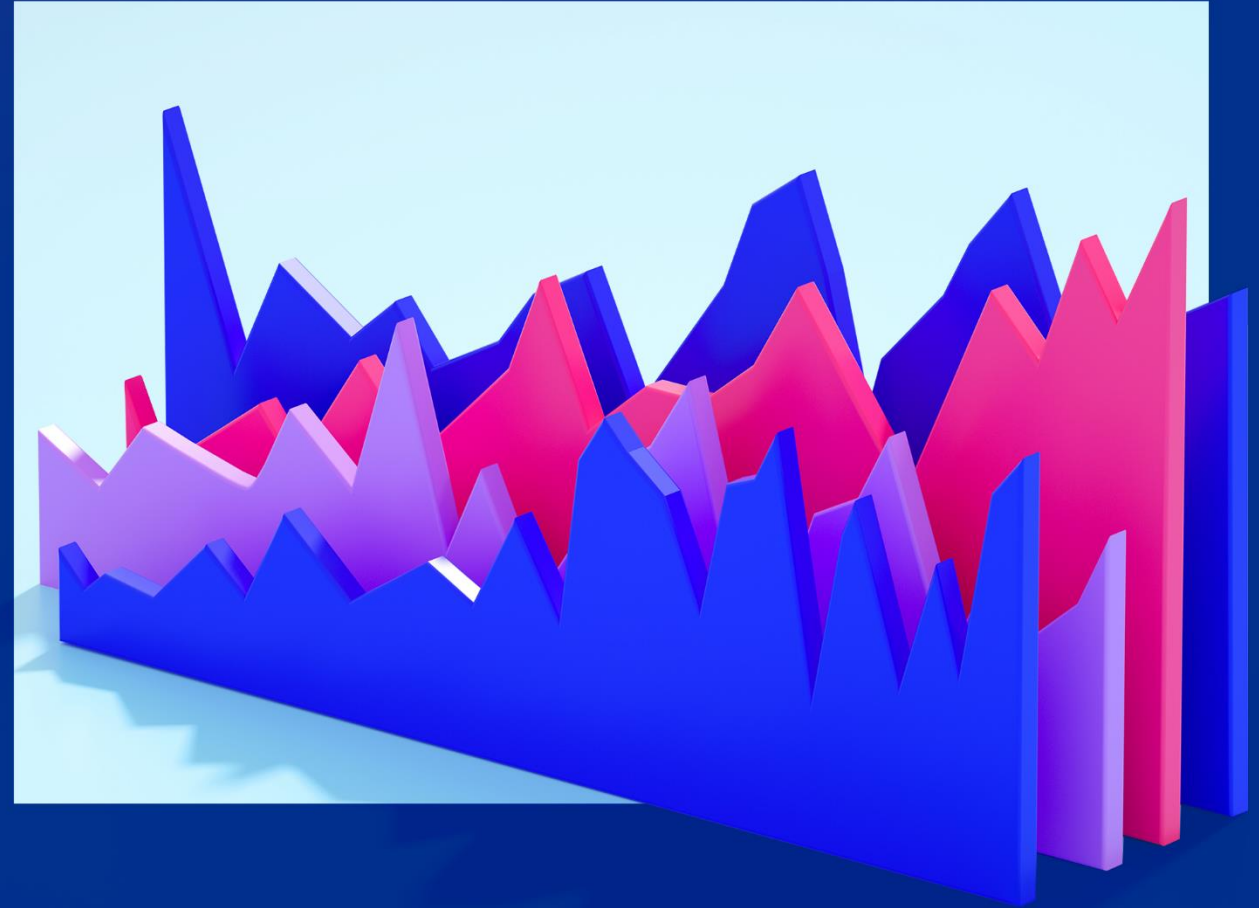
Manak Chugh
Associate Director, Indirect tax
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01

Key developments



Key developments



Decisions

01/21	Determination of mandatory and voluntary registration threshold
02/21	Determination of food items eligible for zero rate
03/21	Determination of VAT registration schedule
59/21	Determination of medicines and medical devices eligible for zero rate
65/21	Expansion of list of food items eligible for zero rate
89/22	Resolution to list of food items eligible for zero rate



Guides

Oil & Gas	Consumer
Special Zones	Registration
Real Estate	Returns
Transportation	Related (Associated) Persons
Financial Services	Reverse Charge Mechanism
Education	Profit Margin Scheme
General	Capital Asset Scheme

