



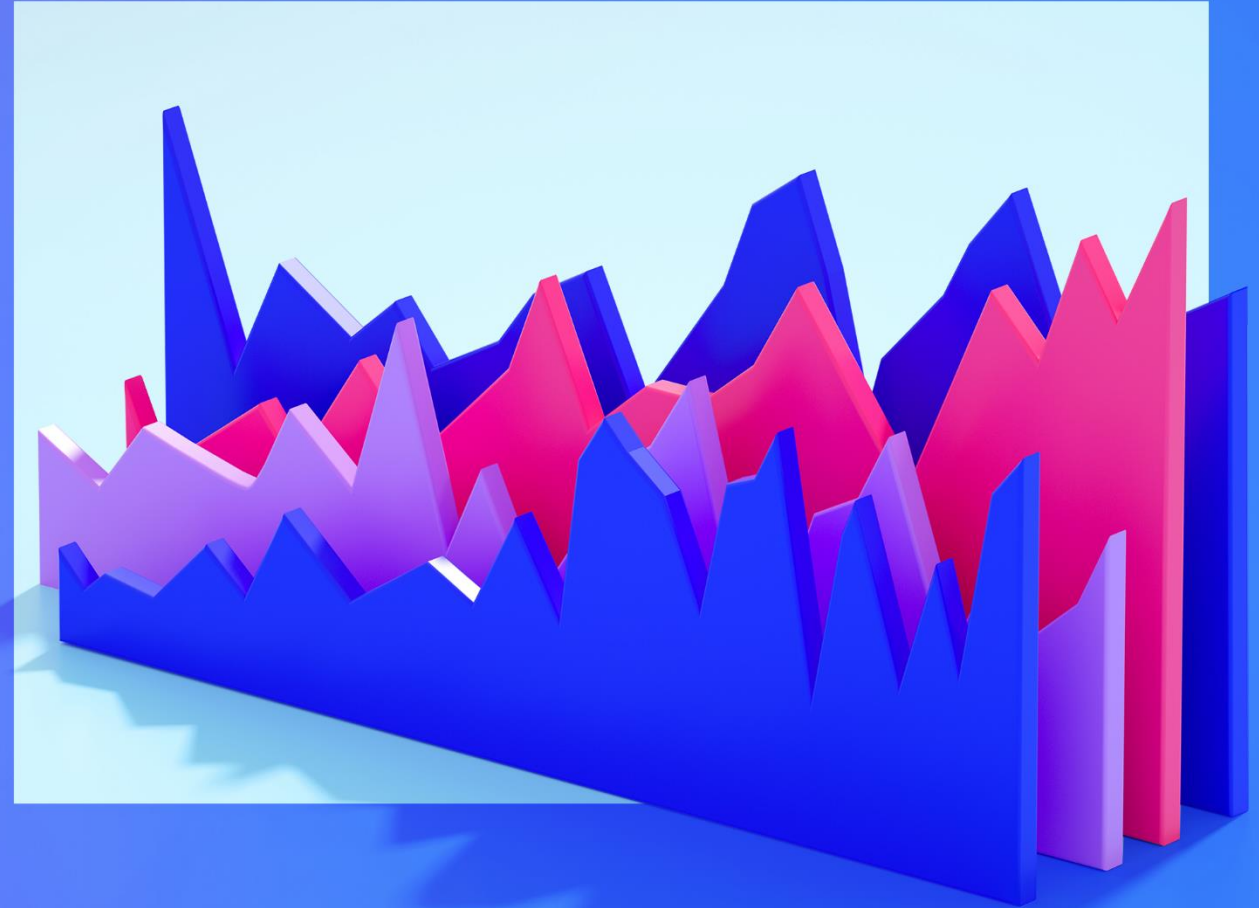
365 days of VAT in Oman

Consumer & Retail Sector

Webinar
1 June 2022

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KPMG speakers today



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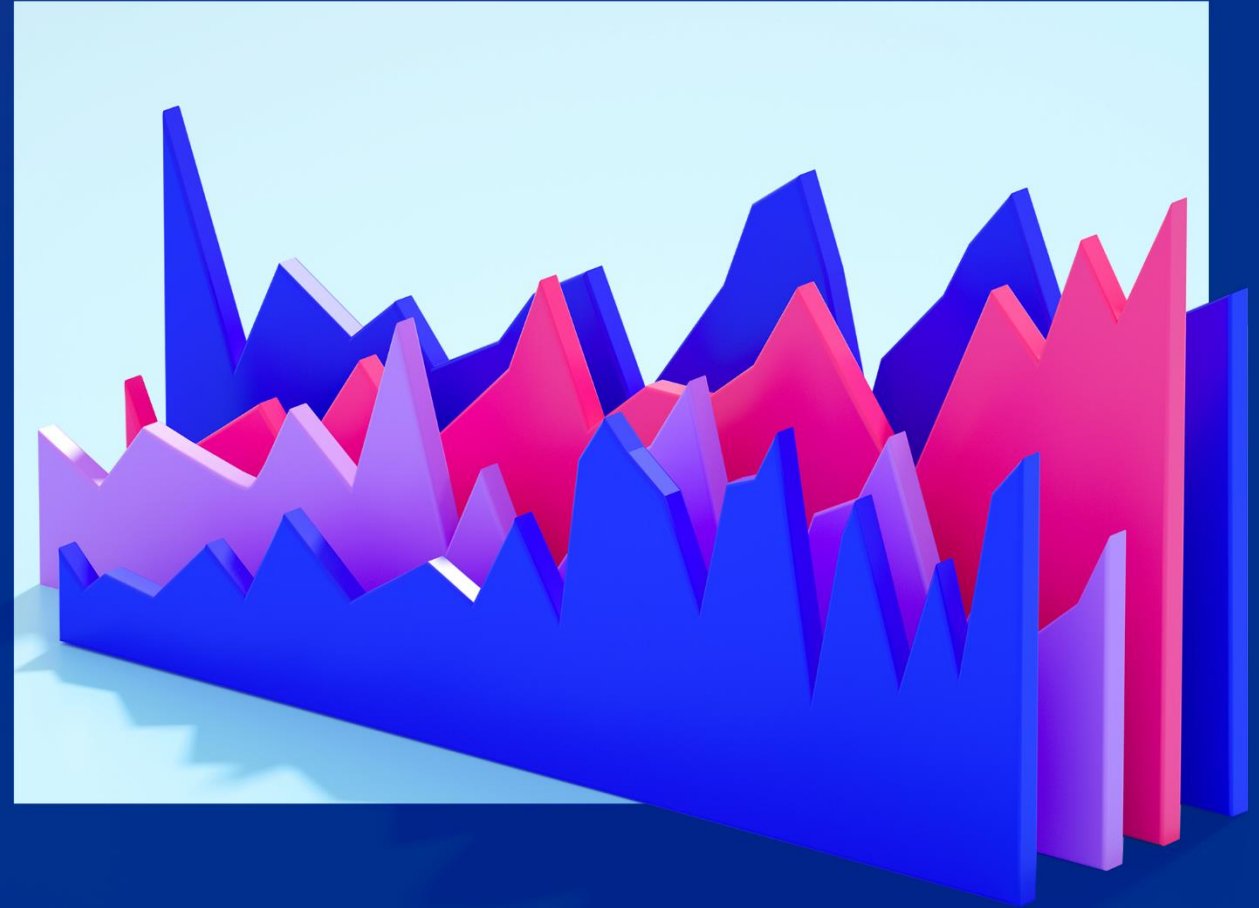


