



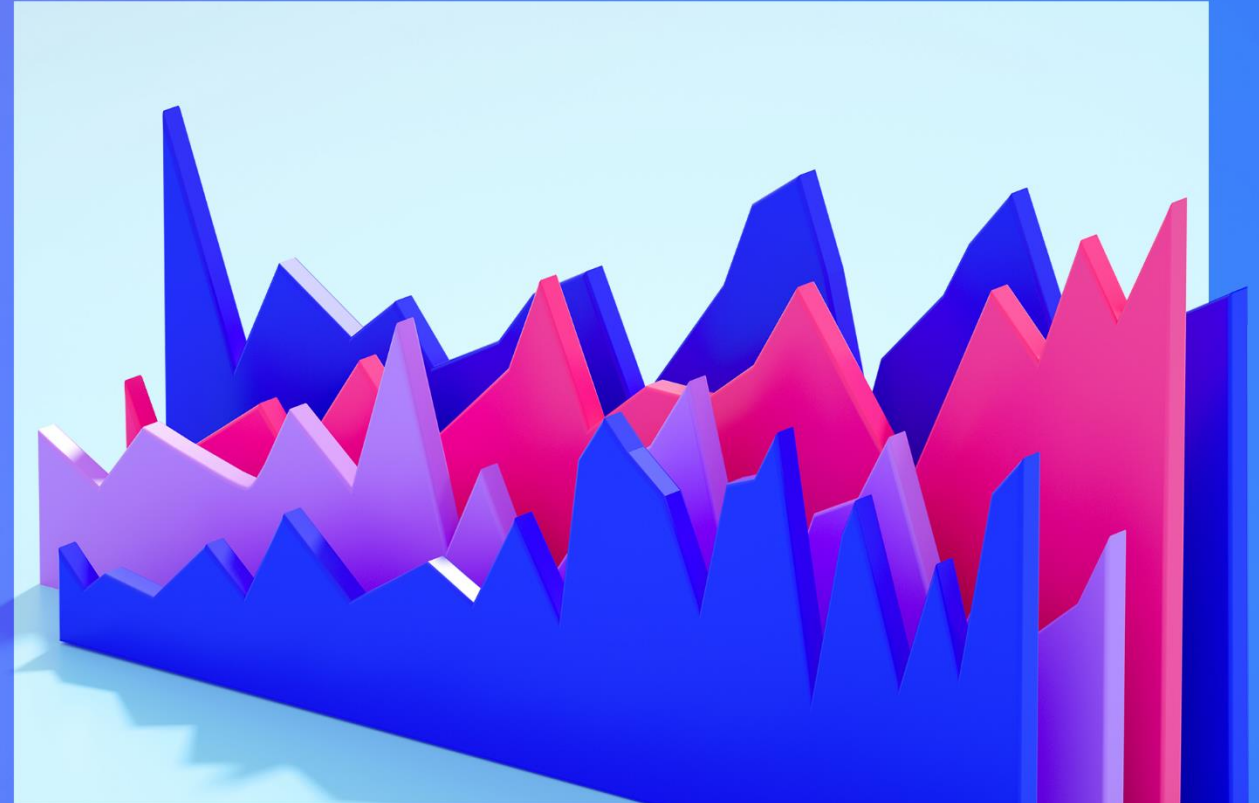
# 365 days of VAT in Oman

Oil & Gas Sector

Webinar  
24 May 2022

Follow @kpmg\_lowergulf for the latest news and updates.

[www.kpmg.com/ae](http://www.kpmg.com/ae)  
[www.kpmg.com/om](http://www.kpmg.com/om)