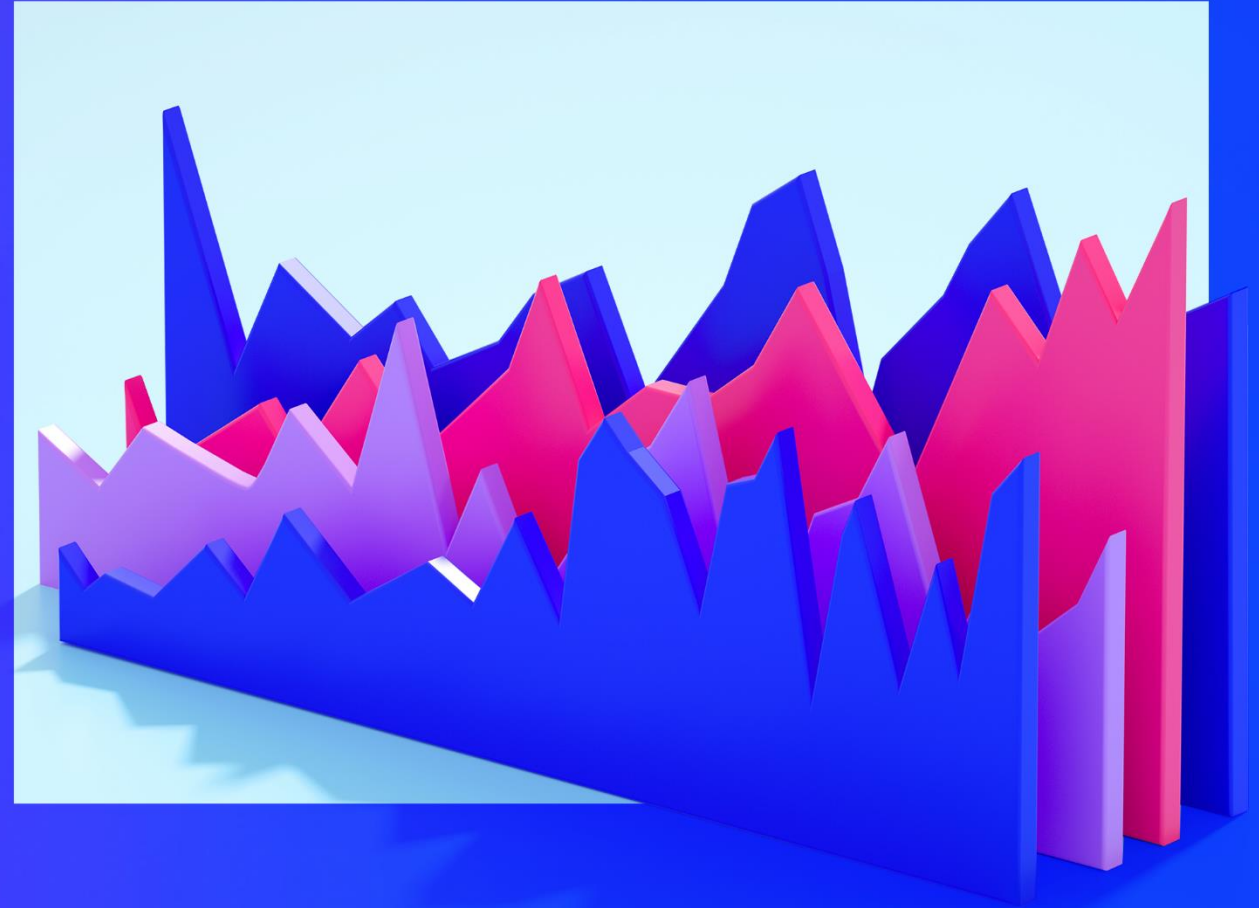


Others

Notice on simplified tax invoices
Notice on supplies to Government bodies
Ministry of Health's list of medicines and medical devices eligible for zero rate
Ministry of Energy and Minerals (MEM) communication on Oil & Gas Sector
FAQ's

02

Key VAT positions



Exemptions, zero-rating and suspension

Exemption	Zero rating for supplies within Oman	Zero rating for supplies outside Oman	Suspension
<ul style="list-style-type: none"> – Financial services – Local passenger transport – Healthcare services and related goods and services – Educational services and related goods and services – Bare land – Resale or lease of residential properties 	<ul style="list-style-type: none"> – Crude oil, oil derivatives and natural gas – Supply of goods or services to or within Special Zones – International transport of goods or passengers and related services – Supply of means of air, sea and land transport for commercial purposes and related goods/ services – Supply of rescue planes, rescue and assistance boats – Specified food items – Specified medicines and medical equipment – Investment gold, silver and platinum 	<ul style="list-style-type: none"> – Export of goods – Export of services – Supply of goods and services otherwise exempt in Oman – Re-export of goods temporarily imported – Supply of goods and services in specified cases of custom suspensions 	<ul style="list-style-type: none"> – Import of goods to a Special Zone – Import of goods under customs suspension
<h2>Out of Scope</h2>			
		<ul style="list-style-type: none"> – Supplies which are: <ul style="list-style-type: none"> – Not made in Oman – Not made in the course or furtherance of a business – Made by a person who is not registered for VAT 	<ul style="list-style-type: none"> – Supplies between members of same VAT Group – Transfer of business as a going concern – Settlement of a claim between insured and insurer