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01

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

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

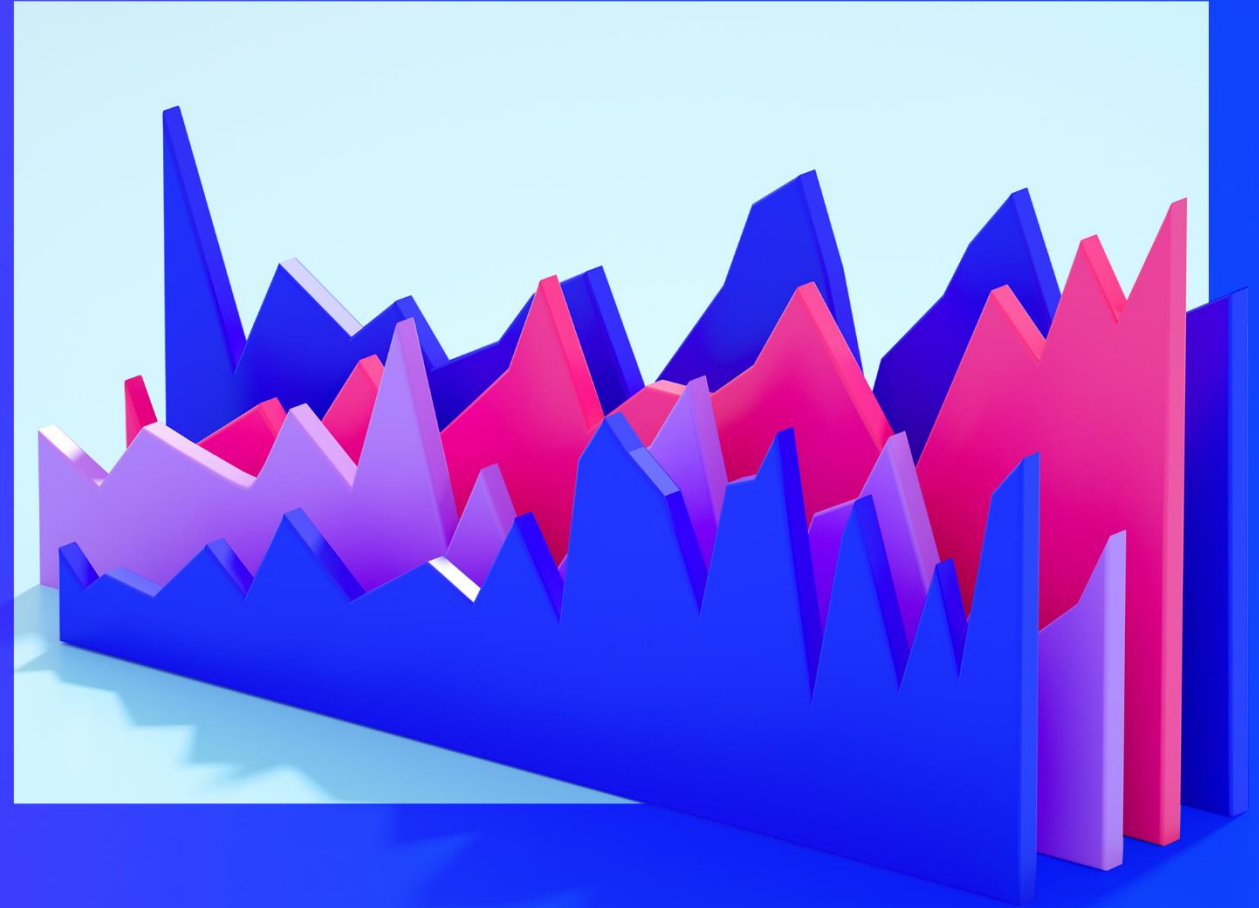


Others

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"> – Healthcare services and related goods and services – Local passenger transport – Financial services – Educational services and related goods and services – Bare land – Resale or lease of residential properties 	<ul style="list-style-type: none"> – Specified food items – Specified medicines and medical equipment – Investment gold, silver and platinum – 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 – Supply of goods or services to or within Special Zones – Crude oil, oil derivatives and natural gas 	<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 zero rating and exemption

Activity	Scope (illustrative)
Zero rating for food items (Art. 51(1) of the Law)	<ul style="list-style-type: none">– Zero rating on supply of specified food items– 94 specified food products zero rated <i>vide</i> Decision No. 02/21– List expanded from 94 products to 488 products <i>vide</i> Decision No. 65/21– List expanded from 488 products 513 products <i>vide</i> Decision No. 89/22
Zero rating for medicines and medical devices (Art. 51(2) of Law)	<ul style="list-style-type: none">– Zero rating on supply of specified medicines and medical devices– Includes medicines, herbal medicines, biological products, health products, food for medical use– Subject to MOH's permission for release– List with HS Codes and description of goods eligible for zero rating available on the MoH website
Exemption for healthcare and healthcare related goods and services (Art 47(2) of the Law r/w Art. 80 of the ER)	<ul style="list-style-type: none">– Exemption on select healthcare services and healthcare related goods and services provided by medical professionals and medical institutions– Related goods and services exclude supplies of commercial nature e.g. food and drink to visitors, parking fee, etc.

Consideration

Transaction type	VAT Treatment
Discounts	<p>Trade discounts</p> <ul style="list-style-type: none">– Reduced from the value of taxable supplies provided:<ol style="list-style-type: none">1. Value of discount or reduction is mentioned in the tax invoice2. Supplier has a written policy with respect to discounts and reductions <p>Post supply discount</p> <ul style="list-style-type: none">– Reduced from the value of taxable supplies provided:<ol style="list-style-type: none">1. Supplier has a published, consistent and commercial policy for discounts2. Supplier issues a valid credit note to the customer for reduction3. Reduction and adjustment is reflected in the accounting records
