



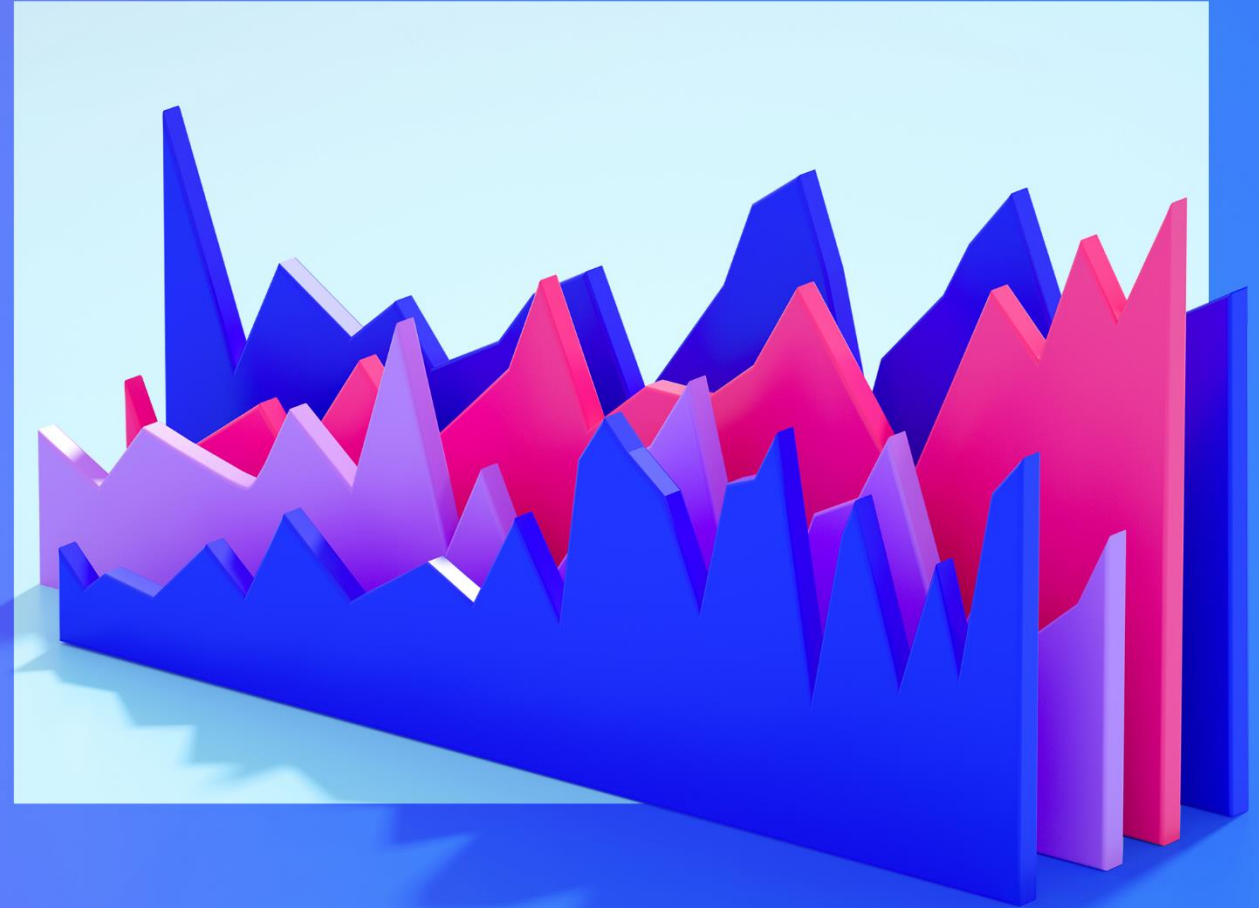
365 days of VAT in Oman

Transport & Logistics

Webinar
31 May 2022

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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



