



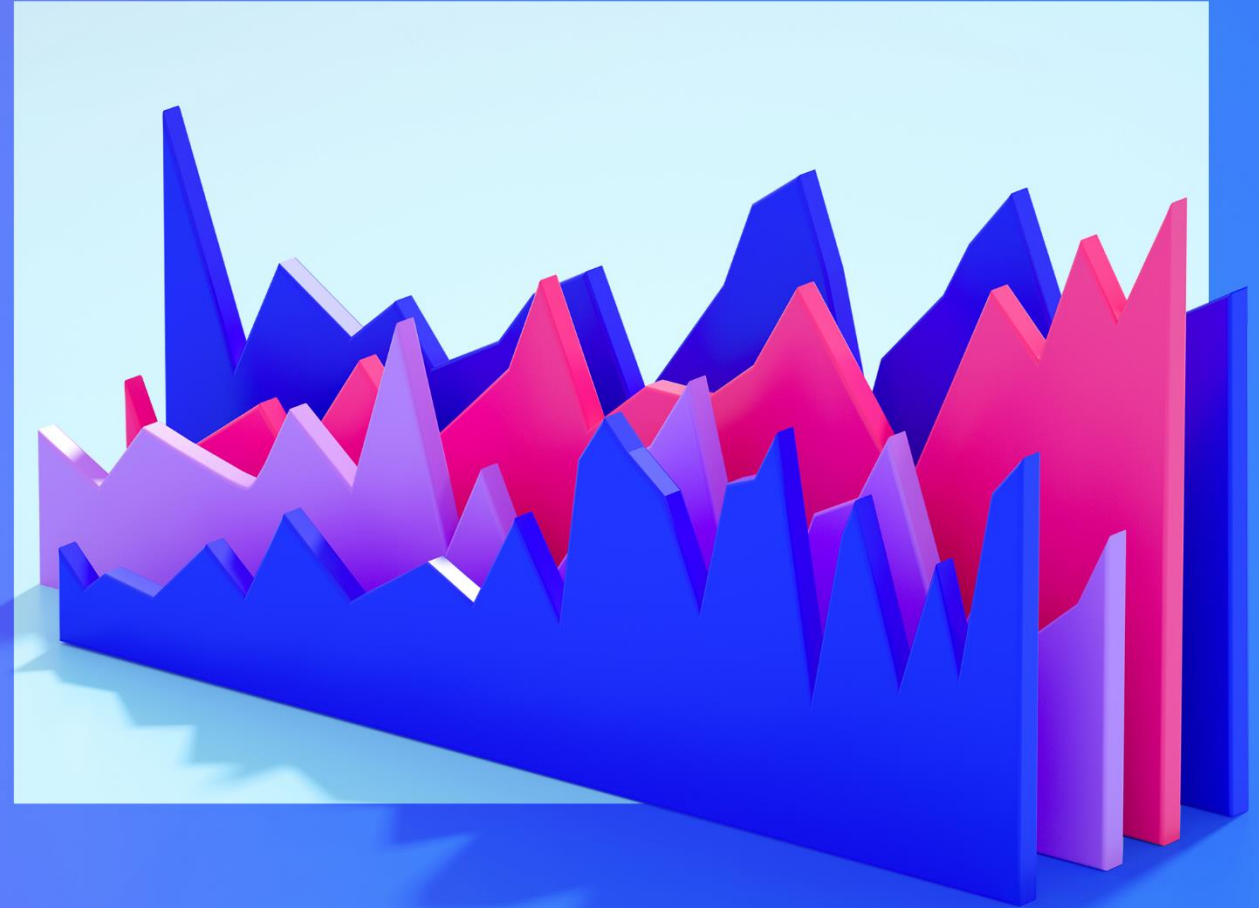
# 365 days of VAT in Oman

## Special Zones

Webinar  
25 May 2022

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# KPMG speakers today



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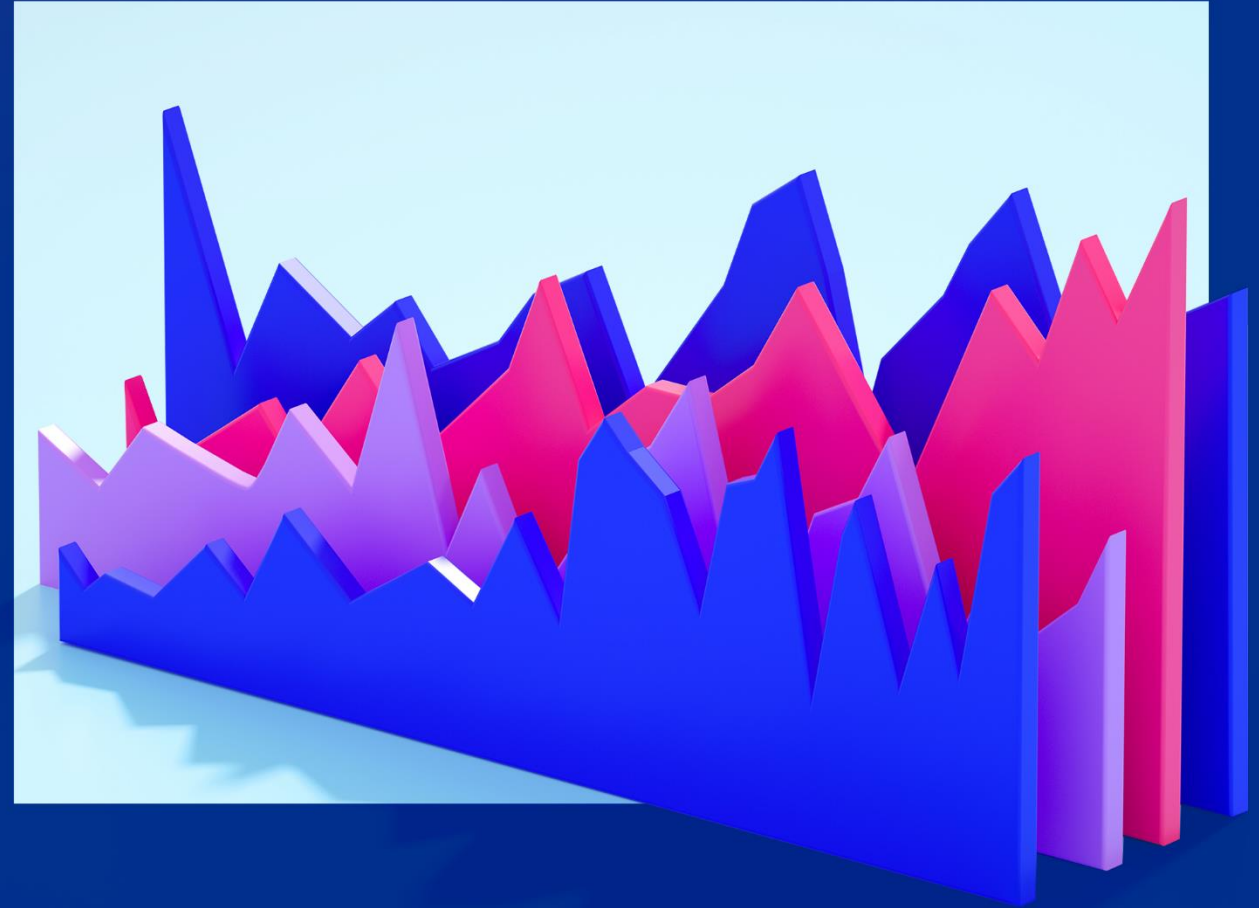


**Abeer Al Balushi**  
Senior Analyst, Indirect tax  
KPMG Lower Gulf

01

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# 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		