Reimbursements	<ul style="list-style-type: none">– Recovery of amounts paid by the supplier on his own account– Reimbursements liable to VAT
Disbursements	<ul style="list-style-type: none">– Recovery of amounts paid by the supplier for and on behalf of the customer where the legal responsibility is that of the customer– Disbursements outside the scope of VAT

Consideration

Transaction type	VAT Treatment
Remuneration in kind	<ul style="list-style-type: none">– Non-cash component determined with reference to fair market value– Non-cash component liable to VAT, if applicable
Barter	<ul style="list-style-type: none">– Each supply a separate supply– Taxable value determined with reference to valuation rules
Exchange/trade-ins	<ul style="list-style-type: none">– Each supply a separate supply– VAT, if applicable, payable on the full selling price of new goods
Deposits	<ul style="list-style-type: none">– Refundable deposits outside the scope of VAT– Non-refundable charges, deposits or fees collected, that are full or part payments for a taxable supply liable to VAT, if applicable
Service charges and gratuity payments	<ul style="list-style-type: none">– Service charge recovered as a compulsory consideration liable to VAT– Discretionary tips not shown / shown separately on the invoice outside the scope of VAT

Deemed supplies

Transaction type	VAT Treatment
Exception for low value items	<ul style="list-style-type: none">– Gifts or free samples not deemed supplies if provided for promoting the taxable person's activities provided:<ol style="list-style-type: none">1. Gifts or free samples promote the sale of a certain product2. Value of gifts or free samples per recipient per tax year does not exceed OMR 503. Total value of gifts or free samples to all recipients per tax year does not exceed OMR 1000
Exception for commercial considerations	<ul style="list-style-type: none">– Waiver of consideration not deemed supplies if :<ol style="list-style-type: none">1. Waiver is for commercial considerations2. Waiver for customers who will pay consideration for other supplies in the future3. No purchase directly linked to the supply
Free supplies	<ul style="list-style-type: none">– Free supplies– Conditional supplies