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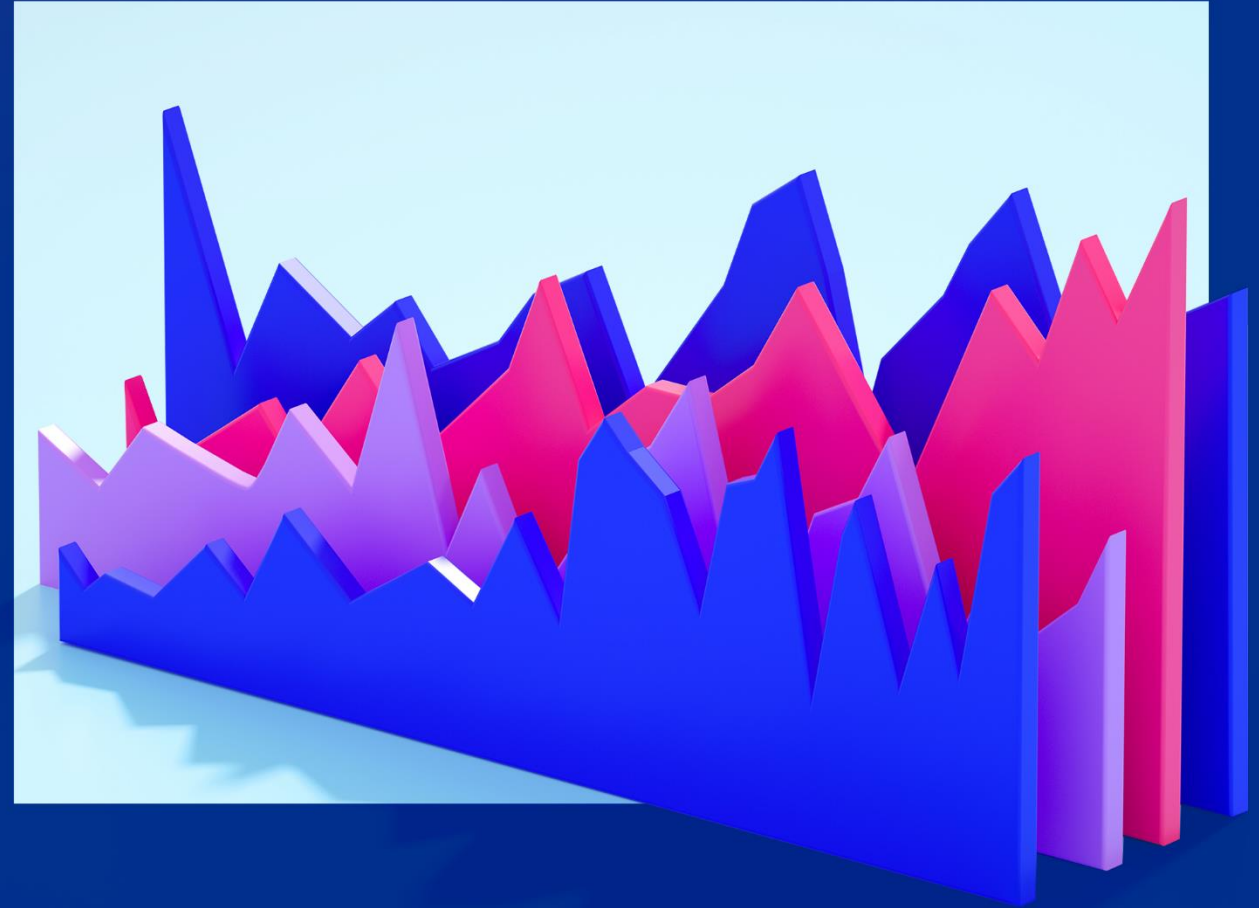