# Contents

**01** Key developments

---

**02** Key VAT positions

---

**03** Key procedural reliefs

---

**04** Experience of compliances

---

**05** Issues for consideration

---

**06** Next steps

---

**07** Q&A

# KPMG speakers today



**Moderator:**  
**Stuart Cioccarelli**  
Partner, Head of Tax  
KPMG Lower Gulf



**Aabha Lekhak**  
Partner, Indirect tax  
KPMG Lower Gulf



**Sumit Bansal**  
Associate Director, Indirect tax  
KPMG Lower Gulf

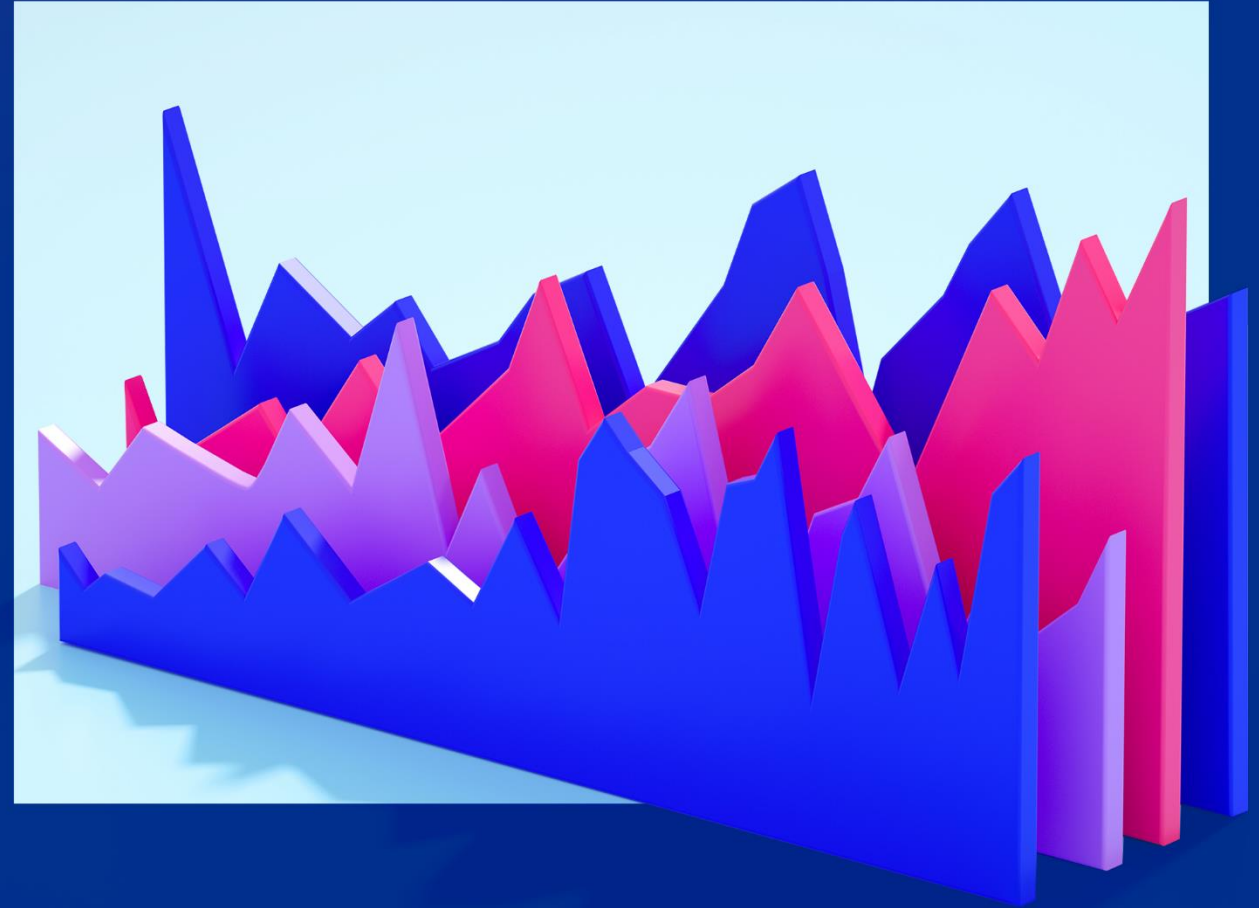


**Abdullah Al Farsi**  
Analyst, Indirect tax  
KPMG Lower Gulf

01

---

# Key developments



# Key developments



## Decisions

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



## Guides

<b>1</b>	Oil & Gas	<b>8</b>	Consumer
<b>2</b>	Special Zones	<b>9</b>	Registration & Returns
<b>3</b>	Real Estate	<b>10</b>	Related (Associated) Persons
<b>4</b>	Transportation	<b>11</b>	Reverse Charge Mechanism
<b>5</b>	Financial Services	<b>12</b>	Profit Margin Scheme
<b>6</b>	Education	<b>13</b>	Capital Asset Scheme
<b>7</b>	General		