Inventory and stock

Transaction type	VAT Treatment
Returned goods	<ul style="list-style-type: none">– VAT adjustment possible provided return is within three (3) months from the date of supply– No party should have benefitted from the return
Lost, stolen and damaged goods	<ul style="list-style-type: none">– No reversal of input VAT on lost, stolen or damaged goods subject to notifying the tax authority within 30 days– Taxpayer to maintain audit trail and documentation for assessments
Consignment stock	<ul style="list-style-type: none">– Date of supply for VAT on the date on which the goods are placed at the customer's disposal

Others

Transaction type	VAT Treatment
Supplier contribution for marketing expenses	<ul style="list-style-type: none">– Qualify as consideration for 'supply of service' by Distributor to the Principal– VAT may apply even if Principal is overseas - export benefit may not be available
Shelf rental, listing and placement fee	<ul style="list-style-type: none">– Taxable supply liable to VAT at standard rate of 5%

Scope of Profit Margin Mechanism (“PMM”)

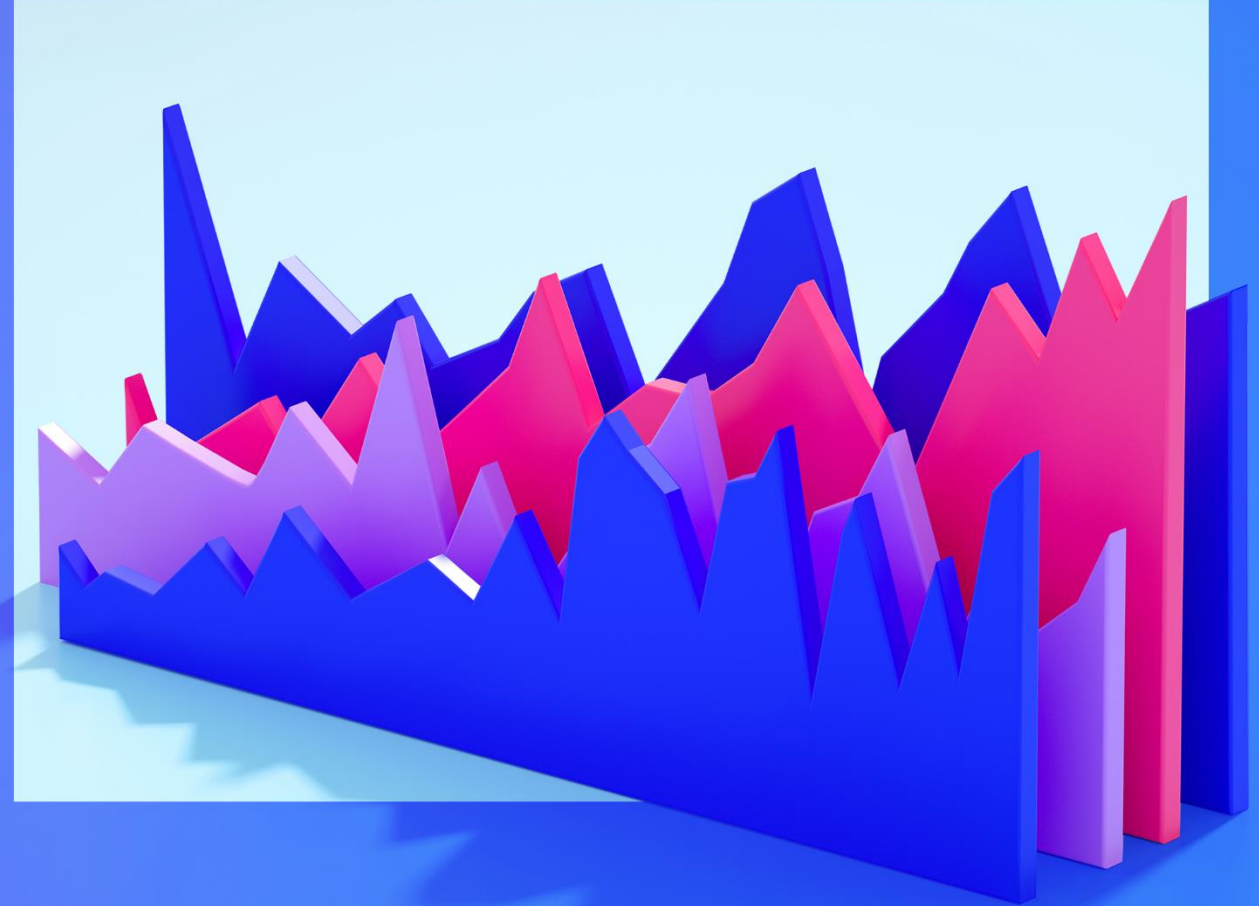
Activity	Scope
Scope of used goods (Art. 42 of ER)	<ul style="list-style-type: none">– Tangible moveable property suitable for further use with / without repair subject to no change in basic character– Antiques more than (50) fifty years old, art works or other items of scientific, historical or archaeological importance– Assets of collectors including stamps, coins, banknotes, collections etc.
Eligibility for PMM (Art. 43 of ER)	<ul style="list-style-type: none">– Activity of buying or selling used goods within the scope of the taxable person’s usual activity– Approval from TA to use the PMM– Used goods to be located in Oman– Used goods to be procured from any of the following persons:<ol style="list-style-type: none">1. A non-taxable person in Oman2. A taxable person who has calculated VAT on the used goods under the PMM under the approval of the TA3. A taxable person who is not allowed to deduct input VAT on these goods under Article 56 of ER and Article 42 of the Law.