Abdullah Al Farsi

Analyst, Indirect tax
KPMG Lower Gulf

01

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

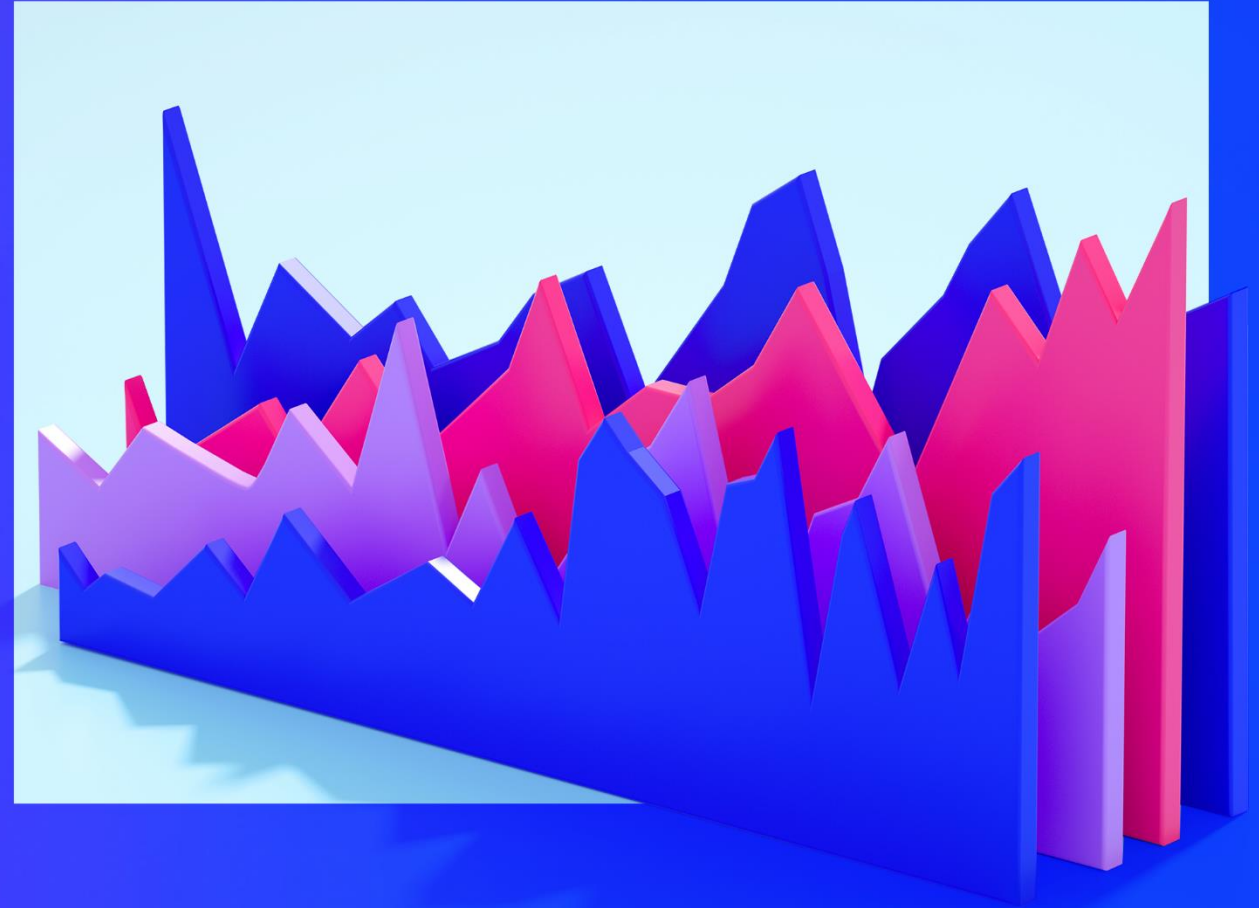


Others

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"> – Local passenger transport – Goods imported for the armed forces such as military means of transport and its parts – Financial services – 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"> – 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 – 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 transportation services

Activity	Scope (illustrative)
International transportation (Art. 89 of ER)	<ul style="list-style-type: none">– Transportation of goods or passengers from inside Oman to outside Oman by qualified means of transport– Transportation of goods or passengers from outside Oman to inside Oman by qualified means of transport– Transportation of goods or passengers inside Oman if the transportation is a part of the above by qualifying means of transport
Local passenger transportation (Art. 84 of ER)	Transport of passengers within Oman by land, air or sea including: <ul style="list-style-type: none">– Organized public transport based on previously published and known timings, fares and routes– Transport provided through public taxis except taxis operated by specialized companies in the public or private sector

Supply of transportation services

Transaction type	From	To	Place of supply	Oman VAT treatment
International inbound transportation of goods	Outside Oman	Oman	Outside Oman	Out of scope
International outbound transportation of goods	Oman	Outside Oman	Oman	Zero rated
Out-and-out transportation of goods	Outside Oman	Outside Oman	Outside Oman	Out of scope
Local transportation of goods	Oman	Oman	Oman	Standard rate unless eligible for zero-rating

Transaction type	From	To	Place of supply	Oman VAT treatment
International inbound transportation of passengers	Outside Oman	Oman	Outside Oman	Out of scope
International outbound transportation of passengers	Oman	Outside Oman	Oman	Zero rated
Out-and-out transportation of passengers	Outside Oman	Outside Oman	Outside Oman	Out of scope
Local transportation of passengers	Oman	Oman	Oman	Exempt if public transport, else zero rated or standard rated

Scope of transportation related goods / services

Activity	Scope (illustrative)
Services related to transportation (Art. 25 of ER)	<p>Services necessary to complete transportation of goods or passengers, including:</p> <ul style="list-style-type: none">– Port fees or charges, including berthing, mooring, docking and anchorage– Customs clearance charges related to the transportation– Air navigation services– Pilotage services– Supply of crew-members– Loading, unloading and reloading– Cargo stowing– Cargo opening for inspection– Cargo security services– Preparation or amendment of documents and certificates of loading, air or sea-waybills and certificates of shipment– Filling or packing necessary for transport– Storage services
Services related to international transportation (Art. 90 of ER)	<ul style="list-style-type: none">– Goods and services for use or consumption on qualifying means of transport– Services to undertake transportation of goods, including loading, unloading, stacking, packing, weighing and measuring– Renting of containers, machines and equipment used in transportation of goods– Stowage, packing and re-packing of goods

Supply of transportation related goods / services

Transaction type (Bundled)	From	To	Place of supply	Oman VAT treatment
International inbound transportation of goods	Outside Oman	Oman	Outside Oman	Out of scope
International outbound transportation of goods	Oman	Outside Oman	Oman	Zero rate
Local transportation of goods	Oman	Oman	Oman	Standard rated

Transaction type (Separate)	From	To	Place of supply	Oman VAT treatment
International inbound transportation of goods	Outside Oman	Oman	Oman*	Zero rate
International outbound transportation of goods	Oman	Outside Oman	Oman	Zero rate
Local transportation of goods	Oman	Oman	Oman	Standard rated

* Where such supplies are made by a local Oman based supplier

Supply of goods and services related to international passenger transportation

Type of activity	Bundled with transportation service		Separate* on standalone basis	
	Inbound	Outbound	Inbound	Outbound
Reservation services	Out of scope	Zero rate	Zero rate	Zero rate
Mediation or brokerage services	Out of scope	Zero rate	Zero rate	Zero rate
Extra luggage fees	Out of scope	Zero rate	Zero rate	Zero rate
Port, airport or passenger fee	Out of scope	Zero rate	Zero rate	Zero rate
Entertainment services to the passengers during the trip e.g. catering, internet, etc.	Out of scope	Zero rate	Zero rate	Zero rate
Travel insurance related to actual transportation e.g. departure, cancellation, etc.	Out of scope	Zero rate	Zero rate	Zero rate
Goods intended for consumption on the means of transport such as snacks, headphones, games etc.	Out of scope	Zero rate	Zero rate	Zero rate
Sale of goods in 'duty free' outlets	-	-	?	Zero rate