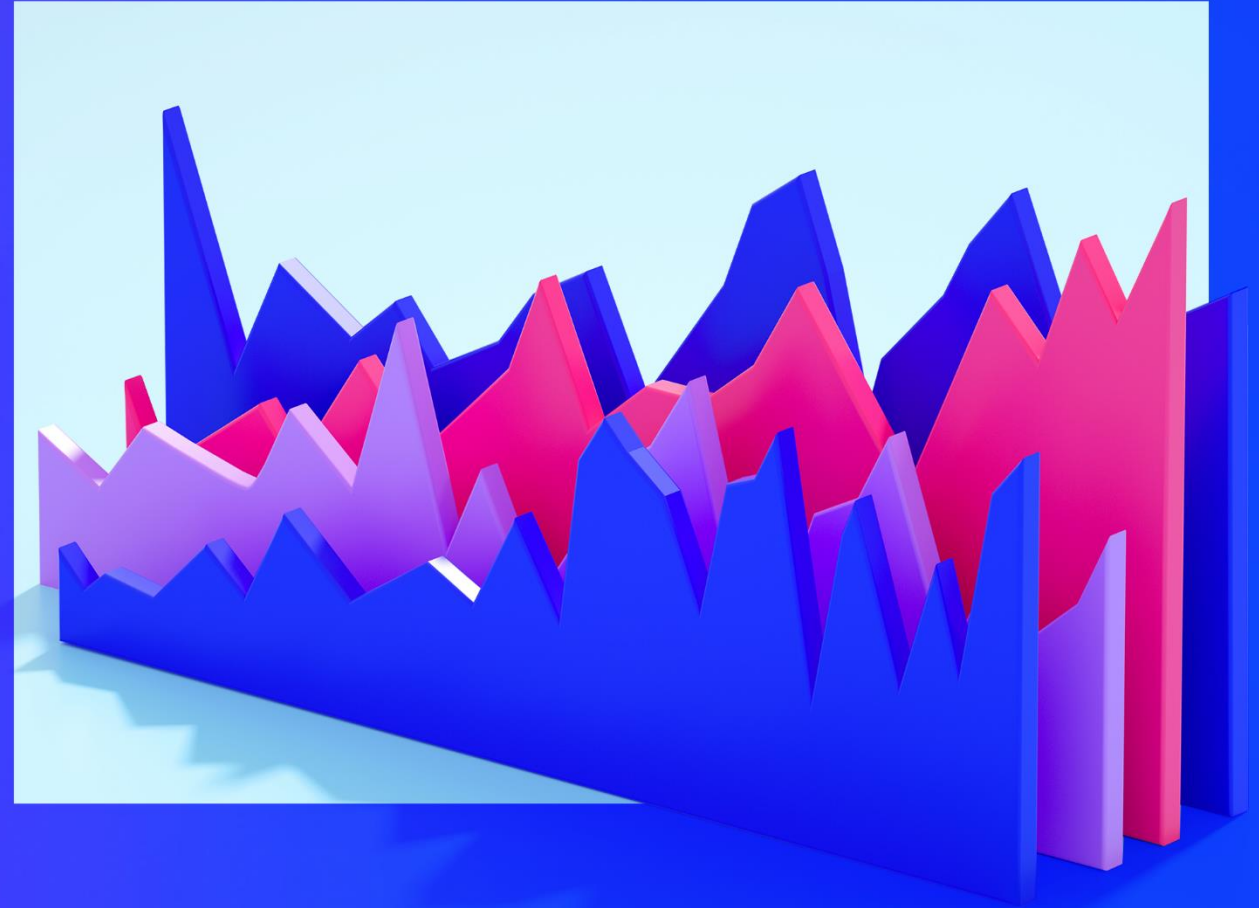
## Others

<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

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# 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>Supply of goods or services to or within Special Zones</b></li> <li>– Crude oil, oil derivatives and natural gas</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>– <b>Import of goods to a Special Zone</b></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>