Key clarifications in the PMM guide

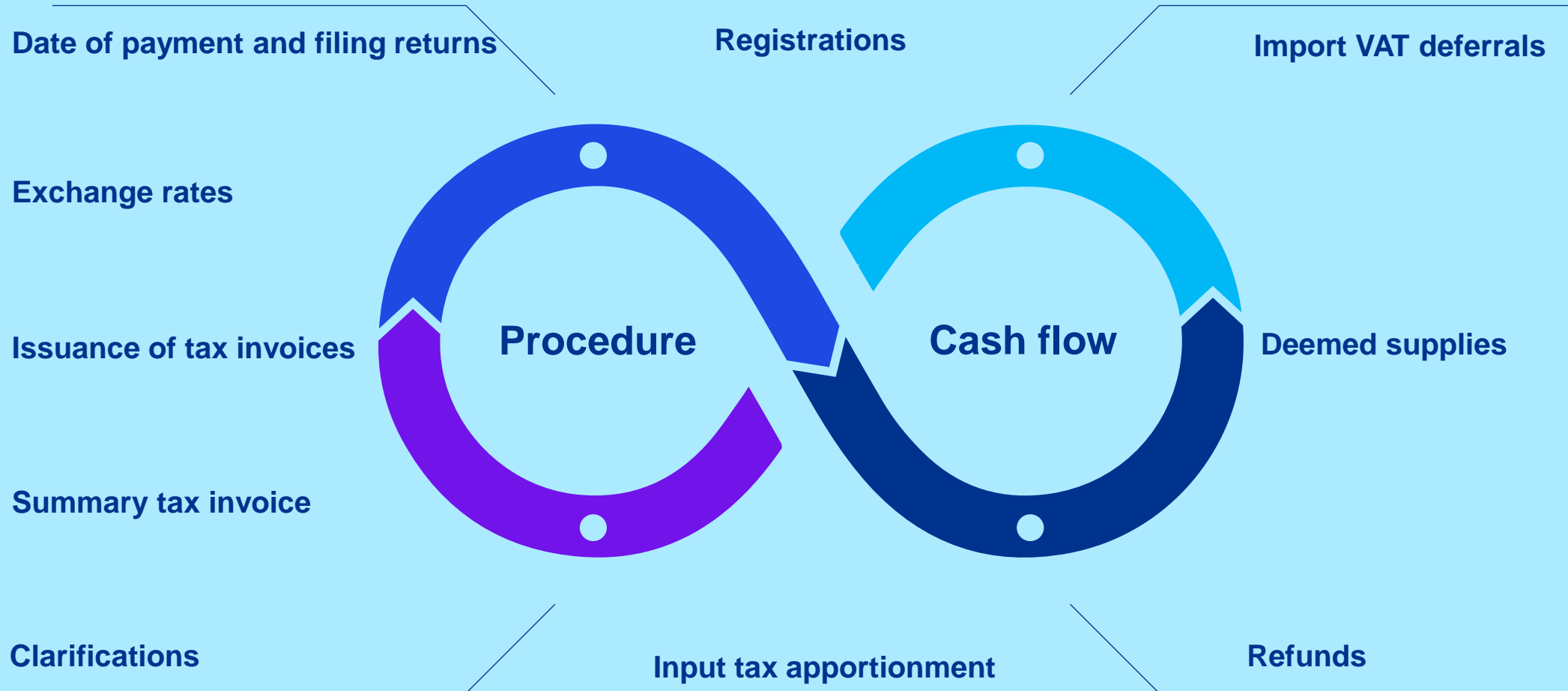
Activity	VAT Treatment
Sales price for PMM	<ul style="list-style-type: none">– Consideration payable to the seller for the supply of second-hand goods including costs and expenses directly related to the sale:<ol style="list-style-type: none">1. Cost of transportation of goods upto the customer's place along with related cost of packing2. Sales commission charged by the supplier3. Non optional accessories/attachments installed in the used goods prior to sale4. Insurance of non-optional guarantees– Sale price for PMM will exclude any optional extras sold with the used goods which do not form part of selling price– VAT on optional extras to be charged separately on full consideration and a separate tax invoice to be issued for the same
Purchase price for PMM	<ul style="list-style-type: none">– Original price paid by the supplier for such goods– Excludes any costs incurred for arranging the goods e.g. repairs, refurbishments, accessories etc.
Goods sold at loss	<ul style="list-style-type: none">– Goods sold at loss or zero profit not subject to output VAT under PMM– Loss cannot be offset or settled with profits made on other goods
Input VAT eligibility on repairs	<ul style="list-style-type: none">– VAT on expenses for repair and improvement or other selling costs eligible as input credit subject to the normal input tax recovery rules.