* Where such supplies are made by a local Oman based supplier

Travel Agent

Activity

Scope

Transportation services in the name of transportation provider

- Services deemed to be provided directly by the transportation provider
- VAT will depend upon the underlying transportation arrangement i.e. international or domestic
- Brokerage fee charged by agent will be subject to VAT, if applicable, as domestic or international transportation related service

Transportation services in the name of travel agent

- Travel agent to be considered as responsible person for the purpose of VAT
- VAT as applicable to be applied on the total value of supply incurred by the customer which will depend upon the underlying transportation arrangement i.e. international or domestic

Supply of qualifying means of transport

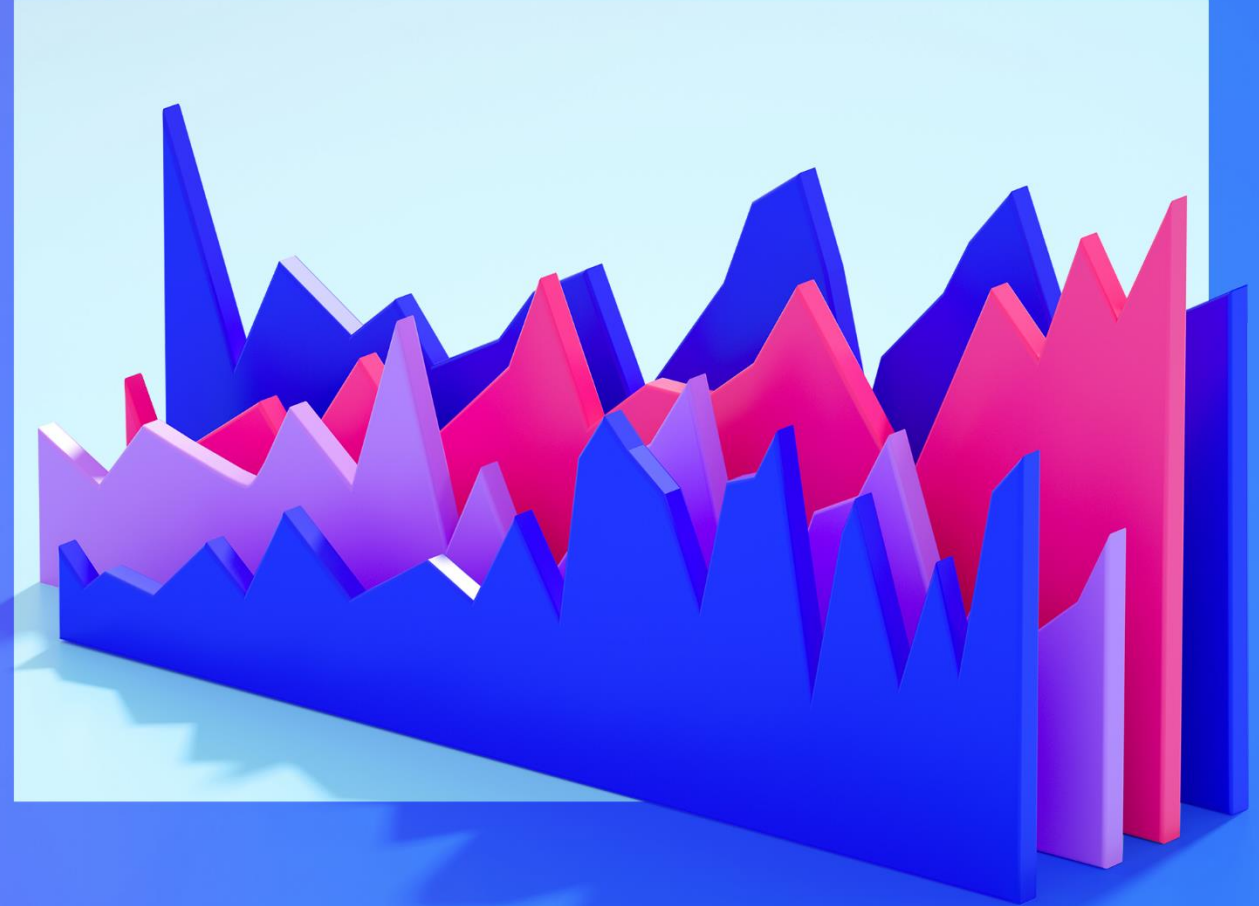
Activity	Scope
Qualifying means of transportation (Art. 90 of ER)	<ul style="list-style-type: none">– Aircraft, ships, boats or floating structures designed or prepared for use in the commercial transportation of passengers or goods, provided they are not designed or prepared for use for recreational or sporting purposes.– Motor vehicles, trains or the like, designed or prepared for use in public transportation for (10) ten passengers or more– Motor vehicles with payload capacity of over (2) two tons
Scope of goods	<ul style="list-style-type: none">– Transportation of goods includes transportation of raw materials, containers, luggage, animals, waste, or other things that are transported in containers or other transportation units (such as cargo ships, dump trucks, water trucks, and garbage trucks)
Registration	<ul style="list-style-type: none">– Aircraft, ships, boats or floating structures must be registered with the competent authority in Oman– Motor vehicles for public transportation of passengers must be registered as a commercial vehicle by the Directorate General of Traffic at the Royal Oman Police– Motor vehicles with payload capacity of over (2) two tons must be registered as a commercial vehicle by the Directorate General of Traffic at the Royal Oman Police
Operation	<ul style="list-style-type: none">– Motor vehicles with payload capacity of over (2) two tons must be designed to move on wheels and operate mechanically by means of an engine– Dual-purpose means of transportation intended for the transportation of goods such as cement mixers, trucks equipped with refrigerators, water tanks or cranes installed for loading/ unloading the cargo eligible for zero-rating if their purpose is to transport the cargo
Inclusions / exclusions	<ul style="list-style-type: none">– Ancillary equipment (crane/ tank/ mixer/ generator/ refrigerator) eligible for zero-rating if adequately fixed to the vehicle and assist in the transportation– Specialized vehicles designed or predominantly used to transport materials around a single location (such as bulldozers or cranes) not considered as means of commercial transportation of goods and therefore in-eligible for zero-rating
Declaration	<ul style="list-style-type: none">– In case of chartered means of transportation intended to transport goods, the supplier must obtain a signed statement from the recipient that proves that it is a business and is using the vehicle for commercial purposes