# Special Zones in Oman



4 Special Zones notified for Oman VAT purposes:

- Sohar Free Zone
- Salalah Free Zone
- Duqm Special Economic Zone
- Al Mazunah Free Zone



Each Special Zone is a specific / designated geographic area supervised and regulated by an authority authorized by the laws in Oman



Special Zone should have procedures in place to monitor the movements and supply of goods to the Zone



3 new free zones recently established :

- Muscat International Airport Free Zone
- Sohar Airport Free Zone
- Salalah Airport Free Zone

Yet to be notified as Special Zone for VAT purposes

Special Zones are considered as located within the territorial part of Oman



# Conditions for zero-rating

01



Goods

1. Customer should be a taxable person (registered for VAT)
2. Customer should be registered with and licensed by the Operating Authority of the Special Zone
3. Goods should be received by the customer for the purpose of its activity within the Special Zone
4. Goods should not be excluded from the right to deduct input tax (e.g. motor vehicles)
5. Documents proving transfer of goods to Special Zone, certified by the operating and supervising authority of the Special Zone should be retained

02



Services

1. Customer should be a taxable person (registered for VAT)
2. Customer should be registered with and licensed by the Operating Authority of the Special Zone
3. Services should be received by the customer for the purpose of its activity within the Special Zone
4. Services should not be related to restaurant or hotel, provision of food and beverages, cultural, artistic, sport, educational, and recreational services
5. Services should not be exempted from VAT

*Customer to provide a confirmation that it is licensed to operate in the Special Zone and that the goods or services are for the purpose of carrying out the activity in the Special Zone*

# Supply of goods to / from / between Special Zones

Transaction type	From	To	Oman VAT treatment	Conditions / notes
Supply or transfer of goods	Outside Oman	<b>Special Zone</b>	Suspended	Subject to suspension conditions
Supply or transfer of goods	Mainland Oman	<b>Special Zone</b>	Zero rate	Subject to zero-rating conditions and obtaining a declaration from the customer
Transfer of goods	Customs suspension status	<b>Special Zone</b>	Zero rate	
Supply or transfer of goods	<b>Special Zone</b>	<b>Special Zone</b>	Zero rate	
Supply or transfer of goods	<b>Special Zone</b>	Mainland Oman	Standard rate	Payable by the importer of goods in Mainland Oman
Supply or transfer of goods	<b>Special Zone</b>	Outside Oman	Zero rate	Subject to export conditions
Transfer of goods	<b>Special Zone</b>	Customs suspension status	Zero rate	Subject to proof of transfer of goods attested by operating/supervising Authority of the Special Zone or the Directorate General of Customs

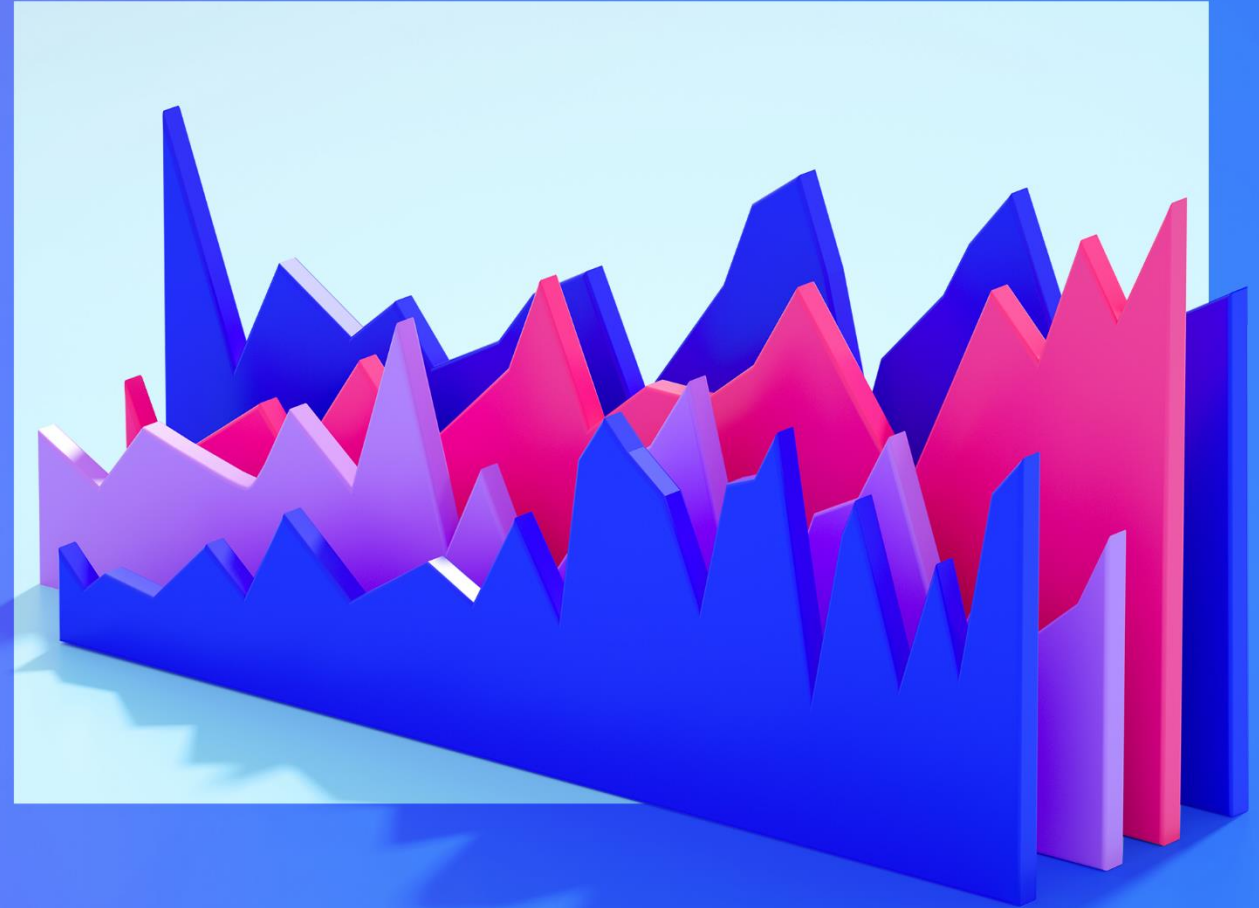
# Supply of services to / from / between Special Zones