03

Key procedural reliefs

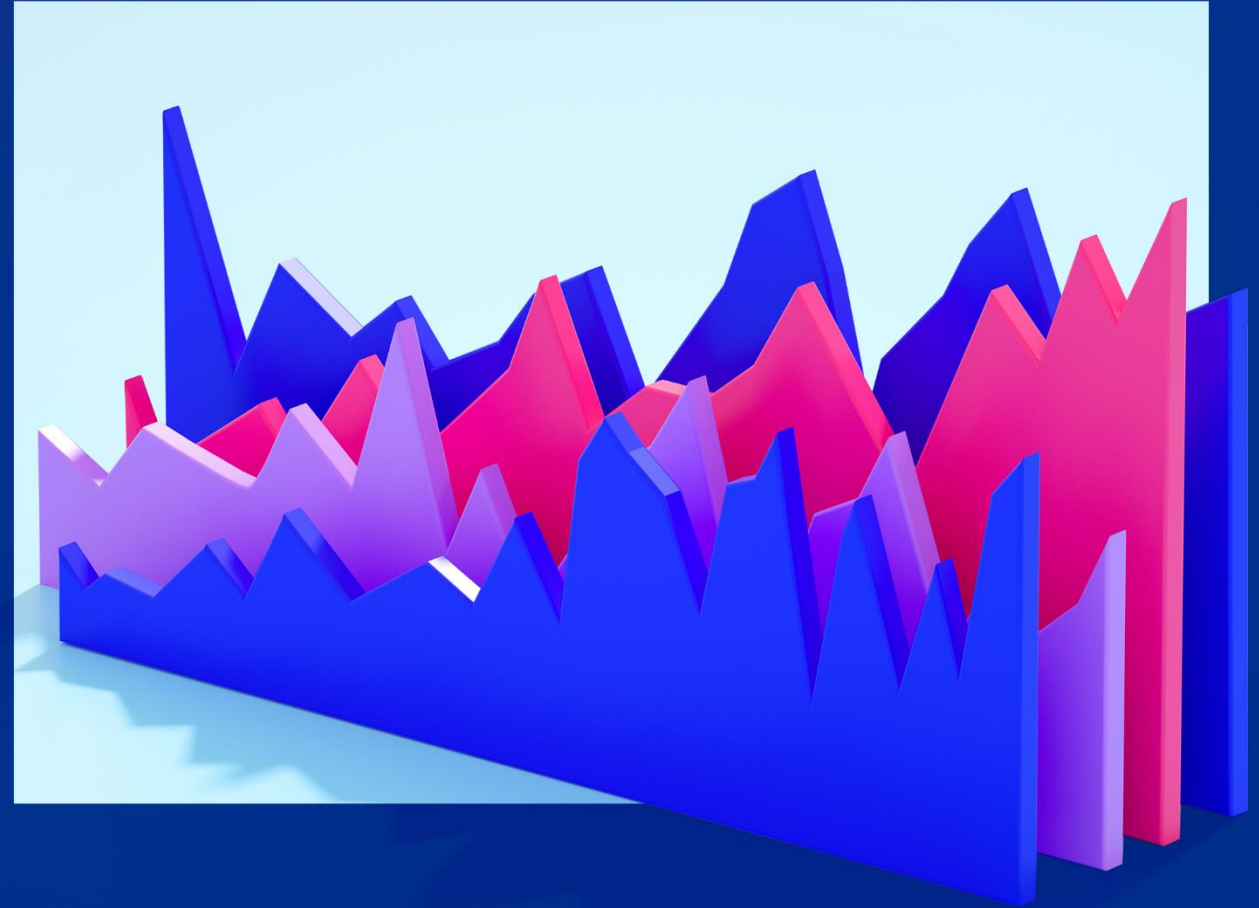


Key procedural reliefs



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Experience of compliances

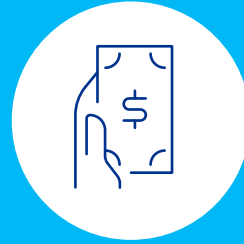


Experience of compliances



