



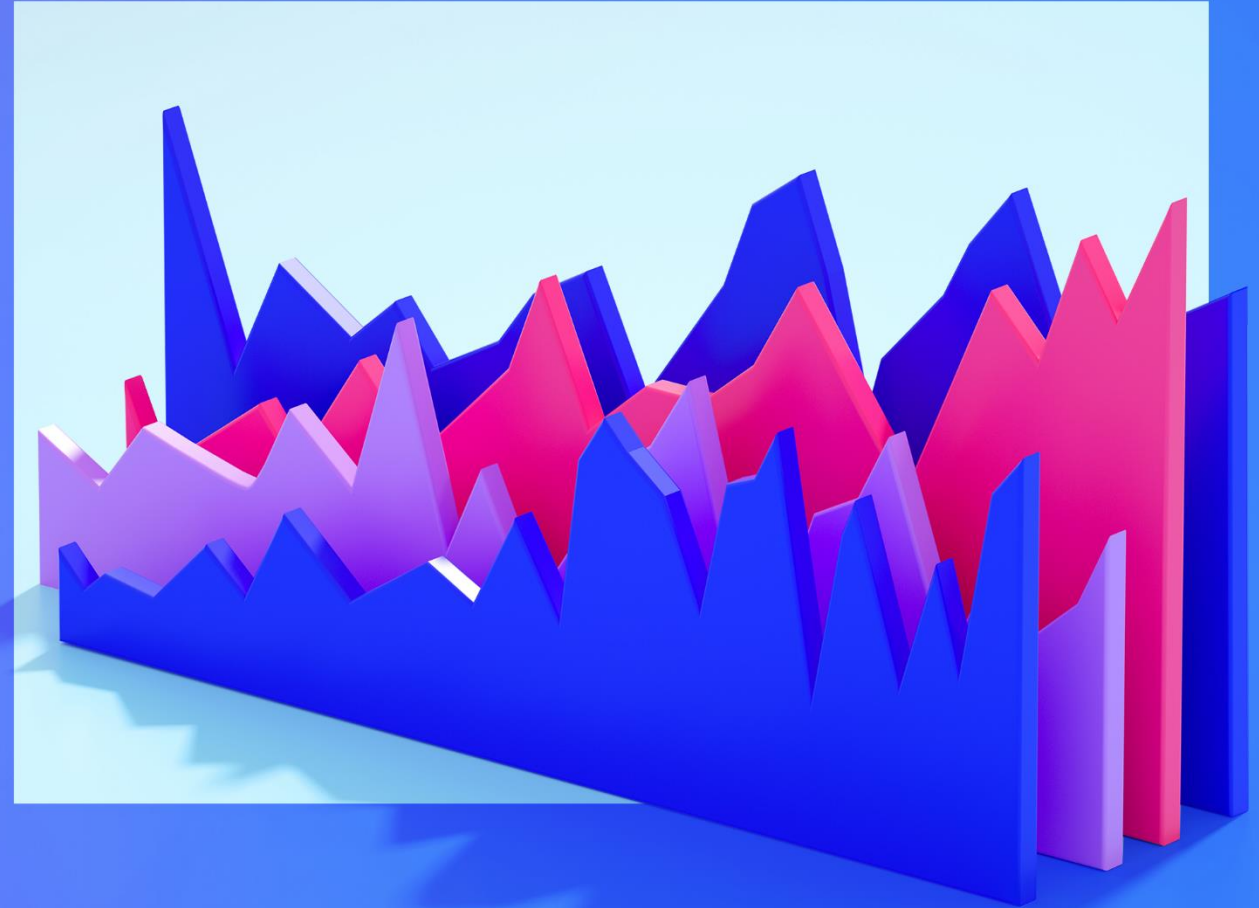
365 days of VAT in Oman

Real Estate Sector

Webinar
26 May 2022

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KPMG speakers today



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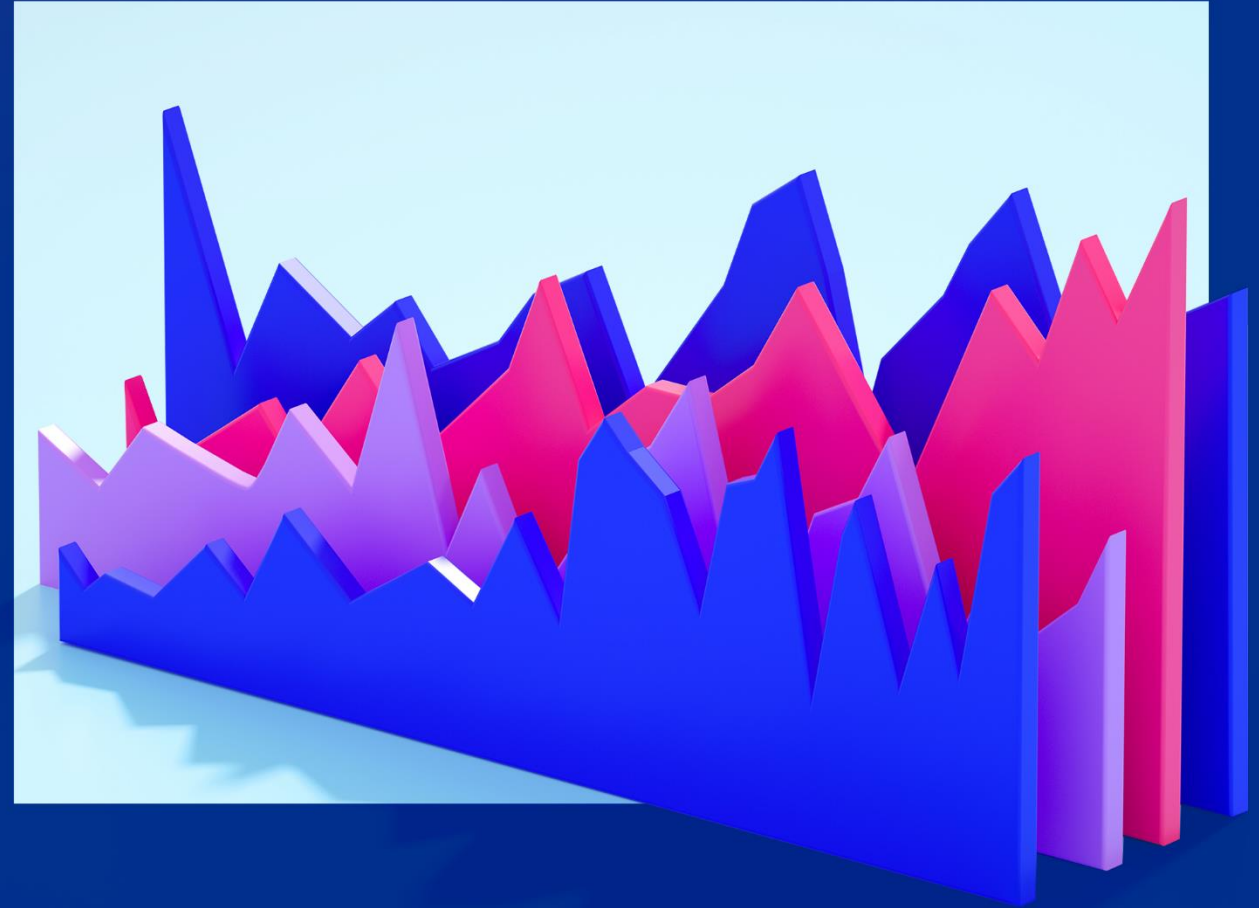
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01