Status of supplier	From	To	Oman VAT treatment	Conditions / notes
Non-resident supplier	Outside Oman	<b>Special Zone</b>	Zero rate	<ul style="list-style-type: none"> <li>- Subject to zero-rating conditions.</li> <li>- Standard rated where ineligible for zero-rating or exemption</li> <li>- VAT payable by the recipient under reverse charge mechanism</li> </ul>
Registered supplier	Mainland Oman	<b>Special Zone</b>	Zero rate	<ul style="list-style-type: none"> <li>- Subject to zero-rating conditions</li> <li>- Standard rated where ineligible for zero-rating or exemption.</li> <li>- Input tax deductible by the customer, if eligible.</li> </ul>
Non-taxable /unregistered supplier	Mainland Oman	<b>Special Zone</b>	Out of scope	
Registered supplier	<b>Special Zone</b>	<b>Special Zone</b>	Zero rate	Subject to zero-rating conditions and obtaining a declaration from the customer.
Registered supplier	<b>Special Zone</b>	Customs suspension status	Zero rate	
Registered supplier	<b>Special Zone</b>	Mainland Oman	Standard rate	Payable by the supplier, except where service is otherwise exempt or zero-rated
Registered supplier	<b>Special Zone</b>	Outside Oman	Zero rate	Subject to export conditions

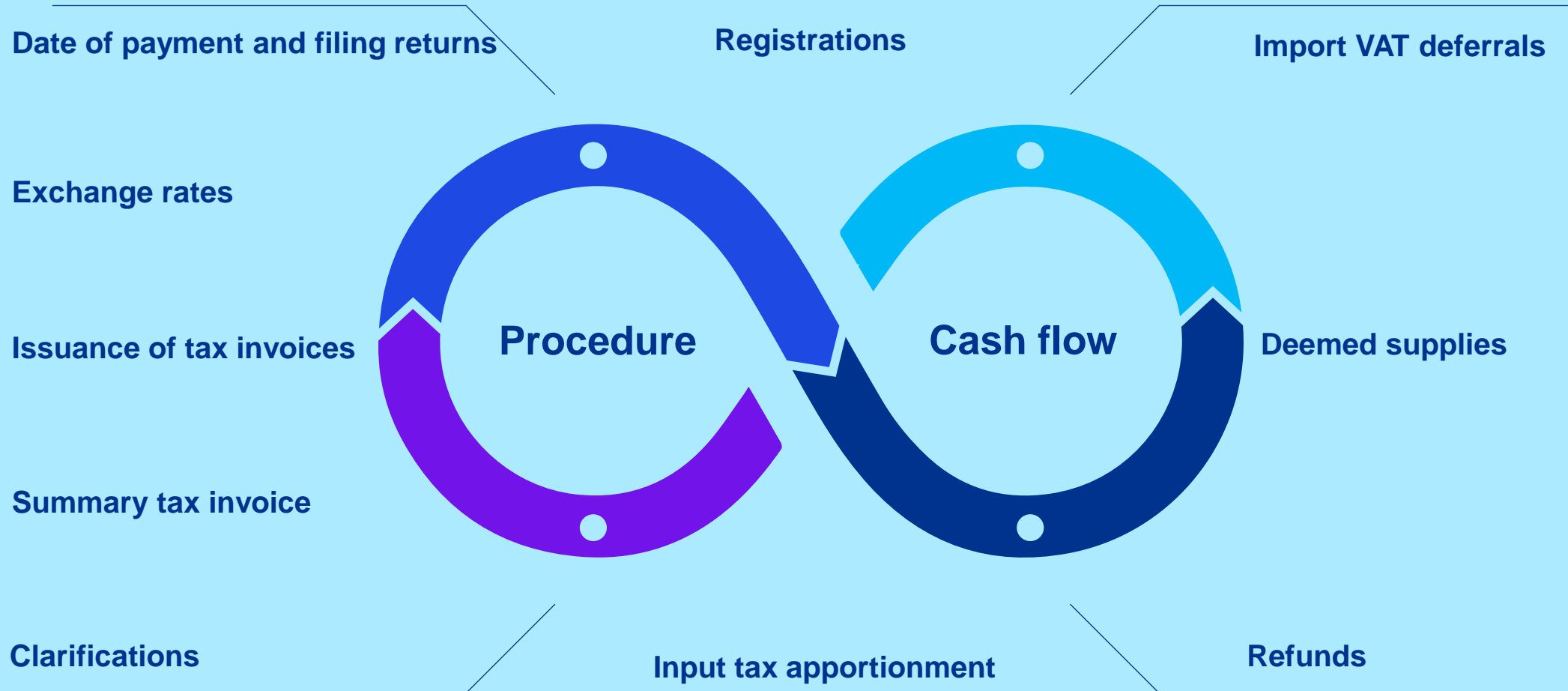
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# Key procedural reliefs