Key VAT position

Transaction type	VAT treatment
Supplies between establishments of the same legal entity	Out of scope
Late payment fee	Standard rated
Early termination fee	Standard rated
Damages by a court, arbitration panel or committee	Out of scope
Incentive income on volumes	Standard rated
Interchange on issuing and acquiring	Standard rated
Swift charges	Standard rated
Marked to Market	Out of scope
Market disruption yield adjustment	Exempt
FX off- balance sheet revaluations	Exempt
Dividend income	Out of scope
Waiver of fees	Not a deemed supply if certain conditions are satisfied

Key VAT position

Islamic banking product	Transaction flow	VAT treatment
Murabaha	<ul style="list-style-type: none"> - Sale of goods by Third Party Supplier to Financier - Sale of goods by Financier to Customer - Invoice by Third Party Supplier to Financier - Invoice by Financier to Customer 	<ul style="list-style-type: none"> - Profit margin earned by Financier = Exempt - Explicit fee earned by Financier = Standard rated - Input tax credit = deductible by Customer
Istisna'a	<ul style="list-style-type: none"> - Sale of goods by Third Party Supplier to Financier - Sale of goods by Financier to Customer - Invoice by Third Party Supplier to Financier - Invoice by Financier to Customer 	<ul style="list-style-type: none"> - Profit margin earned by Financier = Exempt - Explicit fee earned by Financier = Standard rated - Input tax credit = deductible by Customer
Salam	<ul style="list-style-type: none"> - Sale of goods by Third Party Supplier to Financier - Sale of goods by Financier to Customer - Invoice by Third Party Supplier to Financier - Invoice by Financier to Customer 	<ul style="list-style-type: none"> - Supply by Third Party = Depends on nature of agreements - Supply by Financier = Applicable VAT rate
Mudaraba	<ul style="list-style-type: none"> - Capital contribution by Financier (Rabb Ul Maal) - Manpower contribution by partner (Mudarib) - Profit sharing in agreed ratio 	<ul style="list-style-type: none"> - Profit share earned by Rabb Ul Maal = Exempt - Profit share earned by Mudarib = Exempt
Mushakara	<ul style="list-style-type: none"> - Capital contribution by Financiers - Profit sharing in agreed ratio 	<ul style="list-style-type: none"> - Profit share earned by Financiers = Exempt