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

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

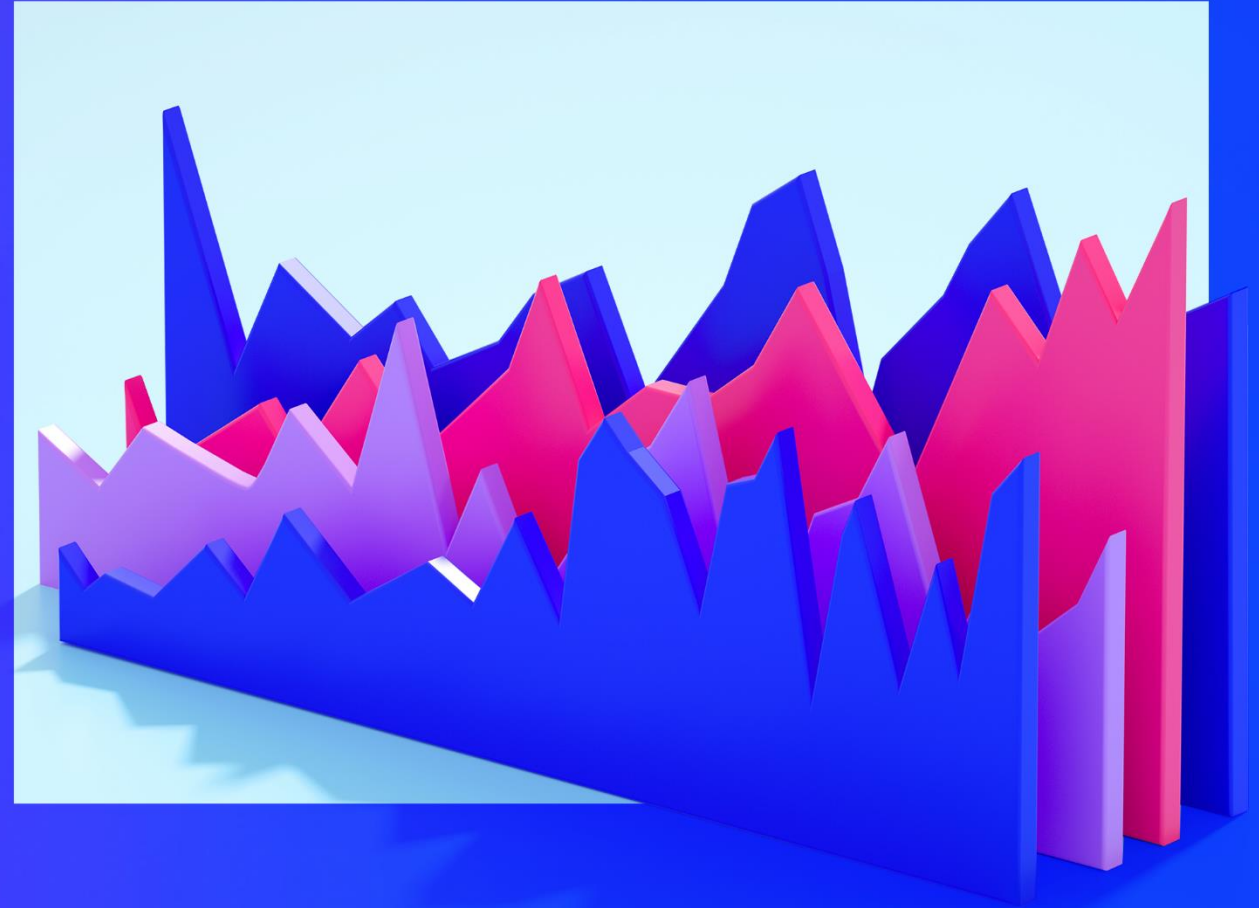


Others

1	Notice on simplified tax invoices
2	Notice on supplies to Government bodies
3	Ministry of Health's list of medicines and medical devices eligible for zero rate
4	Ministry of Energy and Minerals (MEM) communication on Oil & Gas Sector
5	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"> – Resale or lease of residential properties – Bare land – Financial services – Local passenger transport – Healthcare services and related goods and services – Educational services and related goods and services 	<ul style="list-style-type: none"> – Supply of goods or services to or within Special Zones – Crude oil, oil derivatives and natural gas – 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

Scope of real estate

Type of asset	Real Estate?
Bare (undeveloped) land	✓
Building permanently attached to the ground	✓
Car parking lots	✓
Hospitals	✓
Temporary housing that can be moved without damage	✗
Furniture and equipment that are not permanently attached to the property	✗
Equipment that is not permanently attached to the buildings	✗
Mobile homes (caravans)	✗

VAT treatment of real estate supplies

Type of supply	VAT treatment
Supply of commercial real estate	Standard rate
First sale of residential real estate	Standard rate
Resale of residential real estate	Exempt