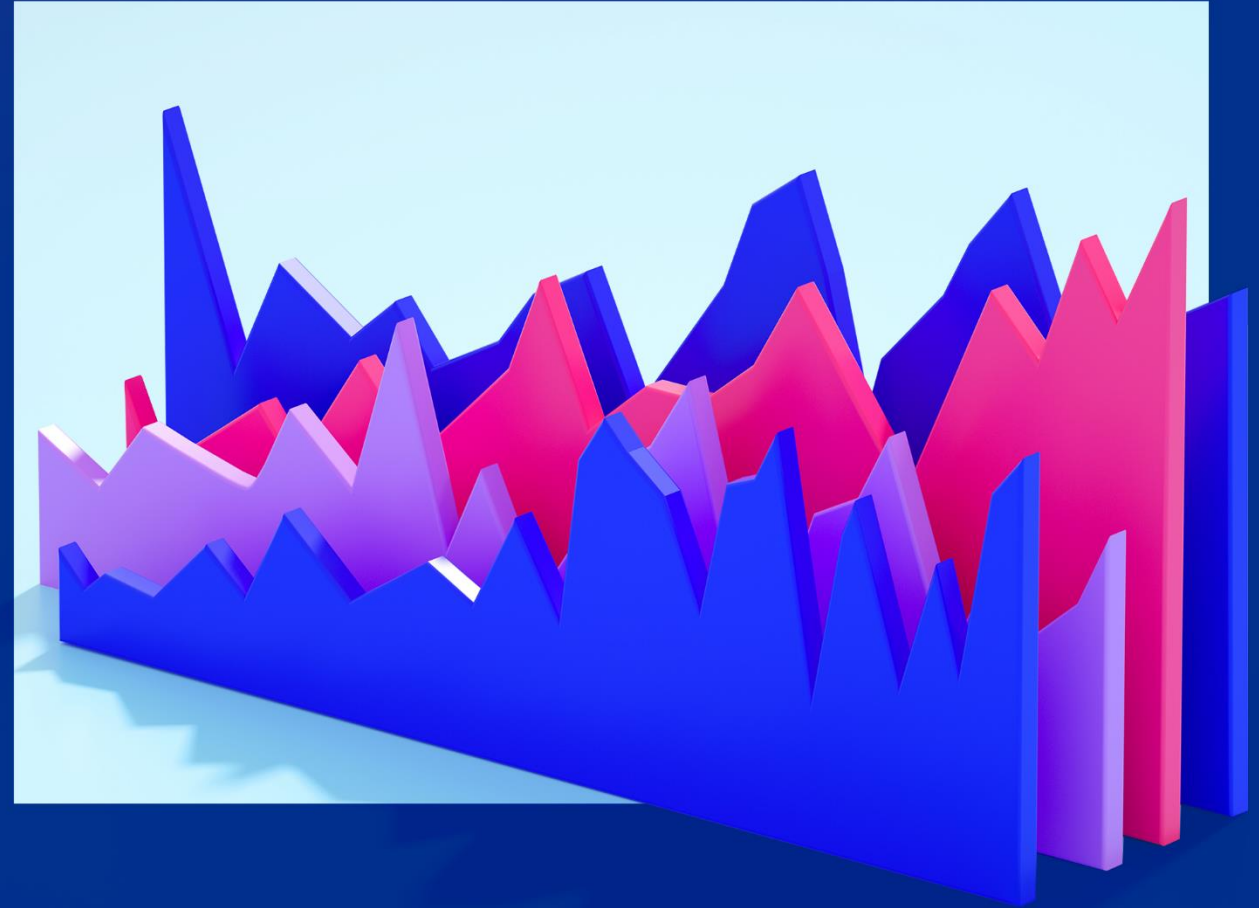
# Key procedural reliefs



04

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# Experience of compliances

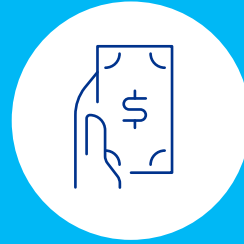


# Experience of compliances



## 