Key VAT position

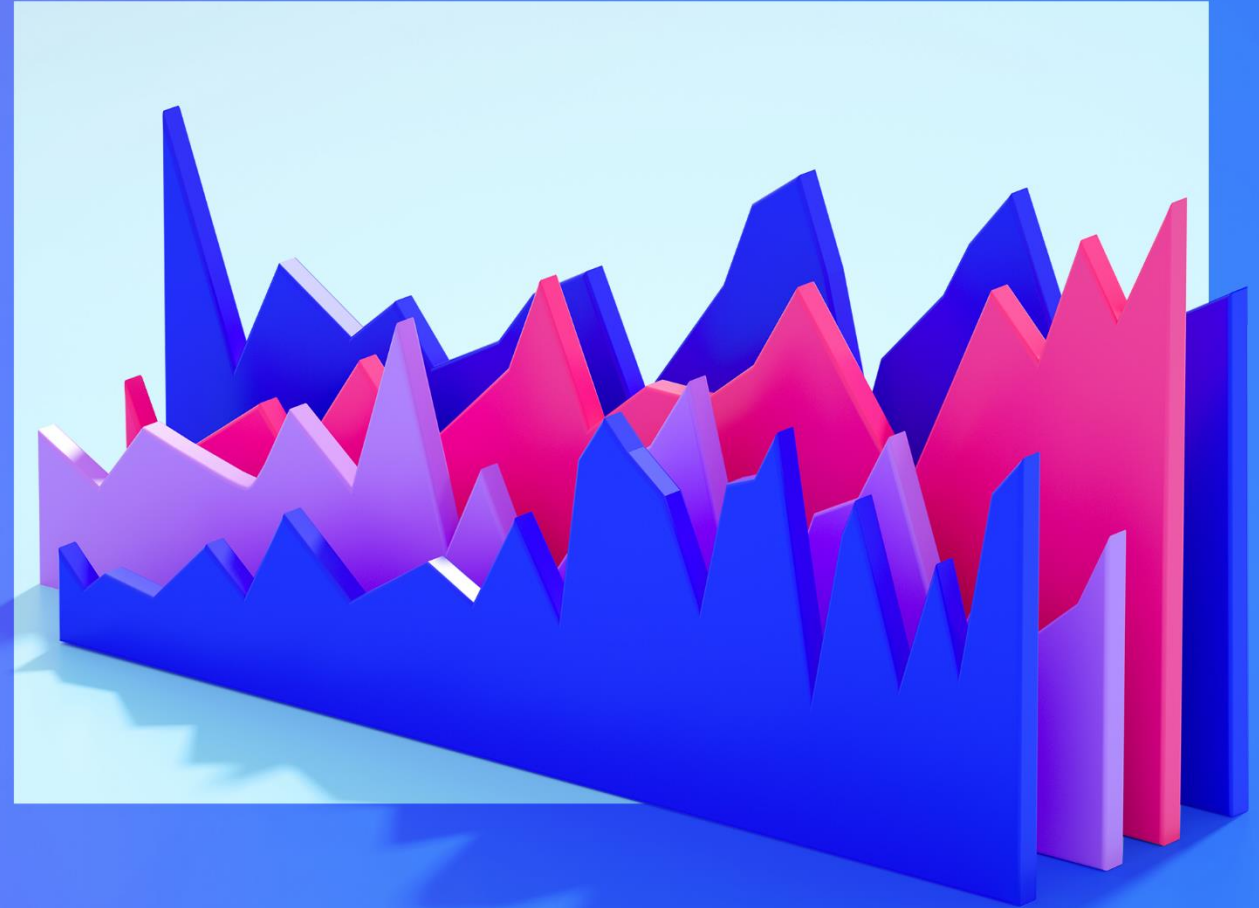
Islamic banking product	Transaction flow	VAT treatment
Ijara (goods)	<ul style="list-style-type: none"> - Sale of goods by Third Party Supplier to Financier - Lease of goods by Financier to Customer - Gift or nominal sale by Financier to Customer - Invoice by Third Party Supplier to Financier - Invoice by Financier to Customer 	<ul style="list-style-type: none"> - Profit margin earned by Financier = Exempt - Gift or nominal sale at the end of tenure = Out of scope - Input tax credit = deductible by Customer
Ijara (services)	<ul style="list-style-type: none"> - Same as Ijara (goods) 	<ul style="list-style-type: none"> - Same as Ijara (goods)
Ujra	<ul style="list-style-type: none"> - Issuing bank charges fixed ujra fee to card holder - Issuing bank reverses ujra fee if the card is not used or dues are paid within time 	<ul style="list-style-type: none"> - Profit margin earned by Issuing bank = Exempt - Explicit fee earned by Issuing bank = Standard rated