Renting of residential real estate	Exempt
Supply of bare (undeveloped) land	Exempt
Supply of real estate located within a notified Special Zone	Zero rate

Scope of residential real estate

Type of supply	Residential Real Estate?
Residential apartment or villa	✓
Hotel	x
Tourist complex	x
Commercial complex	x
Mobile homes (caravan)	x
Unlicensed buildings	x

Treatment of specific supplies

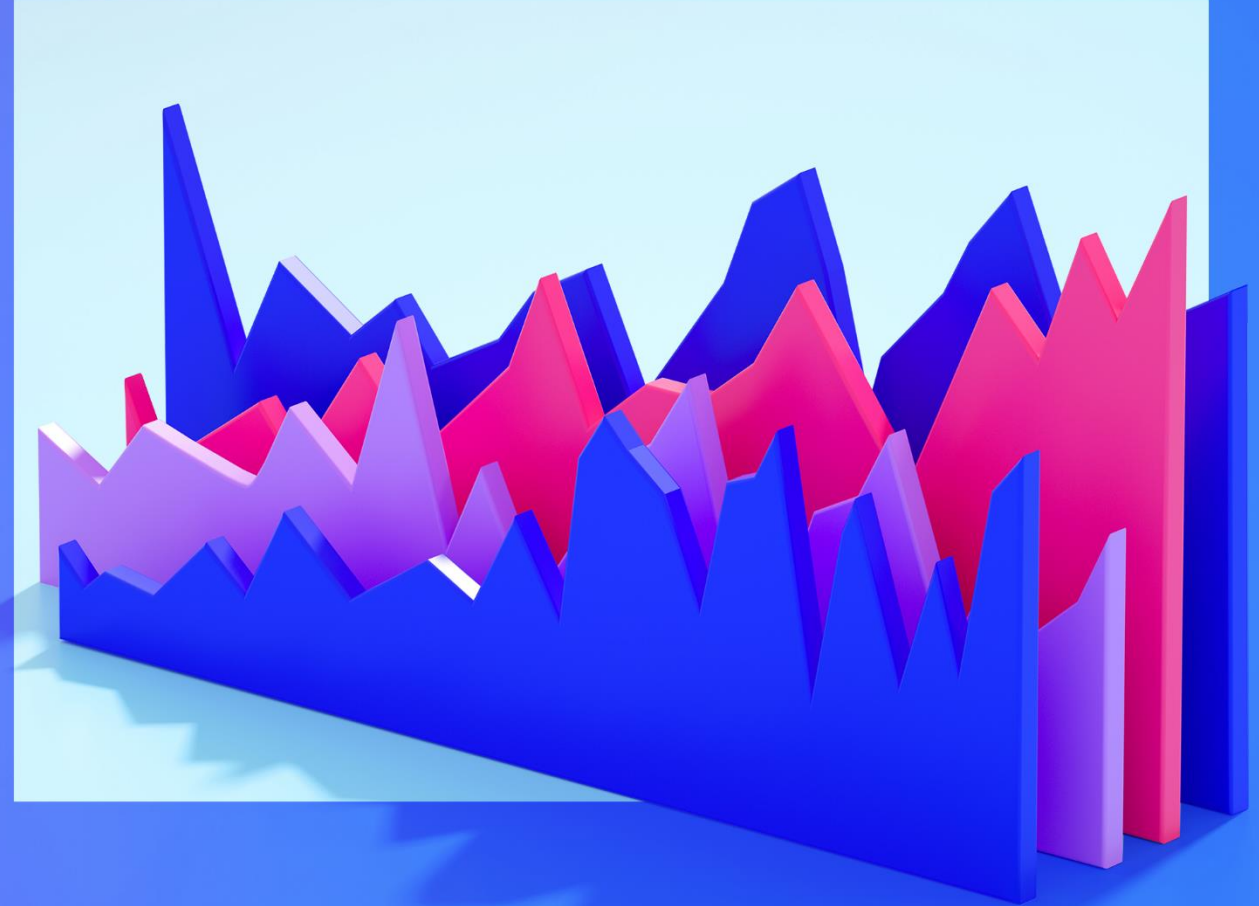
Supplies	VAT treatment
Bare (undeveloped) land	<ul style="list-style-type: none">– Land without man-made structures, or partially completed structures on it above the surface or in the ground below the surface– Changes from undeveloped to developed land – VAT at standard rate on payments related to after change
Real estate owned by individuals	<ul style="list-style-type: none">– No special treatment
Mixed use real estate	<ul style="list-style-type: none">– Properties with residential and commercial use– Apportionment of consideration and input credit
Car parking	<ul style="list-style-type: none">– Independent supply v. composite supply
Service charges	<ul style="list-style-type: none">– Independent supply v. composite supply
Services by non-resident	<ul style="list-style-type: none">– To registered customers in Oman – Recipient to pay VAT as applicable under reverse charge– To unregistered customers in Oman – Non-resident supplier to register in Oman and discharge VAT as applicable