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

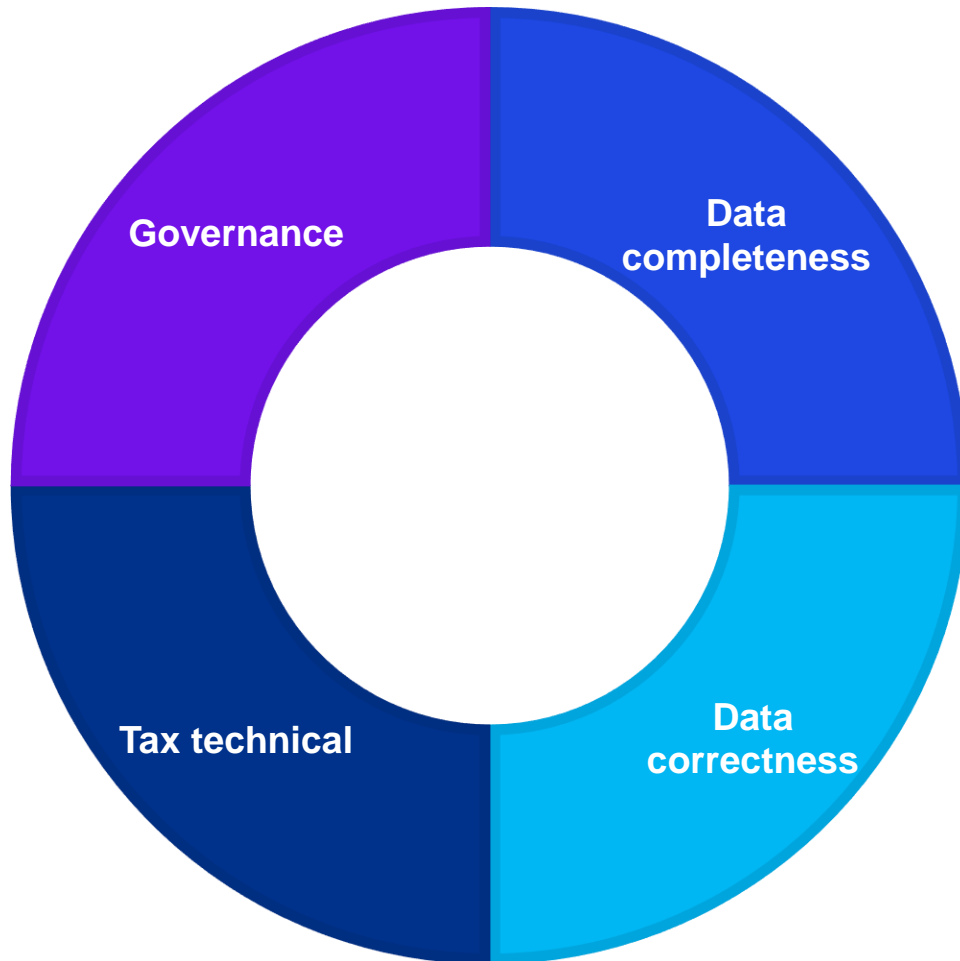
- Periodicity
- Documents
- Disbursals



## Others

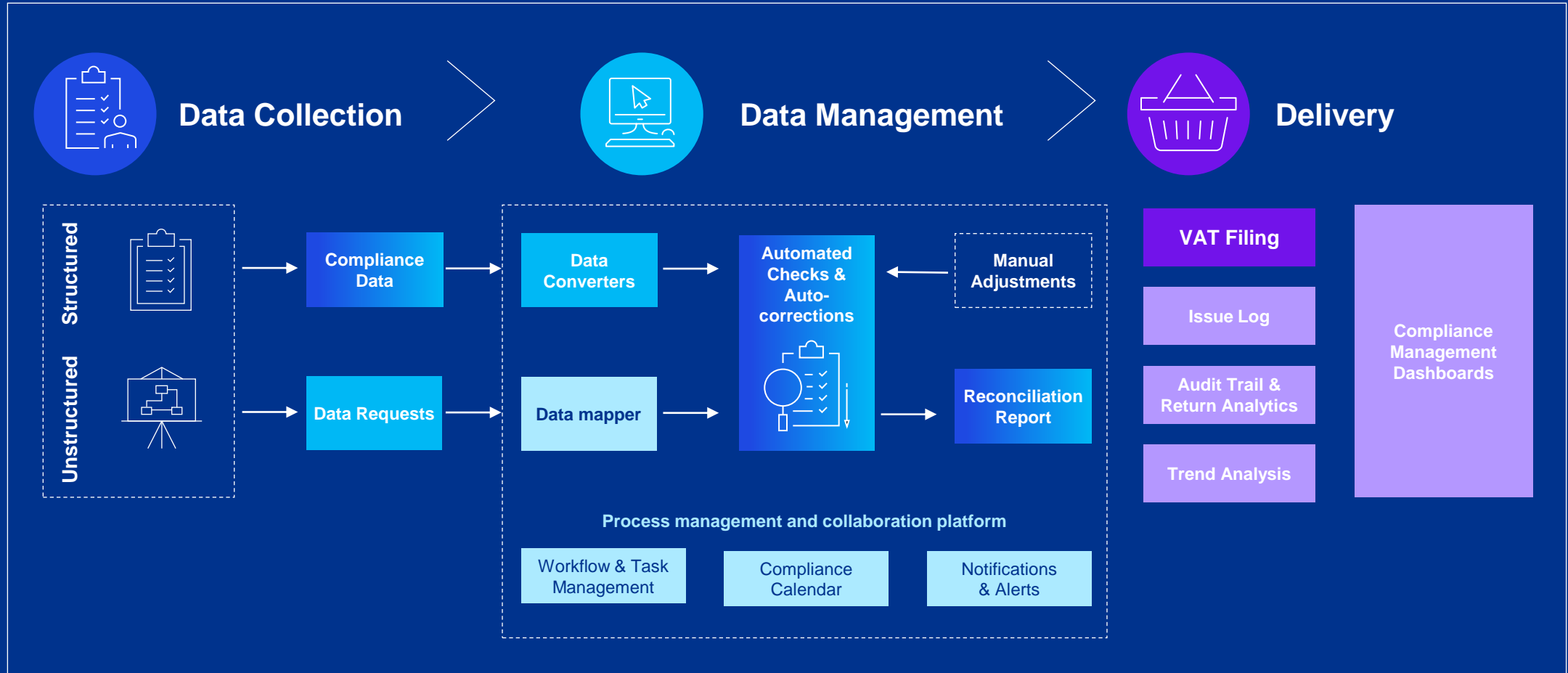
- Registration
- Declaration
- Indemnity
- Responsible Person
- Consignment stock