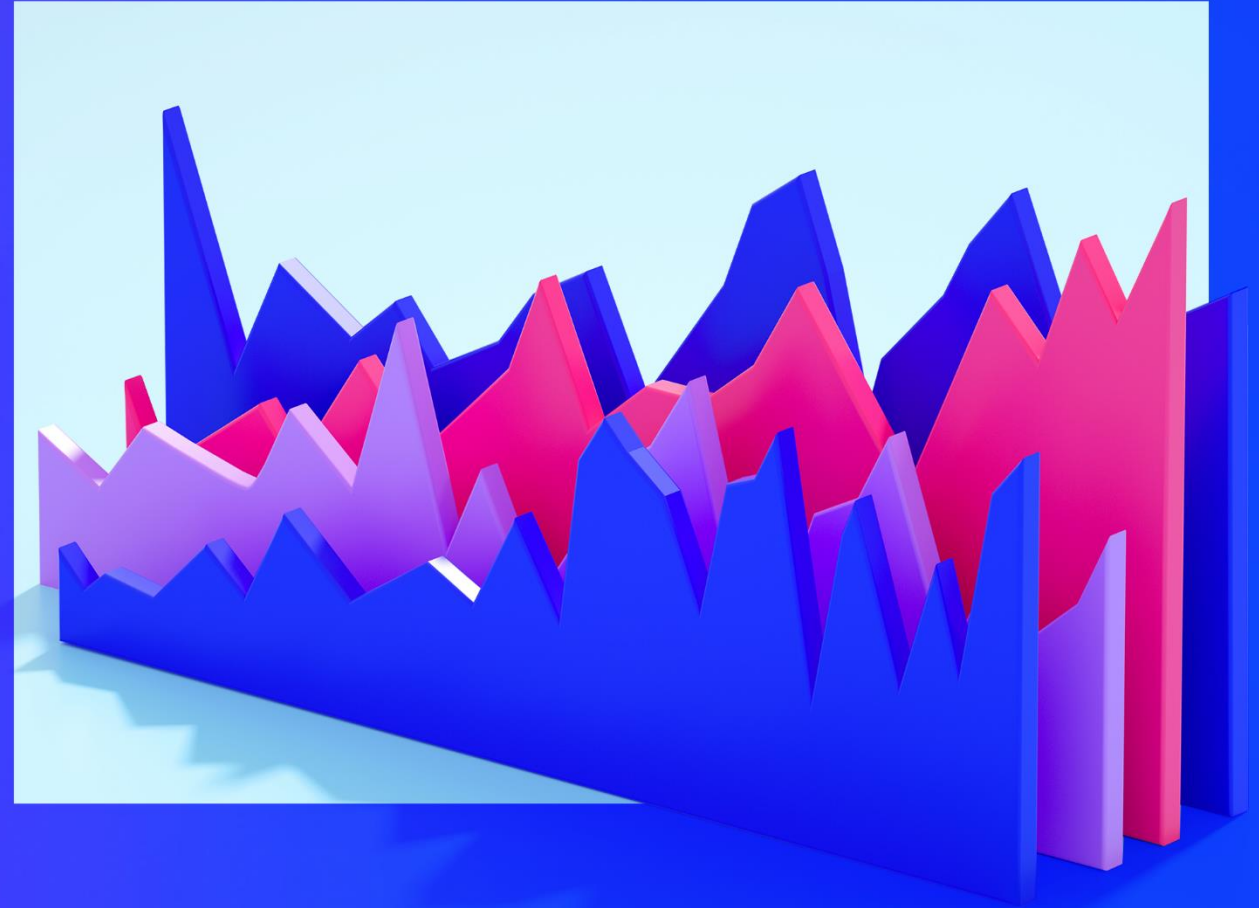
## Others

<b>1</b>	Notice on simplified tax invoices
<b>2</b>	Notice on supplies to Government bodies
<b>3</b>	Ministry of Health's list of medicines and medical devices eligible for zero rate
<b>4</b>	Ministry of Energy and Minerals (MEM) communication on Oil & Gas Sector
<b>5</b>	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"> <li>– Financial services</li> <li>– Local passenger transport</li> <li>– Healthcare services and related goods and services</li> <li>– Educational services and related goods and services</li> <li>– Bare land</li> <li>– Resale or lease of residential properties</li> </ul>	<ul style="list-style-type: none"> <li>– <b>Crude oil, oil derivatives and natural gas</b></li> <li>– Supply of goods or services to or within Special Zones</li> <li>– International transport of goods or passengers and related services</li> <li>– Supply of means of air, sea and land transport for commercial purposes and related goods/ services</li> <li>– Supply of rescue planes, rescue and assistance boats</li> <li>– Specified food items</li> <li>– Specified medicines and medical equipment</li> <li>– Investment gold, silver and platinum</li> </ul>	<ul style="list-style-type: none"> <li>– Export of goods</li> <li>– Export of services</li> <li>– Supply of goods and services otherwise exempt in Oman</li> <li>– Re-export of goods temporarily imported</li> <li>– Supply of goods and services in specified cases of custom suspensions</li> </ul>	<ul style="list-style-type: none"> <li>– Import of goods to a Special Zone</li> <li>– Import of goods under customs suspension</li> </ul>
<h2>Out of scope</h2>			
		<ul style="list-style-type: none"> <li>– Supplies which are:               <ul style="list-style-type: none"> <li>– Not made in Oman</li> <li>– Not made in the course or furtherance of a business</li> <li>– Made by a person who is not registered for VAT</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>– Supplies between members of same VAT Group</li> <li>– Transfer of business as a going concern</li> <li>– Settlement of a claim between insured and insurer</li> </ul>

# Scope of activities

Activity	Scope (illustrative)
<b>Upstream</b>	<ul style="list-style-type: none"><li>– Activities related to <b>searching for potential hydrocarbons</b></li><li>– Geophysical activities, exploration drilling, testing</li><li>– Processing of hydrocarbon to separate gas, oil, and associated water</li><li>– Construction/ lease of facilities for lifting, processing, and treatment of hydrocarbon</li><li>– Plant and facilities required to generate power, steam, gas, etc.</li><li>– Storage tanks and facilities in the field</li><li>– Abandonment/ decommissioning</li></ul>
<b>Midstream</b>	<ul style="list-style-type: none"><li>– Activities related to the gathering of unrefined hydrocarbons</li><li>– <b>Transportation</b> of crude oil via pipeline, tanker truck, or other means of transport</li><li>– <b>Storage</b> of raw hydrocarbons</li><li>– <b>Liquefaction</b> of natural gas to Liquefied Natural Gas (LNG)</li></ul>
<b>Downstream</b>	<ul style="list-style-type: none"><li>– Activities related to the conversion of hydrocarbons into <b>petroleum products</b></li><li>– Transportation and storage <b>of finished products</b> of hydrocarbons (petrol, diesel)</li></ul>



# Zero-rating of supplies

Subject	Clarification
<b>Conditions of Article 93 of the VAT Executive Regulations (“ER”)</b>	<ul style="list-style-type: none"><li>– Supply is in relation to upstream or midstream activity of the operator<ul style="list-style-type: none"><li>– Direct and exclusive use</li></ul></li><li>– Supplier and recipient are taxable persons</li><li>– Supplier and recipient are registered with and licensed by MEM<ul style="list-style-type: none"><li>– Suppliers: Joint Suppliers Registration System (JSRS)</li><li>– Recipient: List of operators and partners engaged in upstream and midstream activities by MEM</li></ul></li><li>– Supply is not:<ul style="list-style-type: none"><li>– blocked for the input VAT deduction</li><li>– listed under Article 24(5) of the ER (such as hotel services, food &amp; beverages)</li><li>– exempt from Oman VAT</li></ul></li></ul>
<b>Declaration by Operator</b>	<ul style="list-style-type: none"><li>– Operators to provide a declaration to the supplier that goods/ services are for the direct and exclusive use in zero-rated upstream or midstream activities</li></ul>
<b>Certificate by Supplier</b>	<ul style="list-style-type: none"><li>– Supplier to provide copy of JSRS certificate to the OTA for VAT registration</li></ul>
<b>Supplies by sub-contractor(s) and import of goods/ services</b>	<ul style="list-style-type: none"><li>– Supply of goods / services by sub-contractor(s) ineligible for zero-rating u/a 93 of the ER</li><li>– Import of goods / services ineligible for zero-rating u/a 93 of the ER</li></ul>

# Transactions related to the government

Transaction type	VAT treatment
Supplies to/ by MEM	– Zero-rated
Royalty and rent under EPSA	– Royalties, annual rental, bonuses, etc. under EPSA are sovereign income – <b>not subject to VAT</b>
Training levy	– Collected on behalf of the Government, not part of the suppliers'/ contractor's economic activity or consideration for supply – <b>not subject to VAT</b>
Gas Transportation Tariff (RAB)	– <b>Zero-rated</b> (government is the sole shipper for transportation of gas through OQ Gas Network)
Crude Oil/ Gas revenue	– Sale of gas by the Government – <b>Zero-rated</b> – Purchase of gas by the Government from operators – <b>Zero-rated</b>
EPSA overhead	– <b>Zero-rated</b>

# Transactions between JV partners / operators

Transaction type	VAT treatment
Cash calls	<ul style="list-style-type: none"><li>– Cash calls for upstream or midstream activities – <b>not subject to VAT</b></li><li>– Other cash calls – Subject to clarification from the OTA</li></ul>
Recharge of costs	<ul style="list-style-type: none"><li>– Recharge of upstream costs from JV partners in accordance with the joint operating or similar agreement – <b>Zero-rated</b></li><li>– Recharge of other costs – VAT treatment based on nature of goods/ services</li></ul>
Transportation via MOL	<ul style="list-style-type: none"><li>– Transportation of crude oil via Main Oil Line (MOL) – <b>Zero-rated</b></li></ul>
OBRD/ QBA	<ul style="list-style-type: none"><li>– Oman Blend Revenue Distribution Agreement (OBRD) / Quality Bank Adjustment (QBA) - compensatory in nature – <b>not subject to VAT</b></li></ul>
Transfers	<ul style="list-style-type: none"><li>– Transfer of EPSA/ Farm-in and Farm-out - transfer of economic activity – <b>not subject to VAT</b></li><li>– Transfer of inventory from one block to another under different legal entities – <b>Zero-rated</b></li></ul>
Electricity	<ul style="list-style-type: none"><li>– Supply of electricity by one operator to another for use in upstream or midstream activity – <b>Zero-rated</b></li></ul>
Connection charges	<ul style="list-style-type: none"><li>– Connection fee from upstream producers of natural gas to OQ Gas Network – <b>Zero-rated</b></li></ul>