Supply of goods / services related to qualifying means of transport

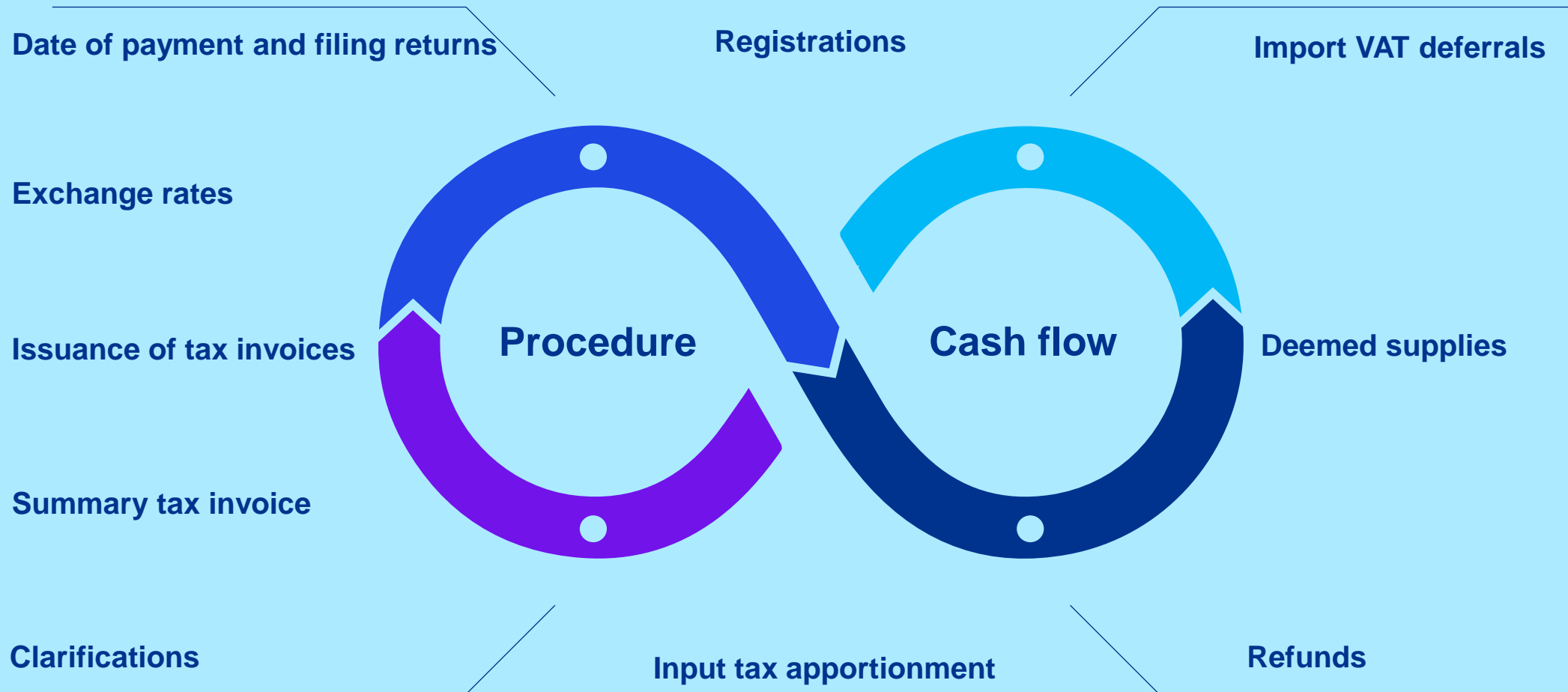
Activity	Scope
Goods and services related to qualifying means of transportation (Art. 90 of ER)	<ul style="list-style-type: none">– Goods and services for maintenance, repair or conversion purposes of the qualifying means of transport– Spare parts and consumables for qualifying means of transport– Components that have been permanently installed or affixed to the qualifying means of transport
Inclusions / exclusions	<ul style="list-style-type: none">– Supplies of fuel or consumables associated with the regular operation of the means of transportation (unless the fuel or consumables are to be used on an international trip) in-eligible for zero-rating– Only goods supplied (installed or used) by the person performing maintenance, repair or conversion services eligible for zero-rating.
Documentation	<ul style="list-style-type: none">– Supplier to retain records to prove that the goods and services have been supplied for qualifying means of transportation– In case of uncertainty over the type of means of transportation, supplier to obtain and retain a confirmation from the customer