# Components of compliance





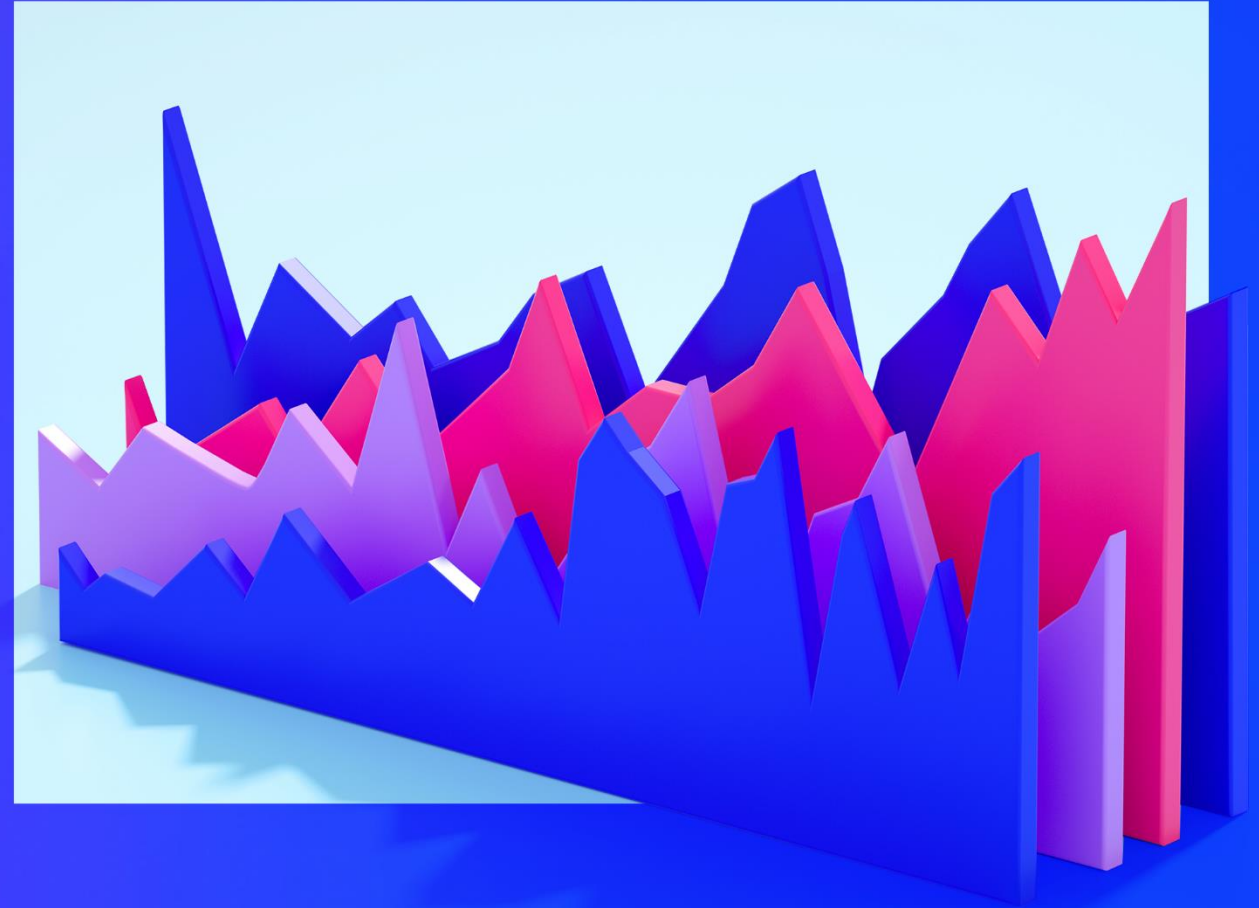
# Technology enabled approach



05

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# Issues for consideration



# Issues for consideration

01

VAT treatment of services performed outside the Special Zone (storage, real-estate related, transportation of goods, etc.)

02

VAT treatment of “bill to - ship to” transaction where the “bill to” party (i.e. the customer) is in Mainland Oman but the “ship to” party (i.e. the recipient) is in the Special Zone

03

VAT treatment of supply of goods by a Special Zone entity to a Mainland Customer on DDP basis

04

VAT treatment of supplies common to offices in the Mainland and Special Zone

05

Whether a business having additional office in Special Zone and registered office in Mainland Oman can be treated as a Special Zone entity?

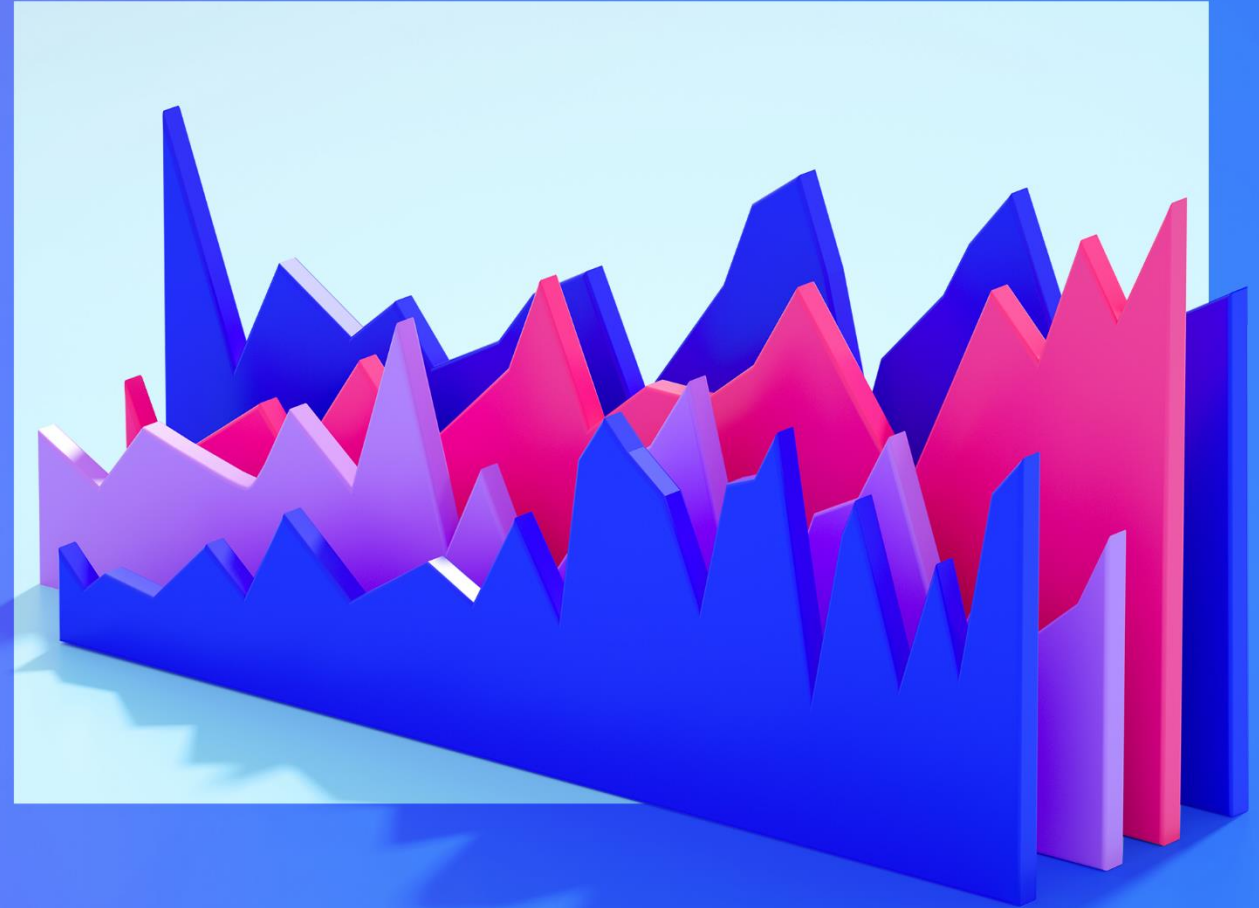
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Inclusion of accommodation in “restaurant or hotel, provision of food and beverages” services