Other aspects

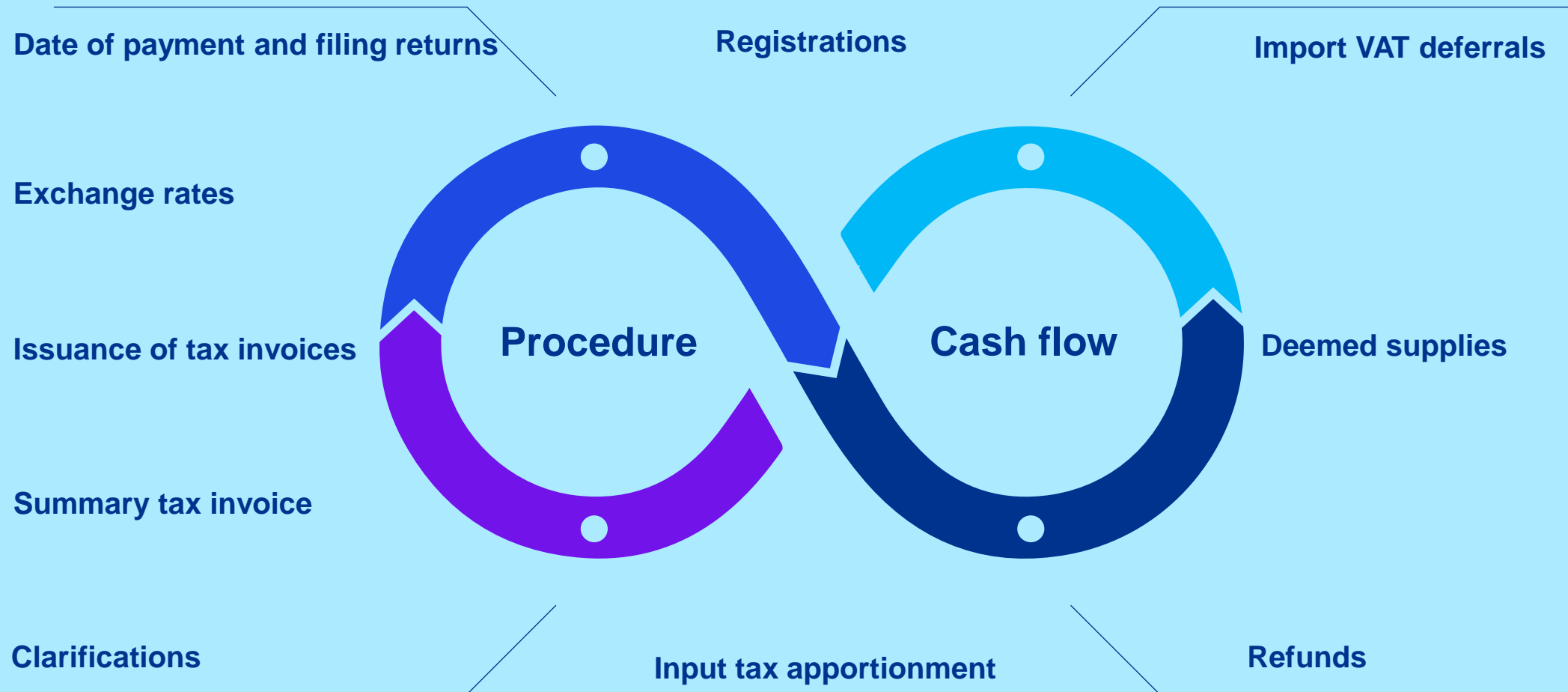
Transaction type	VAT treatment
Retention payments	<ul style="list-style-type: none">– VAT on retention payment (in case of long-term contracts) due on earliest of:<ul style="list-style-type: none">– date of payment of the retention money– date specified on the tax invoice for payment of the retention money– 12 months from the date of commencement of supply (to be determined according to the contract between the parties)
Correction of construction defects (Snagging)	<ul style="list-style-type: none">– If undertaken by the original supplier at his cost – not subject to VAT– If undertaken by the original supplier / third party contractor for additional consideration – VAT as applicable on the original supply
Transitional (cut-over) supplies	<ul style="list-style-type: none">– VAT applicable on the portion of supply made on or after the effective date, even if consideration was received in advance– VAT clause to allow recovery of VAT
Construction / Development cost	<ul style="list-style-type: none">– Used for construction of commercial real estate – Recoverable as input credit– Used for construction of new residential real estate – Recoverable as input credit on the basis it relates to first taxable sale
Transfer as a going concern	<ul style="list-style-type: none">– Transfer of properties as a going concern – not subject to VAT (provided conditions stipulated in the legislation are satisfied)