03

Key procedural reliefs

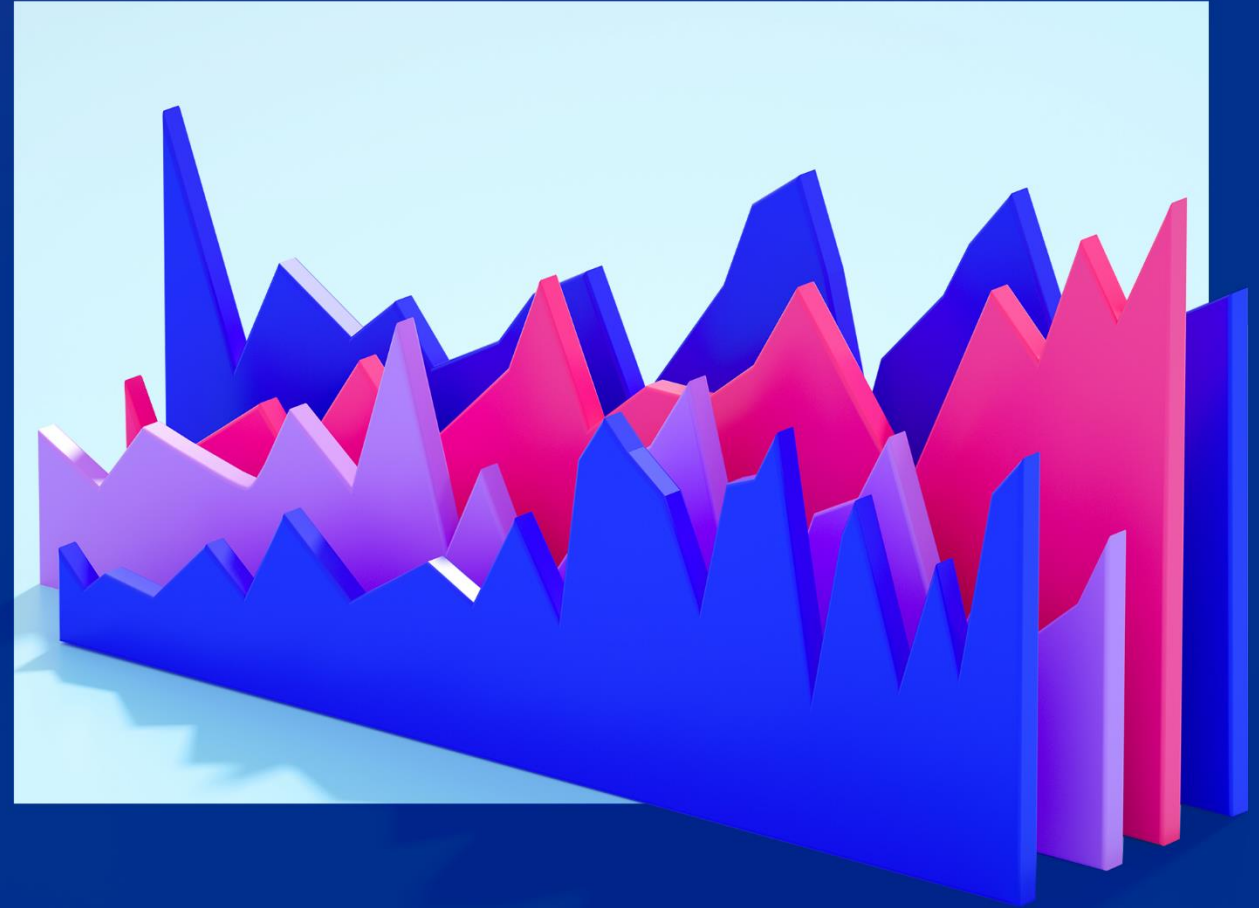


Key procedural reliefs



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Experience of compliances

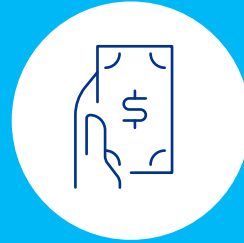


Experience of compliances