Key VAT position

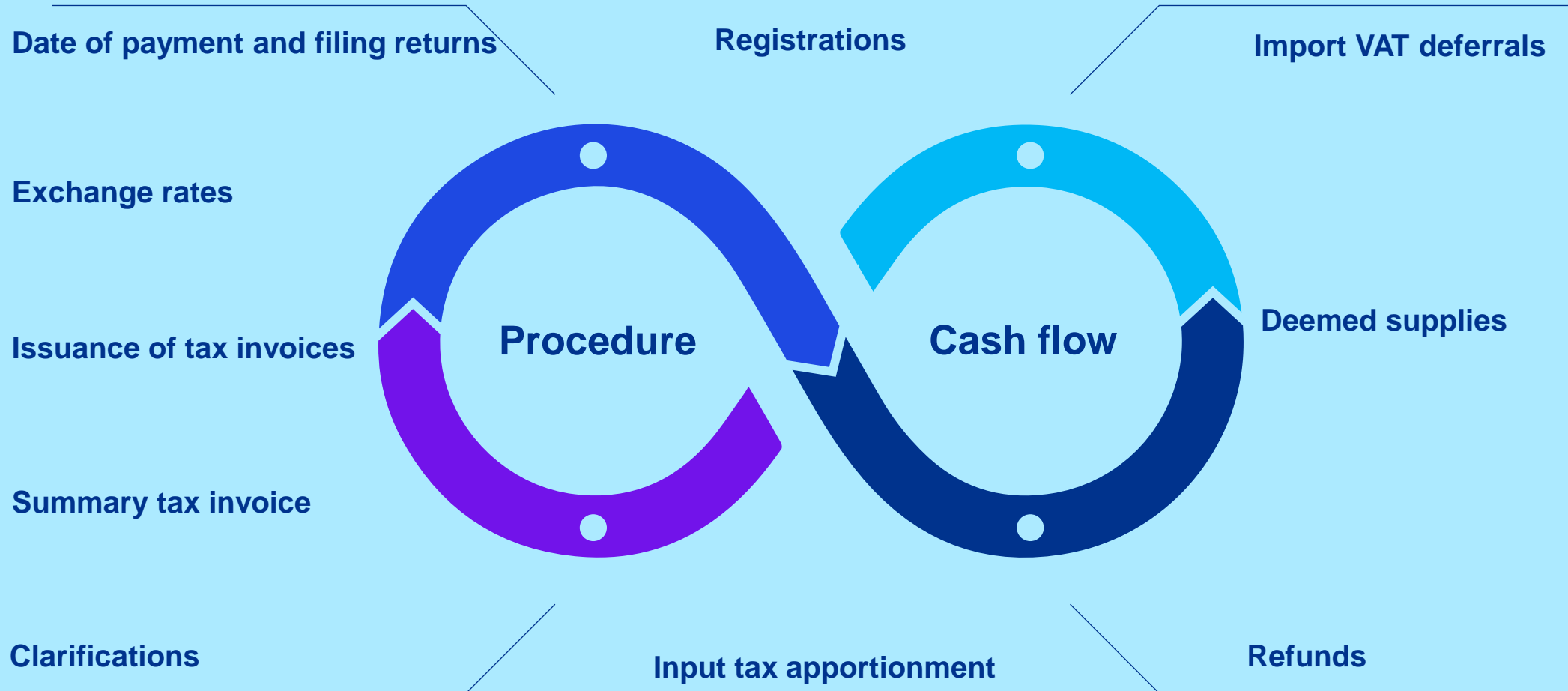
Transaction type	VAT treatment
Life insurance	Exempt
Marine / cargo insurance	Zero rated if related to international transport of goods or passenger
Other general insurance	Standard rated unless specifically zero-rated
Re-insurance	Same as the VAT treatment of underlying insurance
Insurance brokerage	Standard rated unless specifically zero-rated
Payment of claims	<ul style="list-style-type: none">– Services provided by Third Party to Insured = Insurance company ineligible for input credit– Services provided by Third Party to Insurance Company = Insurance company eligible for input credit