03

Key procedural reliefs

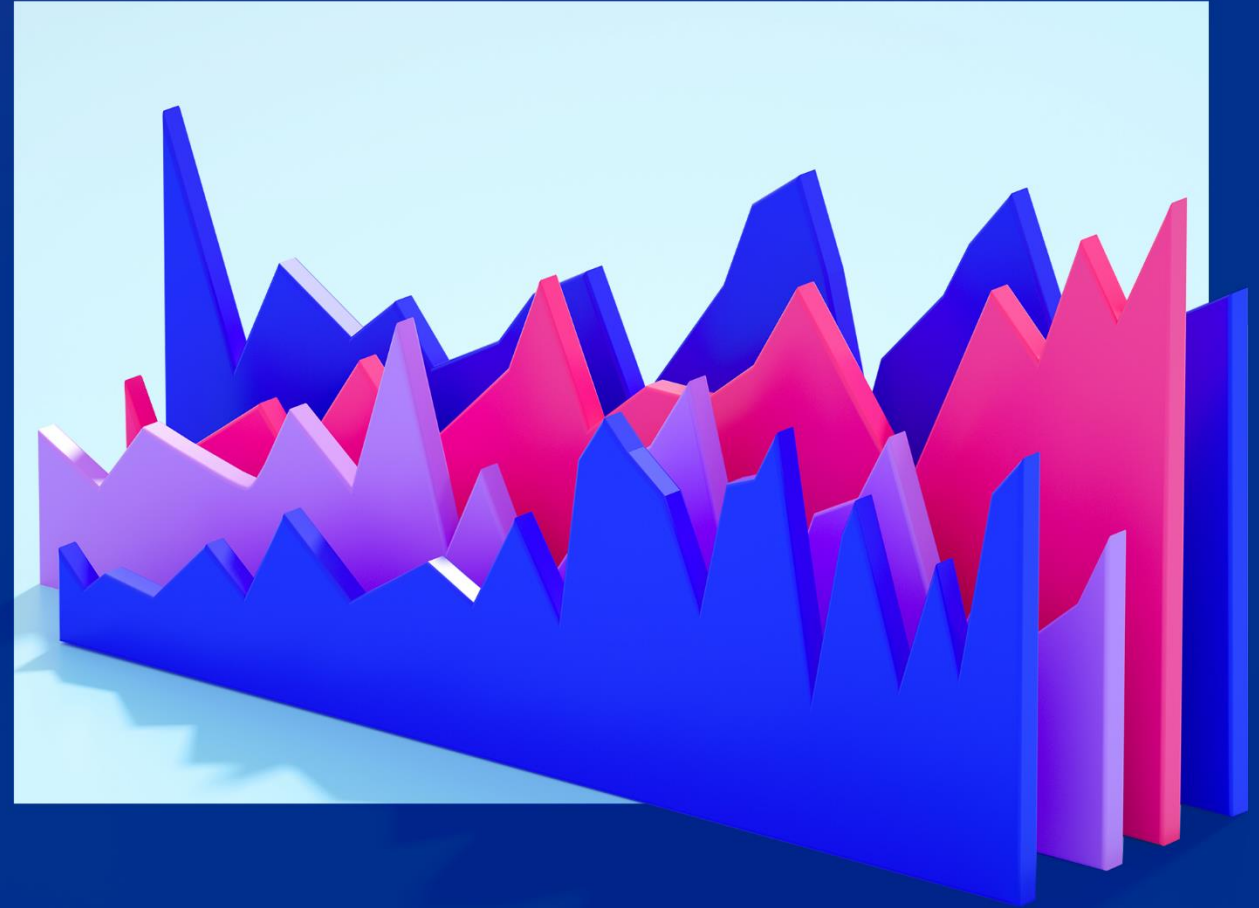


Key procedural reliefs



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Experience of compliances

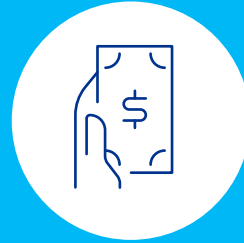


Experience of compliances



Returns

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



Refunds