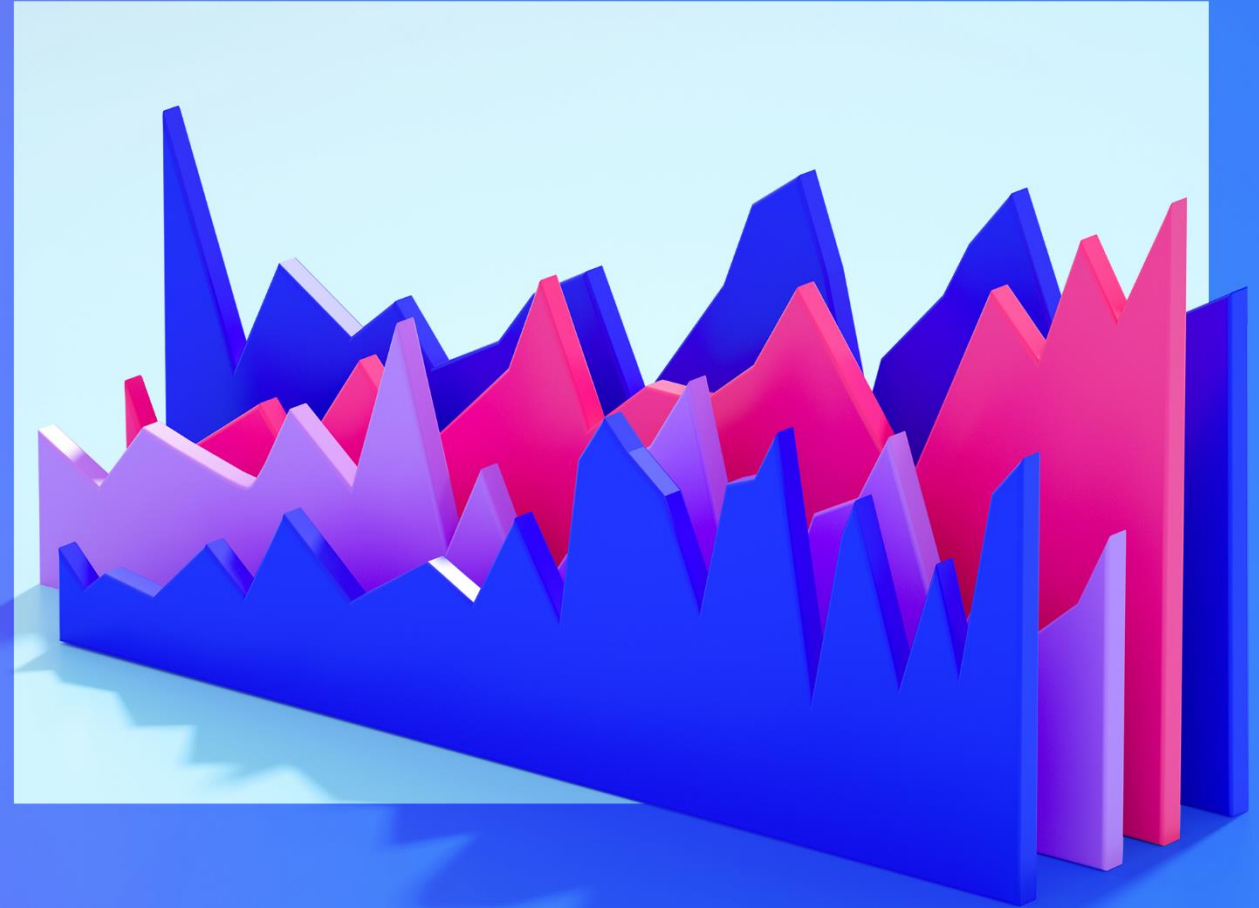
# Other transactions

Transaction type	VAT treatment
Connection charges	– Connection fee from gas consumers – <b>Standard rated</b>
Electricity & Power	– Purchase for upstream activity from electricity network supplier – <b>Standard rated</b>
Insurance	– Insurance cover for drilling, operations, facilities, workman compensation etc. – <b>Standard rated</b>
Demurrage	– If recovered as a penalty (compensatory in nature) – <b>not subject to VAT</b>
Aviation and Marine fuel	– Supply of fuel or lubricant to a qualifying means of transport on an international voyage – <b>Zero-rated (subject to necessary documents/ evidence in place)</b>
Consignment stock	– Time of supply arises when goods are placed at the customer's disposal
Accommodation expenses	– VAT paid on accommodation, security, maintenance, recreation, medical/ health facilities procured by the operators at housing units for staff and family members – Allowed as input credit
Medical insurance	– VAT paid on all charges related to medical insurance for staff - Allowed as input credit
Transportation of workforce	– VAT paid on transportation of workforce to/ from/ within the field – Allowed as input credit
Catering expenses	– VAT paid on foods and beverages or catering services at field locations – Allowed as input credit if provided to employees at a remote location where no reasonable alternative exists
CSR/ Community spend	– Charitable activities (e.g. construction of schools/ hospitals/ mosques) approved by the appropriate authority – Allowed as input credit if related to the taxable activity of the operator