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

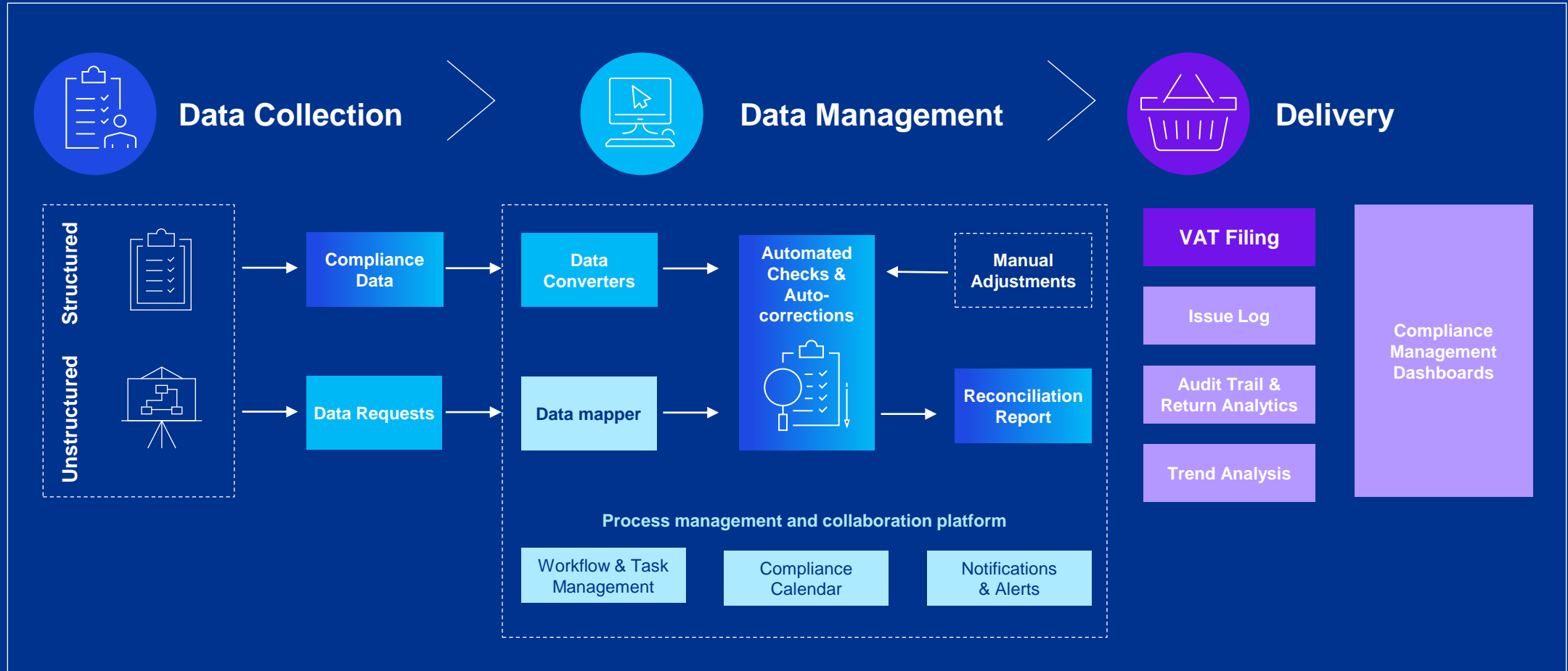
- Periodicity
- Documents
- Disbursals



Others

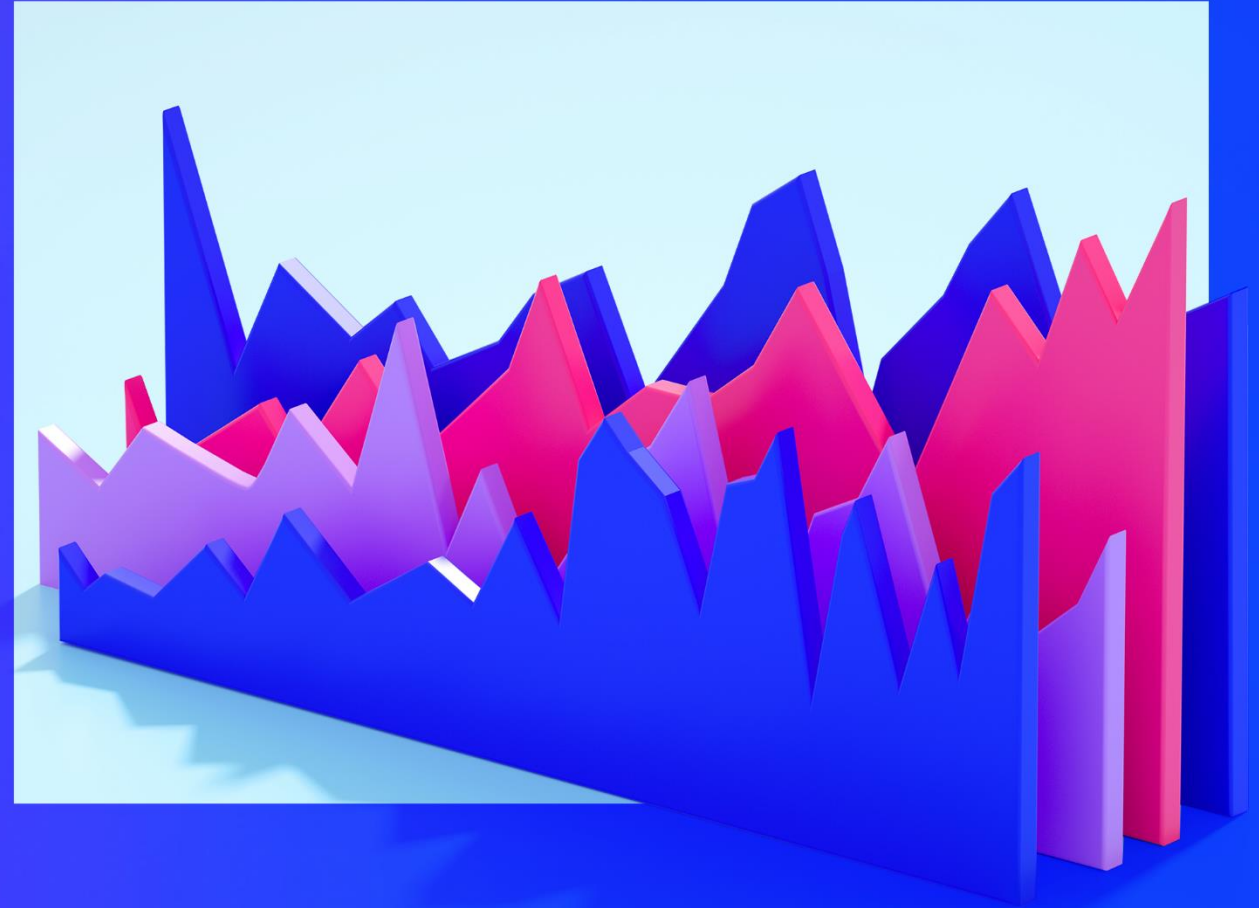
- Registration
- Declaration
- Indemnity
- Responsible Person