03

Key procedural reliefs

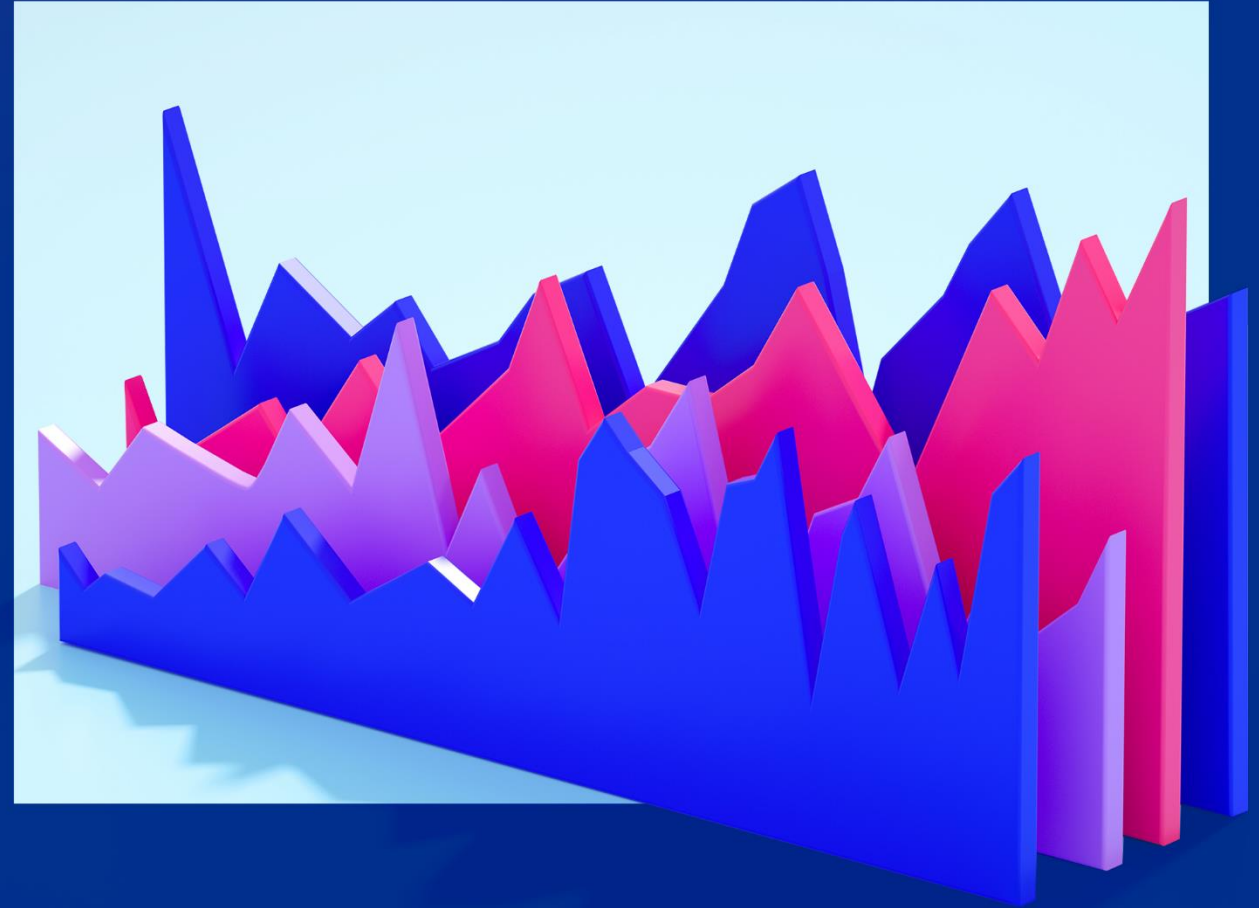


Key procedural reliefs



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Experience of compliances

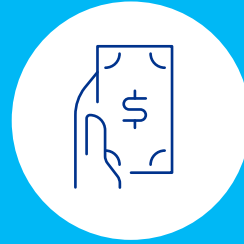


Experience of compliances



Returns

- Capital goods
- Out of scope purchases
- Import of services
- Import of goods
- Ineligible credits / documents
- Nominal value supplies
- Foreign exchange rate
- Employer-Employee transactions