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

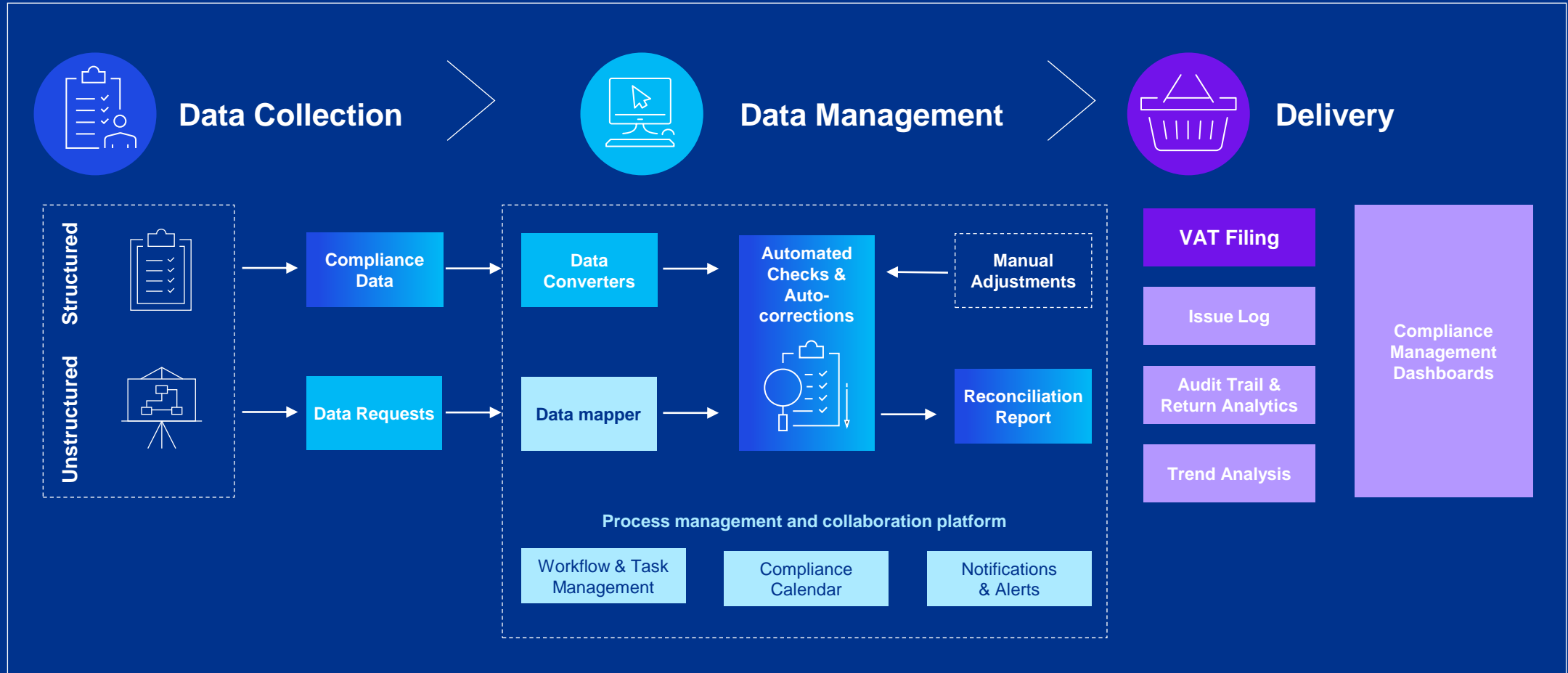
- Periodicity
- Documents
- Disbursals



Others

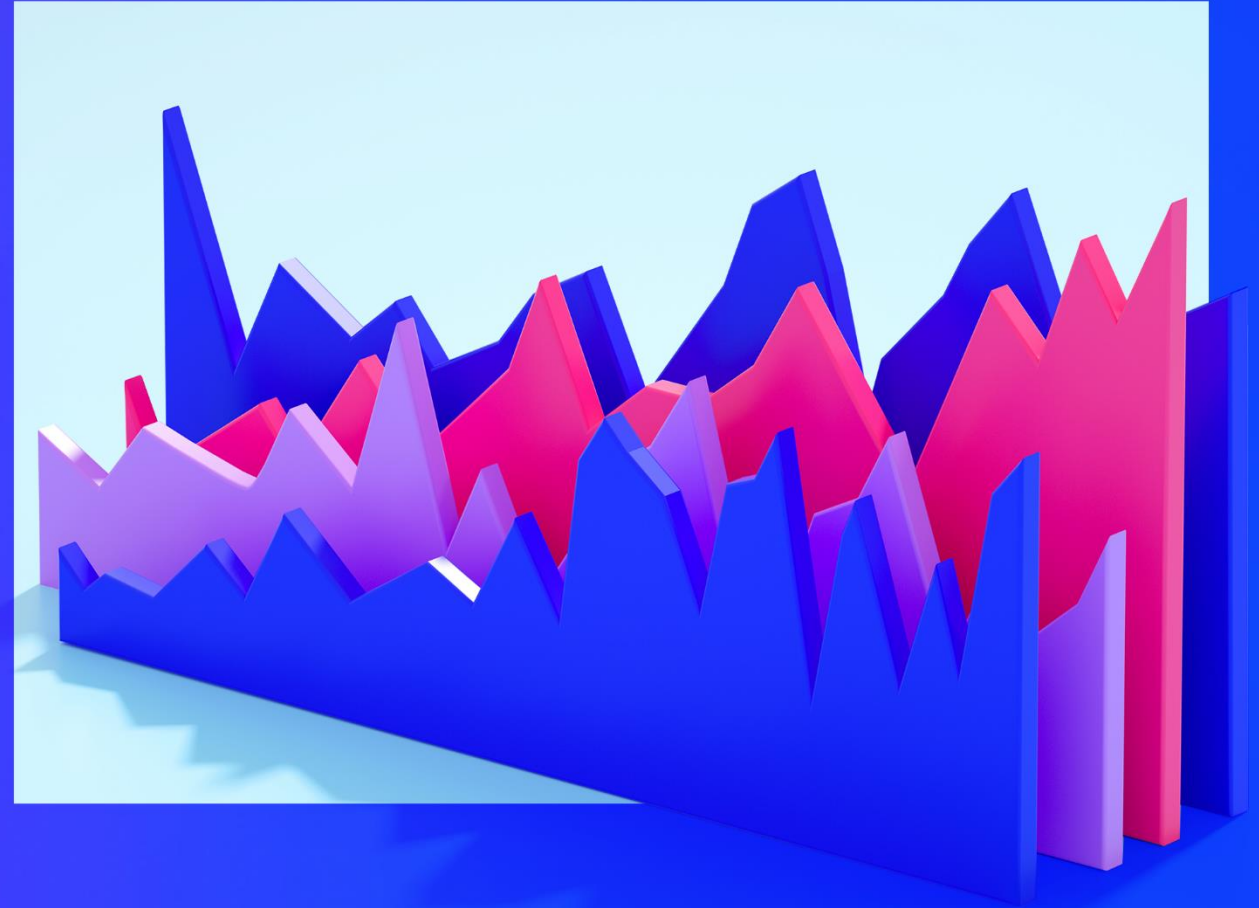
- Registration
- Declaration
- Indemnity
- Responsible Person