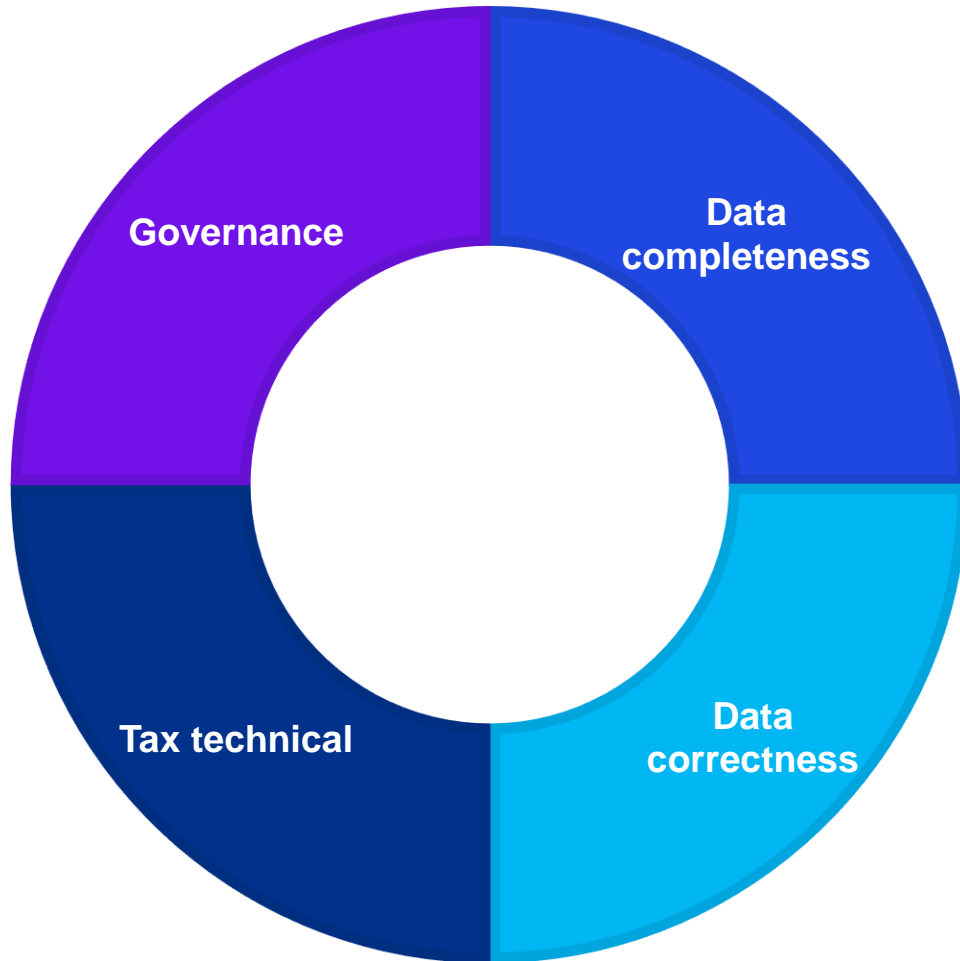
- Periodicity
- Documents
- Disbursals



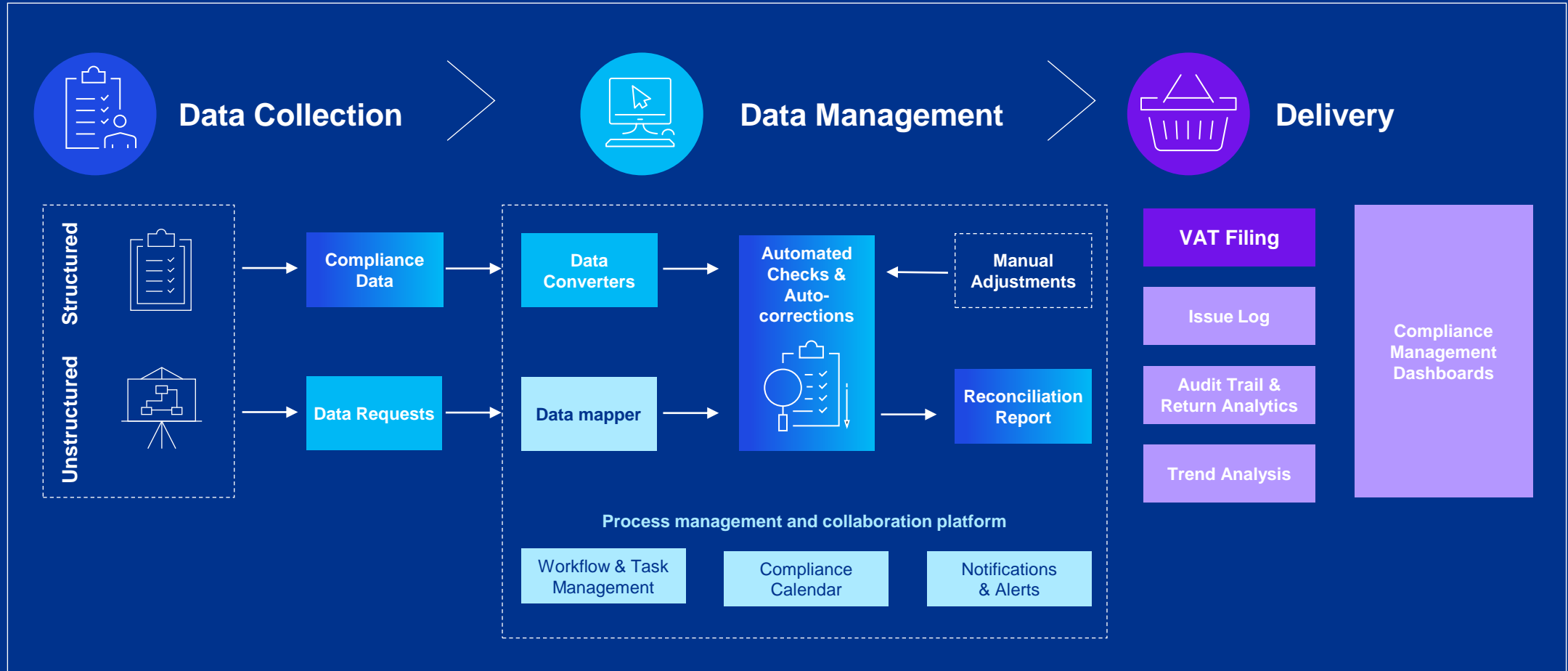
Others

- Registration
- Declaration
- Indemnity
- Responsible Person

Components of compliance

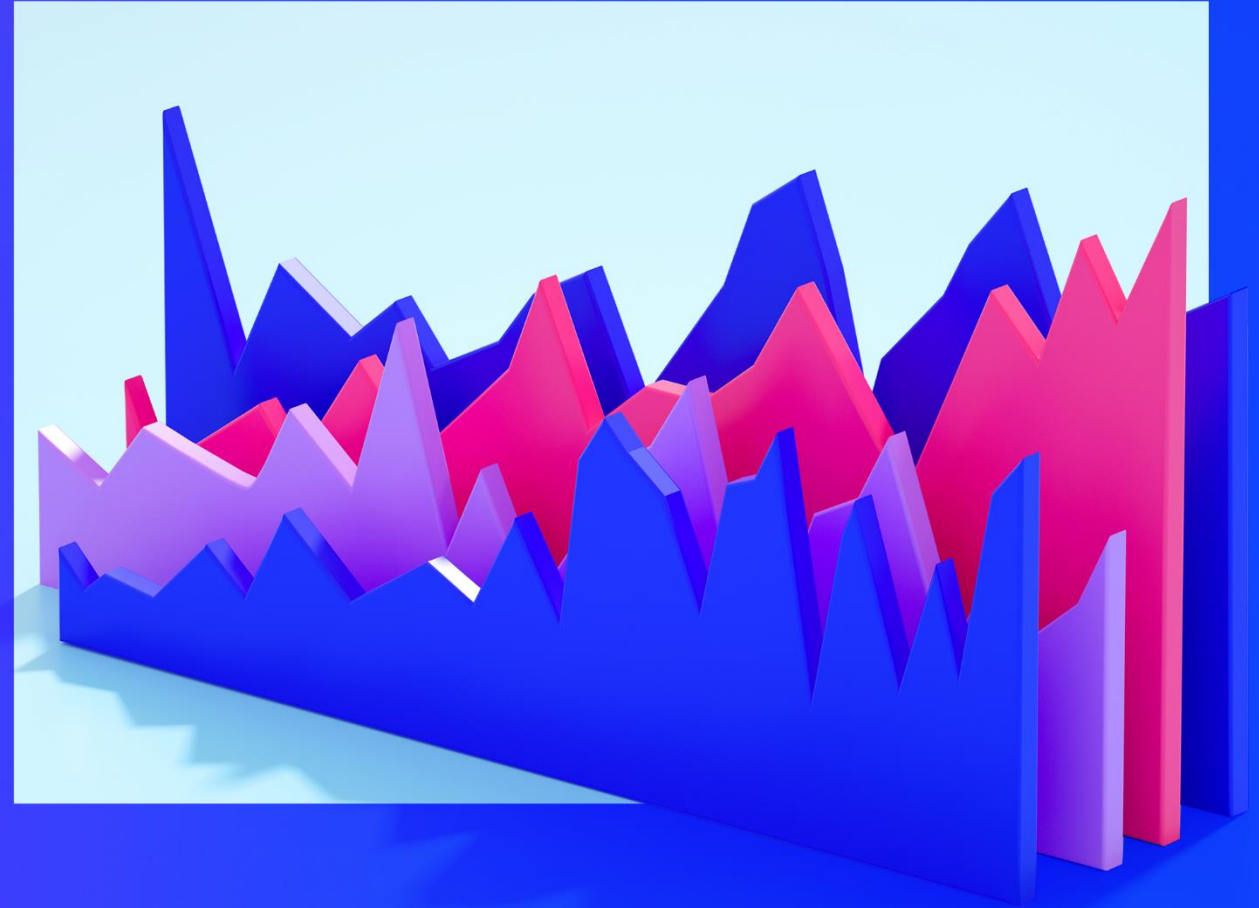


Technology enabled approach



05

Issues for consideration



Issues for consideration

01