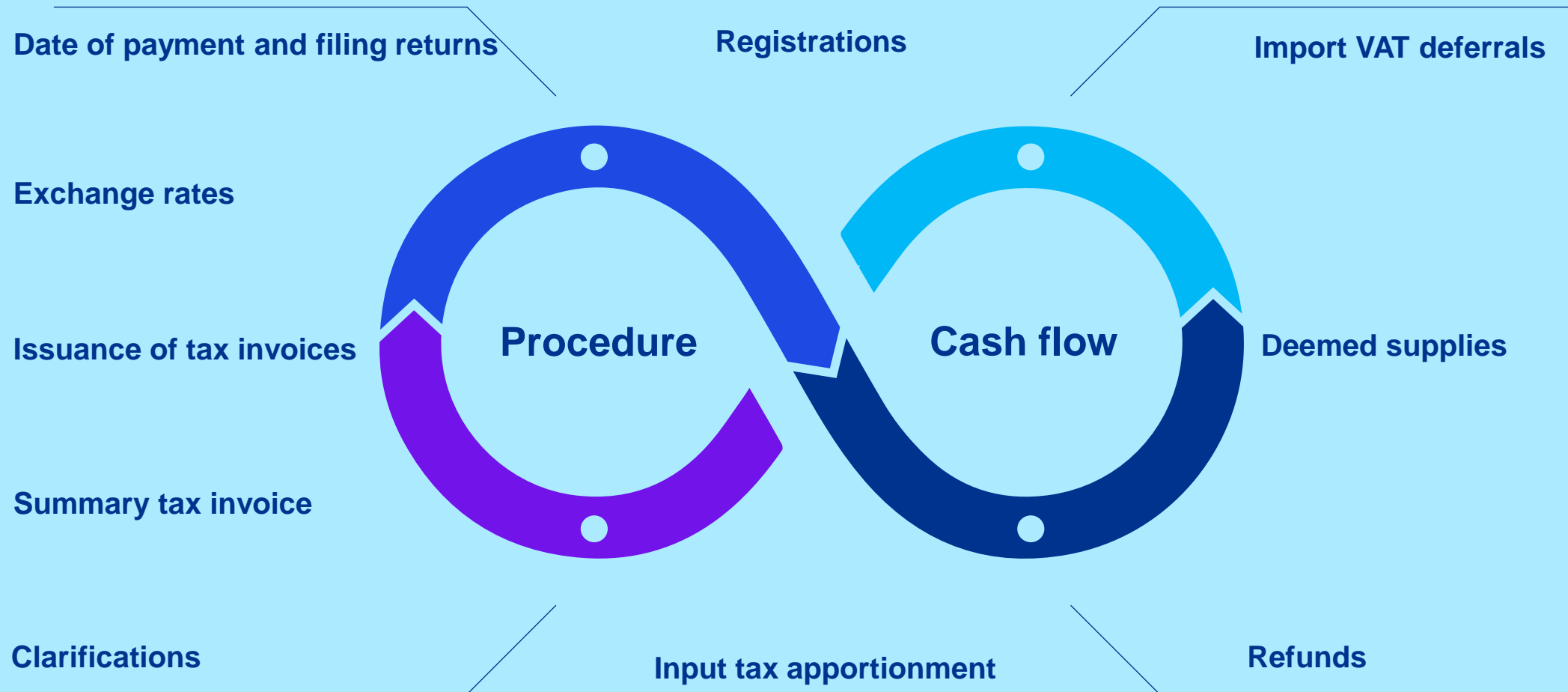
03

---

# Key procedural reliefs



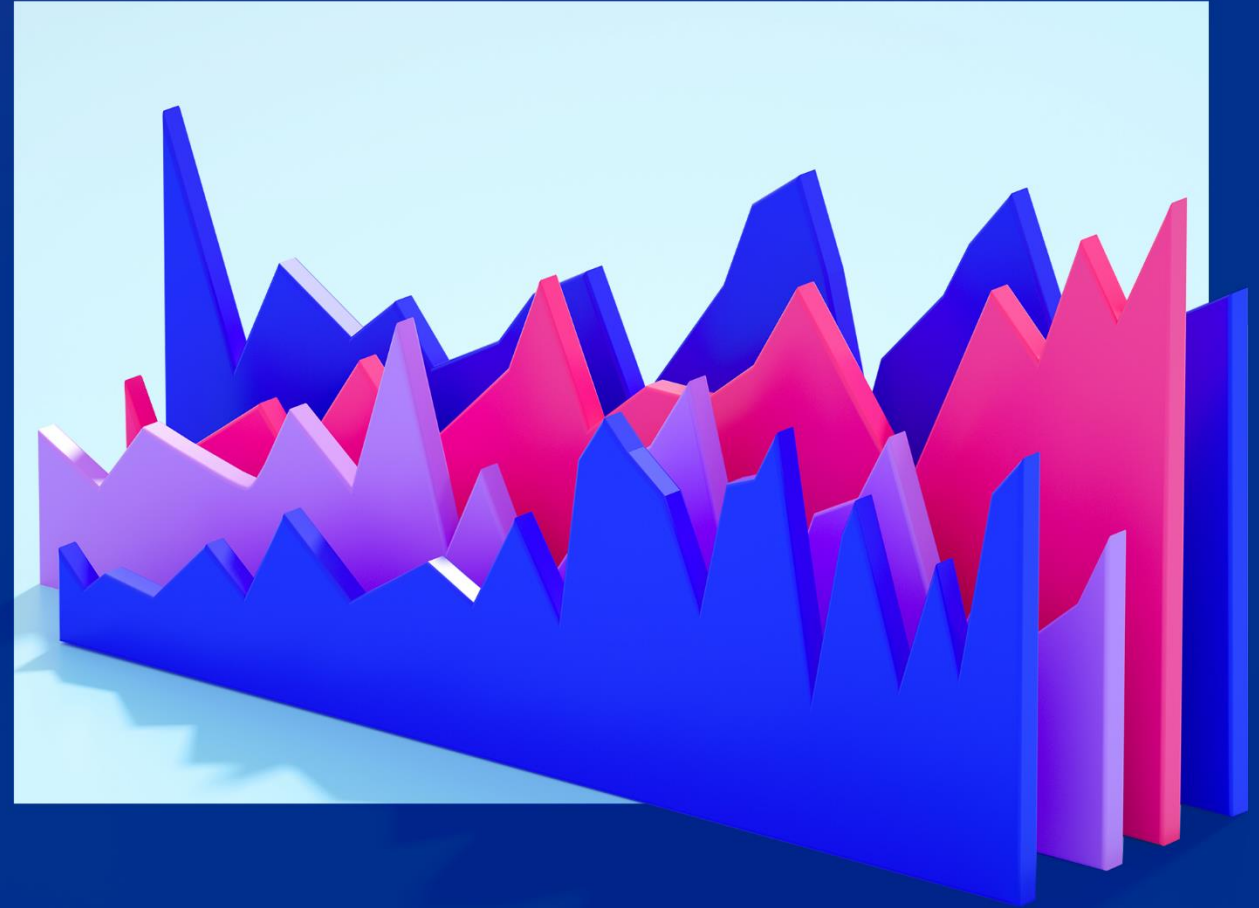
# Key procedural reliefs



04

---

# Experience of compliances

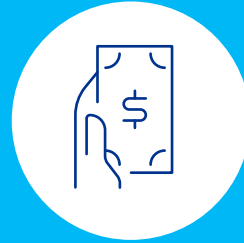


# Experience of compliances



## Returns