Technology enabled approach



05

Issues for consideration



Issues for consideration

01

VAT on loyalty programmes

02

Benefit test in case of export of services

03

VAT recovery on supplies made to Government or quasi Government entities

04

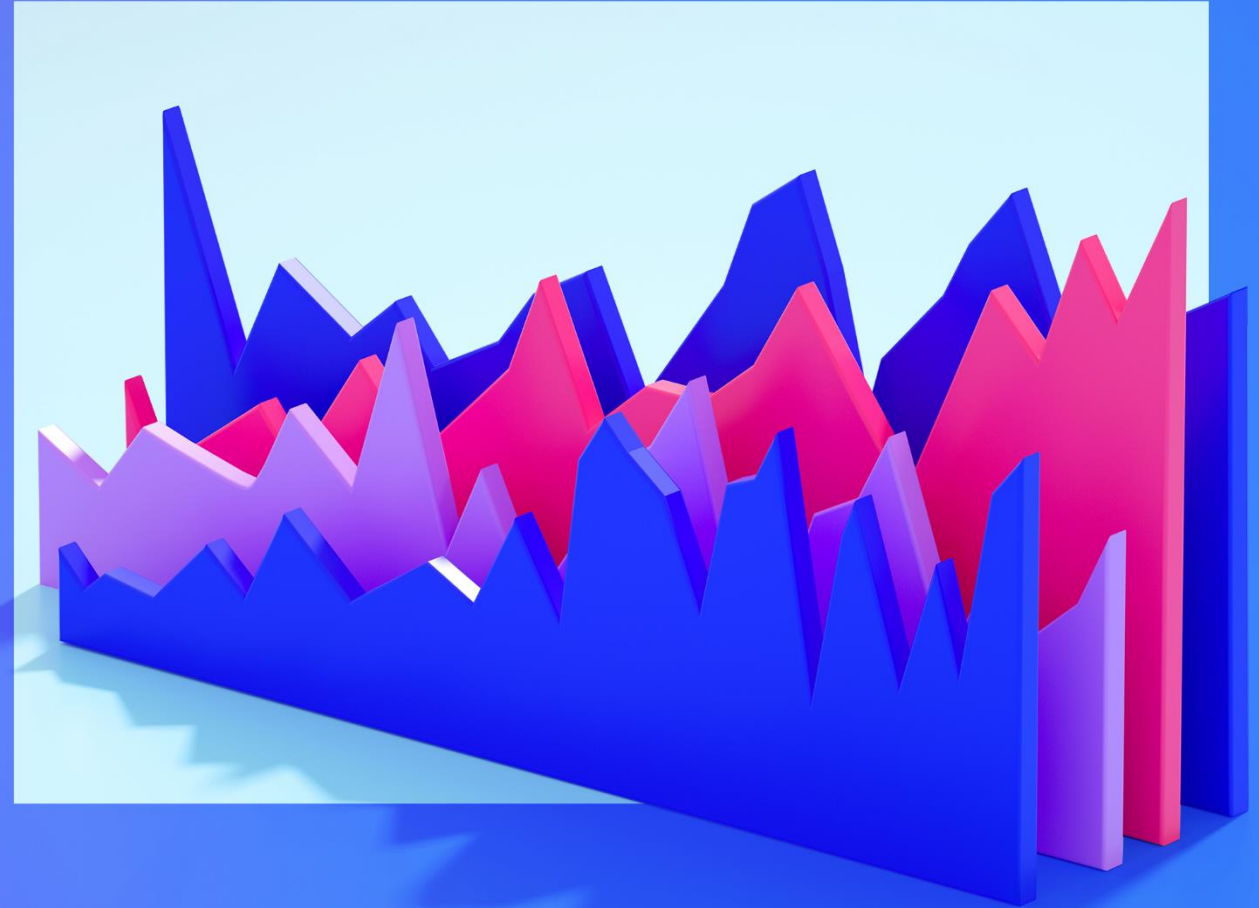
Eligibility of applying PMM on goods procured prior to implementation of VAT

05

VAT on asset financing

06

Key next steps



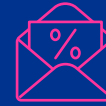
Key next steps



Examine the taxability of supplies



Revisit trade scheme policies



Assess the need to notify/ file clarification with the tax authorities



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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