VAT due date in case of continuous supply of services

02

VAT due date in case of a time lag between transfer of possession and transfer of title

03

Alternate method for input tax apportionment

04

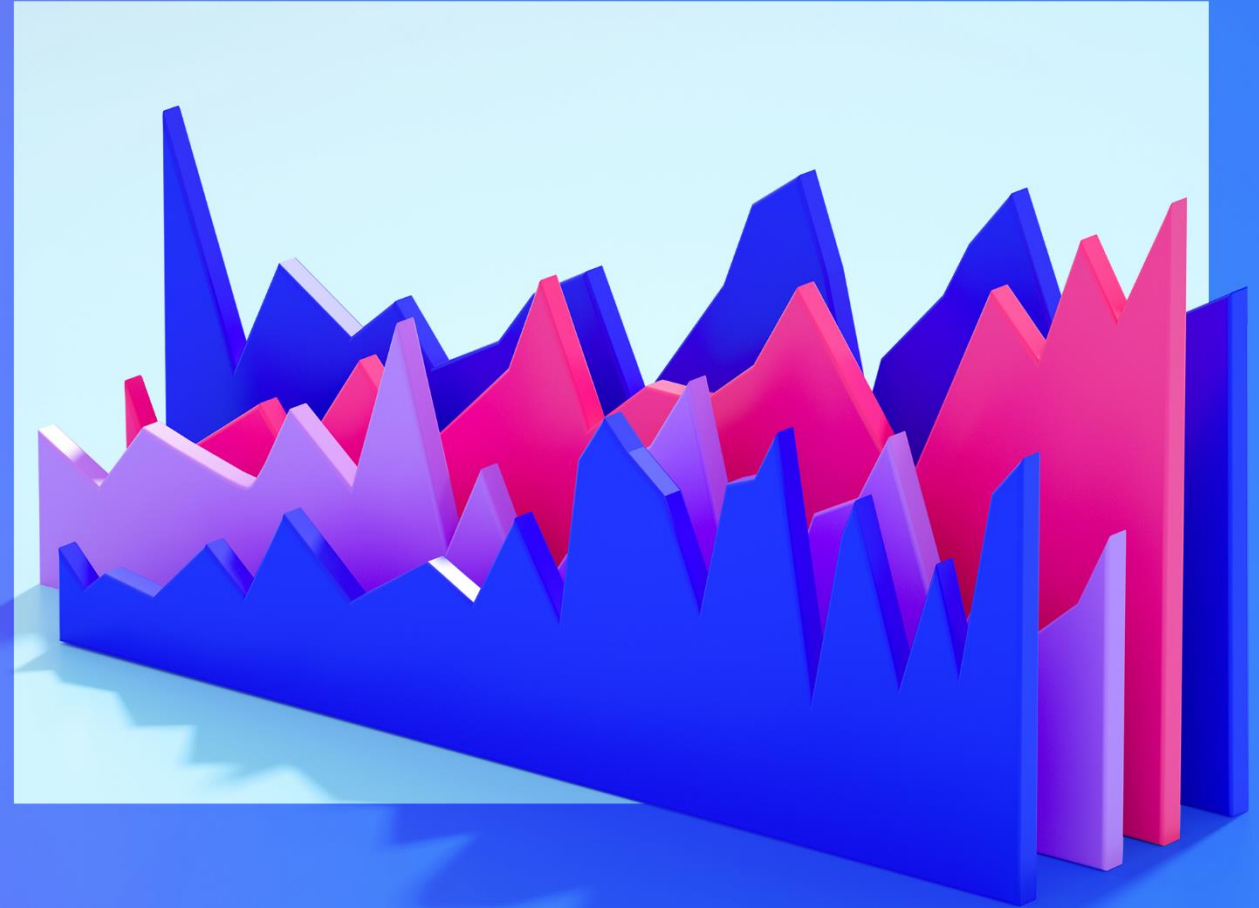
VAT on advances received before the effective date

05

VAT treatment of Rent-free periods

06

Key next steps



Key next steps



Examine if supplies are eligible for any benefit / exemption



Evaluate tax due dates in case of long terms contracts



Evaluate the treatment based on the nature / use of underlying property



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

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