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



## Refunds

- Periodicity
- Documents
- Disbursals

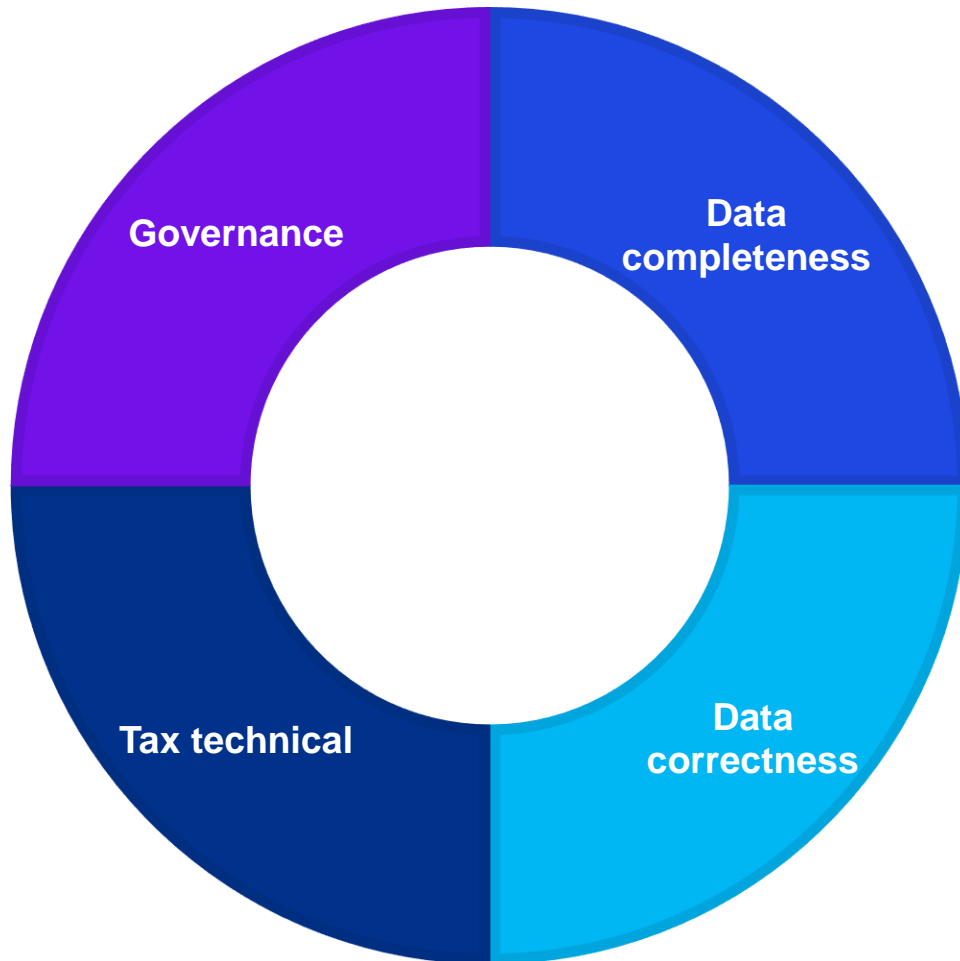


## Others

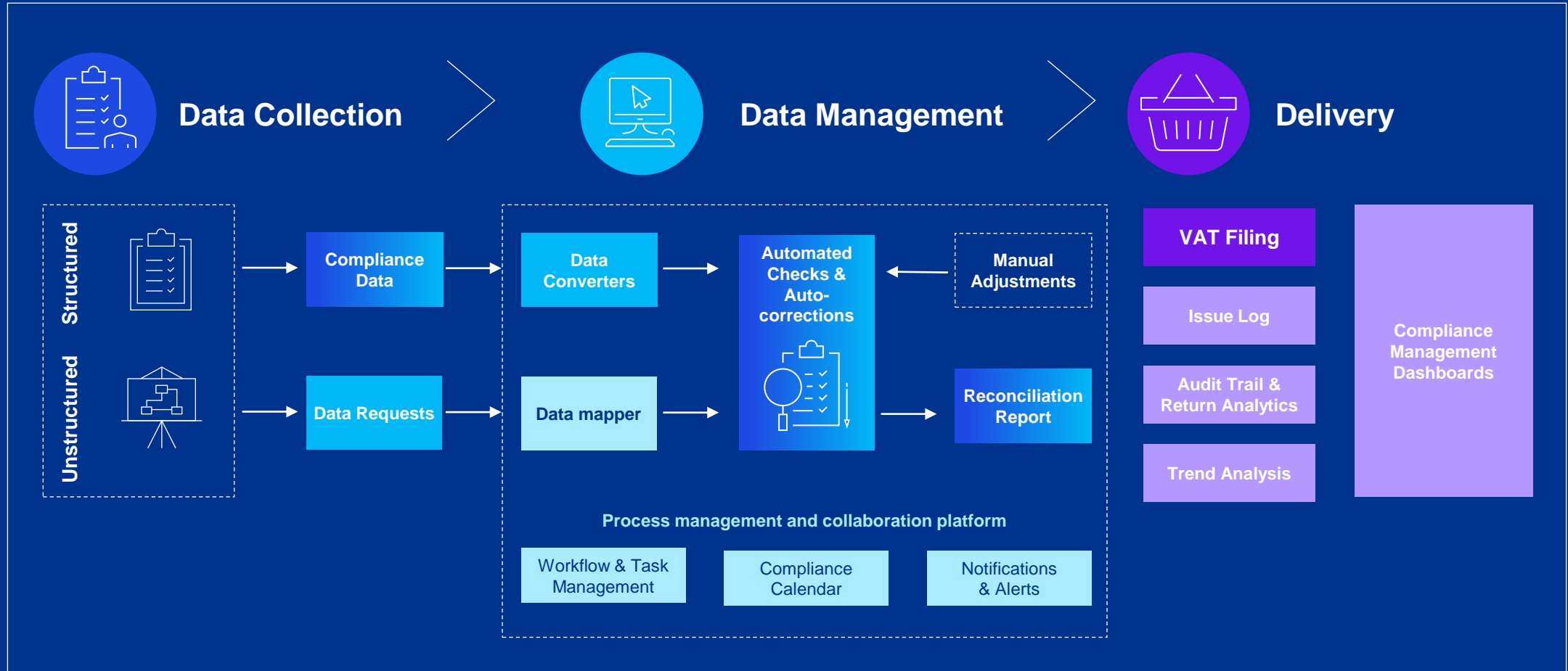
- Registration
- Declaration
- Indemnity
- Responsible Person
- Consignment stock