Refunds

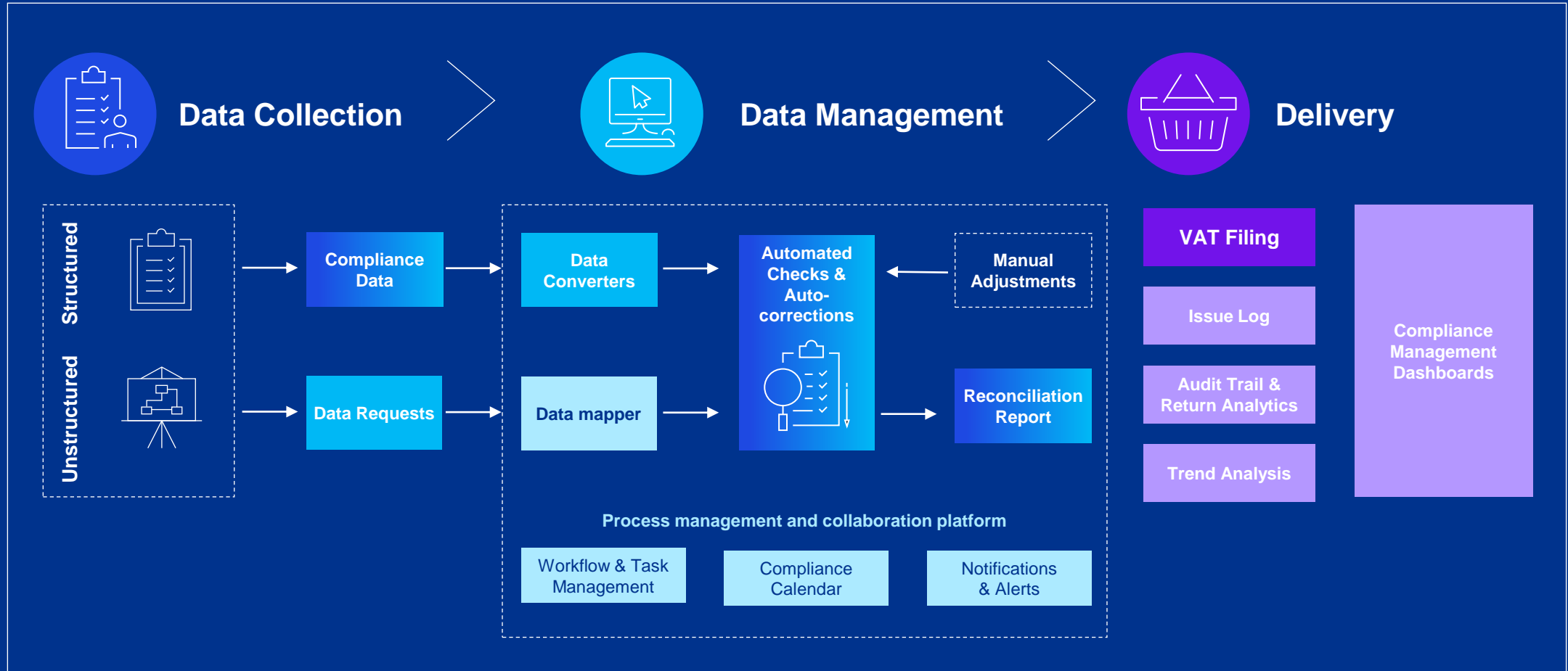
- Periodicity
- Documents
- Disbursals



Others

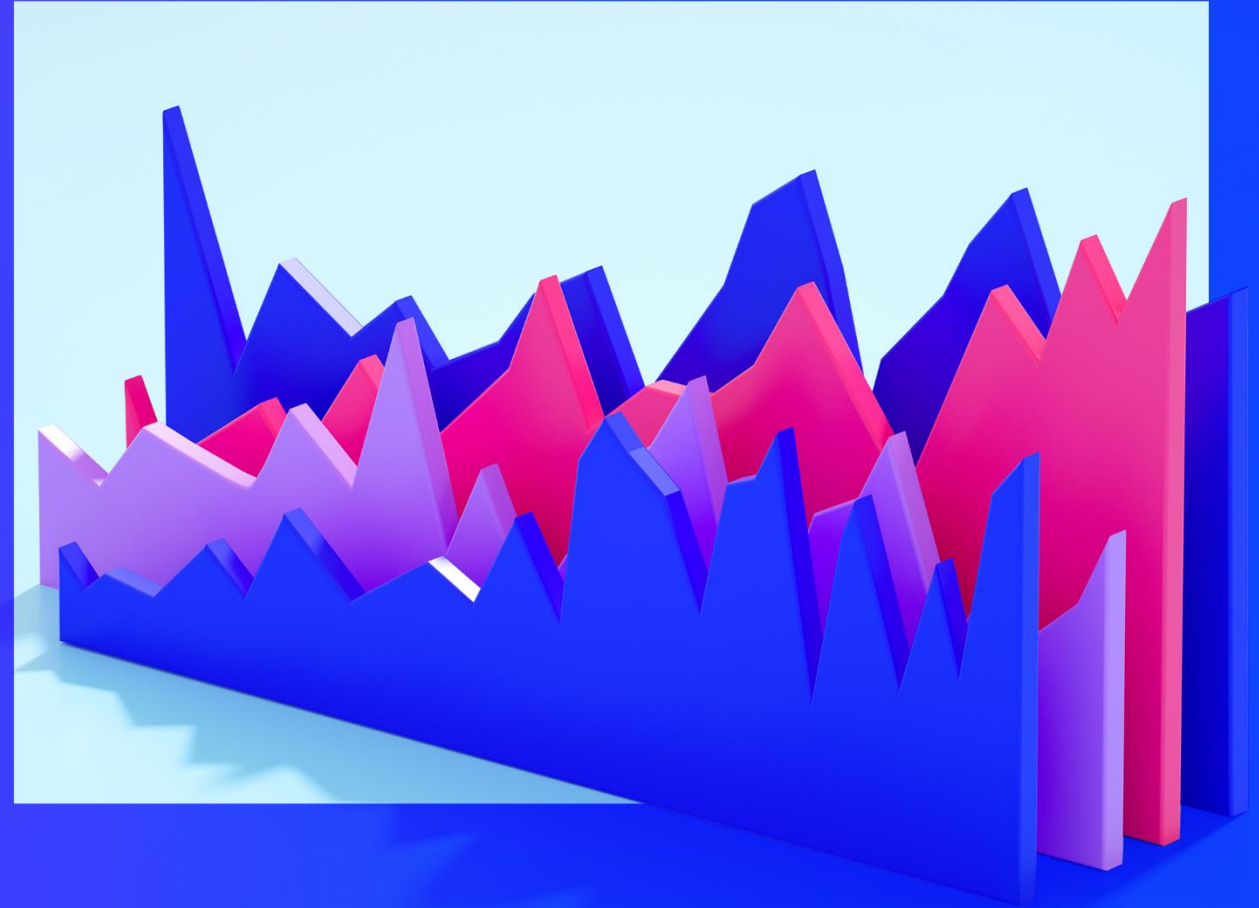
- Registration
- Declaration
- Indemnity
- Responsible Person