06

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# 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**

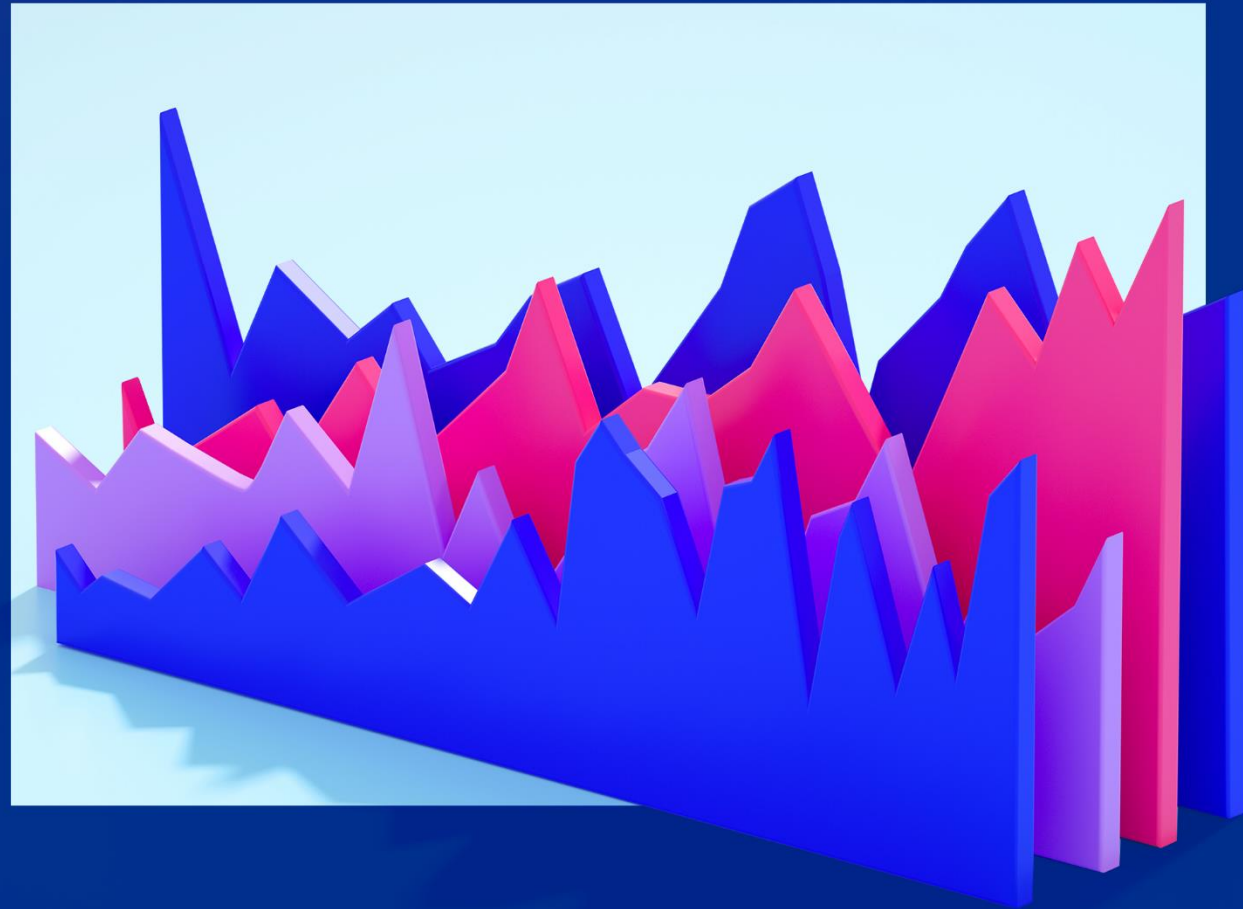


**Ensure complete and correct reporting of transactions in the VAT return**

07

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Q&A



# Contact us



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