# Components of compliance



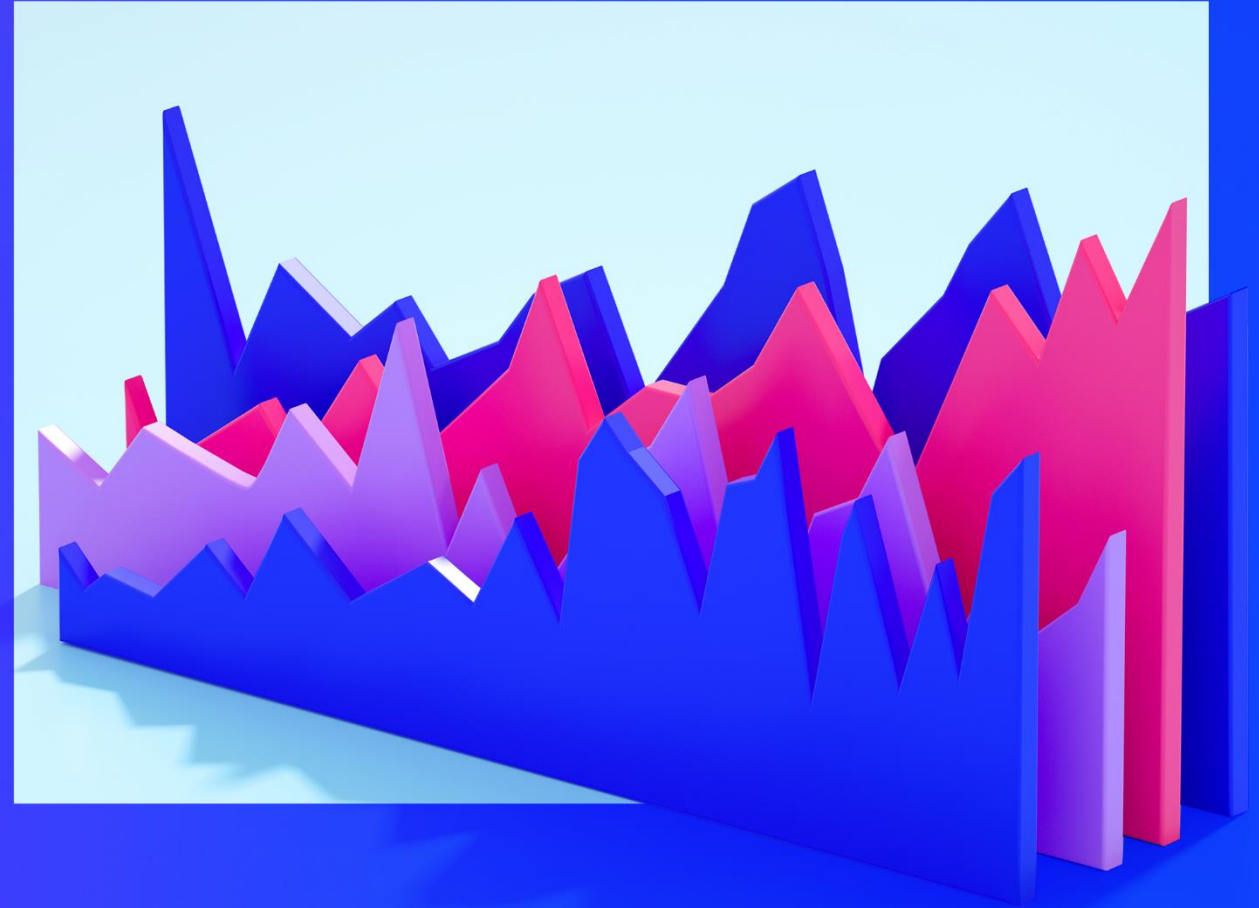
# Technology enabled approach



05

---

# Issues for consideration



# Issues for consideration

01

**Special VAT treatment for supplies made by the Government in sovereign capacity**

02

**VAT treatment of supplies to / by the MEM**

03

**Onshore and offshore supplies by overseas contractor – Import vs Domestic supply**

04

**Input credit of VAT on expenses incurred for unsuccessful exploration**

05

**VAT treatment of training levy**

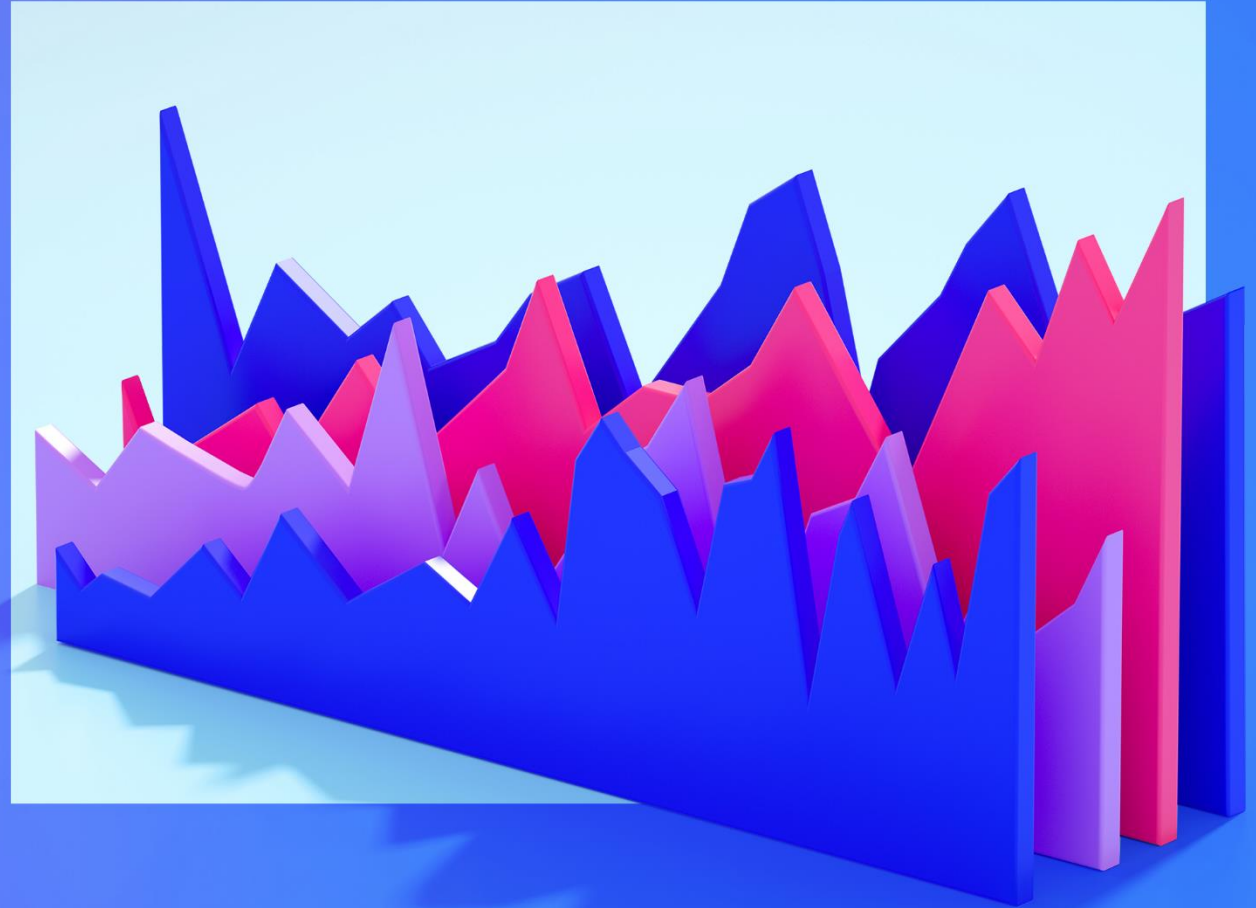
06

**List of operators and partners to be submitted by the MEM to the OTA**

06

---

# Key next steps



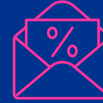
# Key next steps



**Examine if supplies are eligible for zero-rating**



**Assess if receipts are eligible for zero-rating**



**Verify if declarations have been correctly received / issued**



**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**

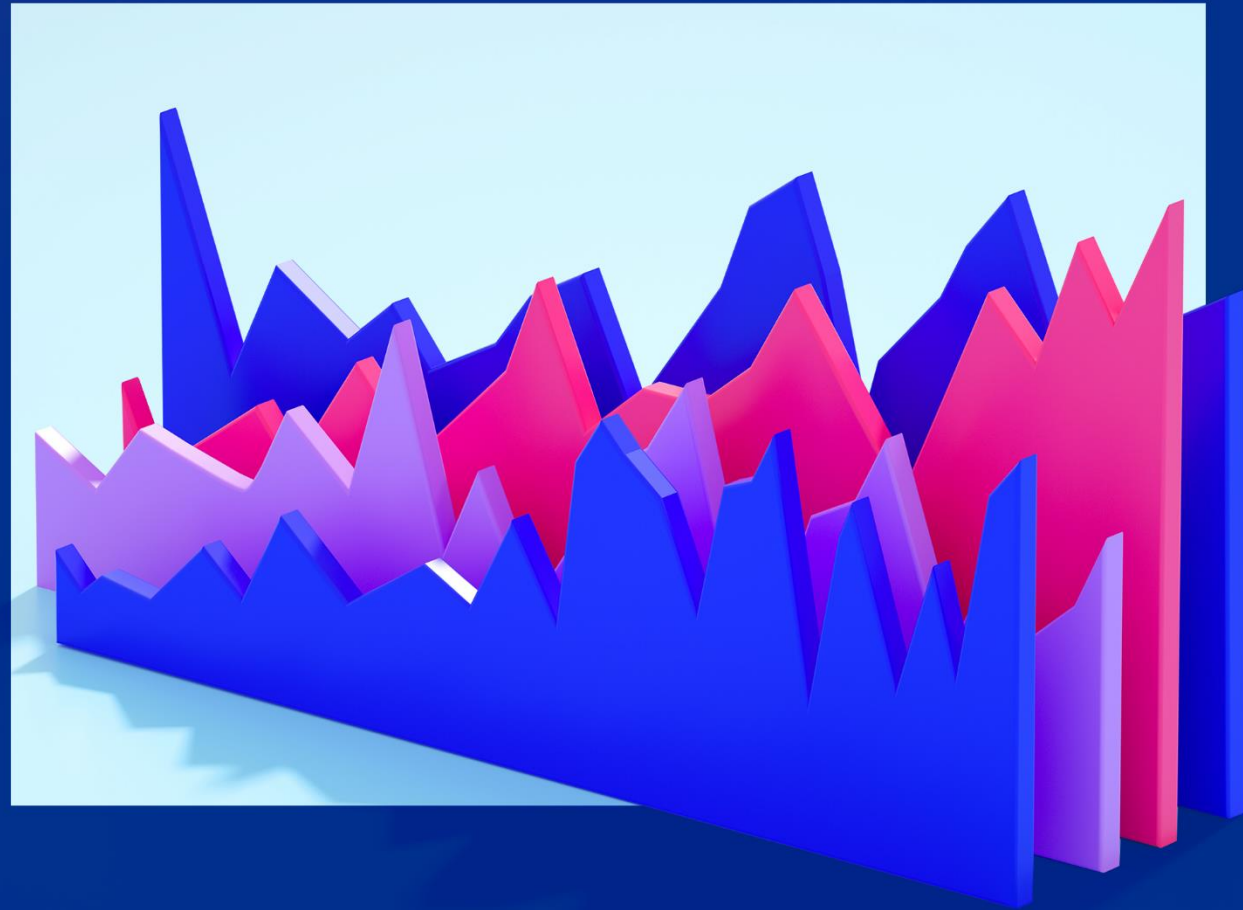


**Ensure complete and correct reporting of transactions in the VAT return**

07

---

Q&A



# Contact us



**Aabha Lekhak**  
Partner, Indirect tax  
KPMG Lower Gulf  
[alekhak2@kpmg.com](mailto:alekhak2@kpmg.com)



**Sumit Bansal**  
Associate Director, Indirect tax  
KPMG Lower Gulf  
[sbansal9@kpmg.com](mailto:sbansal9@kpmg.com)



**Abdullah Al Farsi**  
Analyst, Indirect tax  
KPMG Lower Gulf  
[aalfarsi@kpmg.com](mailto:aalfarsi@kpmg.com)

[www.kpmg.com/ae](http://www.kpmg.com/ae)  
[www.kpmg.com/om](http://www.kpmg.com/om)

Follow us on:



[@kpmg\\_lowergulf](https://www.instagram.com/kpmg_lowergulf)

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2022 KPMG LLC, an Omani limited liability company and a subsidiary of KPMG Lower Gulf Limited, a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.