Technology enabled approach



05

Issues for consideration



Issues for consideration

01

VAT registration for non-resident suppliers making taxable supplies to unregistered customers in Oman

02

VAT treatment of losses in input tax apportionment

03

VAT treatment of financial services provided by non-financial institutions

04

Benefit test in case of export of service

05

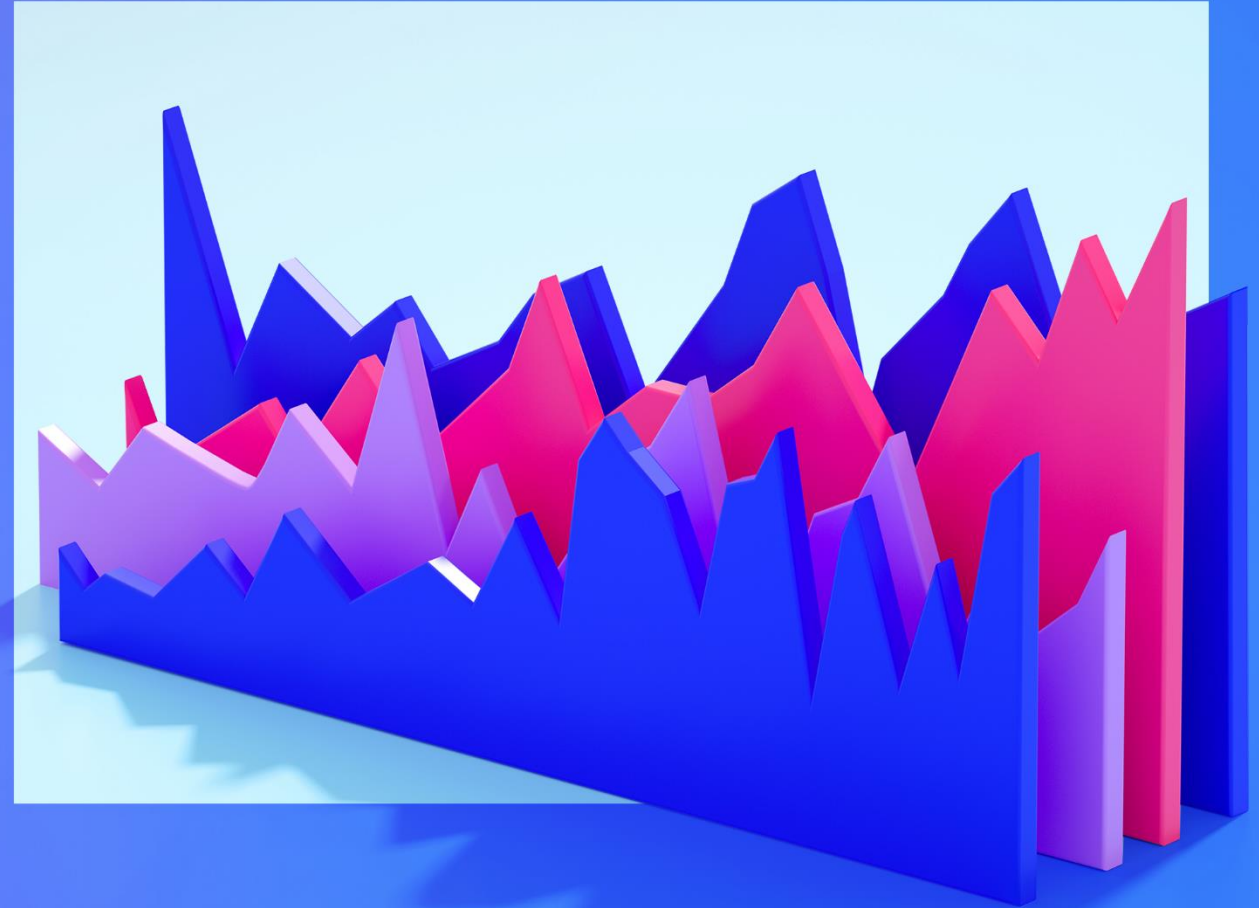
Transitional contracts

06

Netting off transactions

06

Key next steps



Key next steps



Examine if supplies are eligible for any exemption/benefit



Assess the need to take approvals from the tax authority



Verify if declarations have been correctly received on supplies made to special zones



Revisit positions based on the Guide, if required



Revise contracts, Purchase Orders, returns, etc. based on changes, if any



Update configurations in the ERP, vendor management system, accounting system, etc.



Communicate with internal and external stakeholders



Undertake user trainings



Ensure complete and correct reporting of transactions in the VAT return

Contact us



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