Technology enabled approach



05

Issues for consideration



Issues for consideration

01

Aviation and marine fuel supplied to international voyage departing Oman

02

Supplies made to armed and internal security forces in Oman

03

Zero rating on supply of commercial vehicles for non-commercial use

04

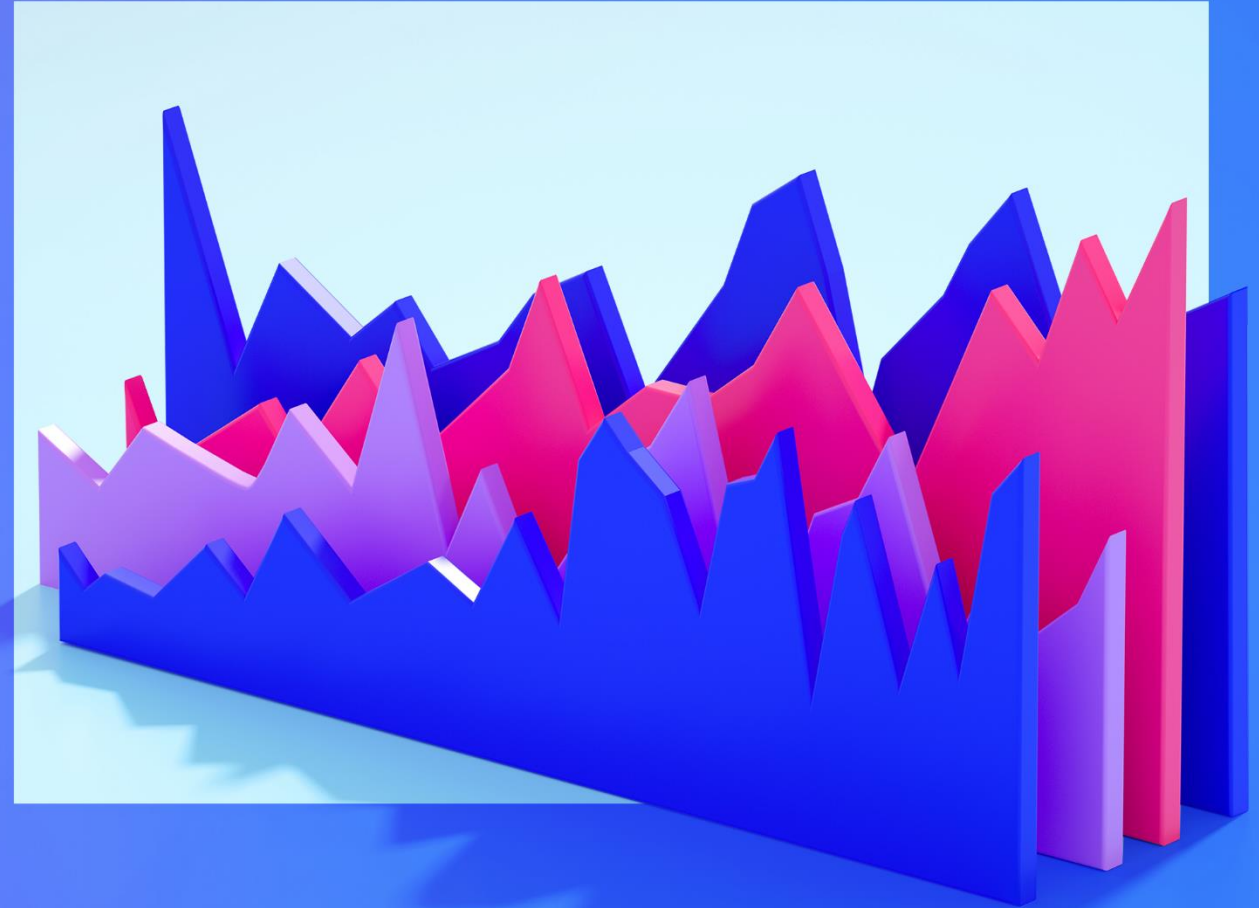
VAT treatment for last mile transportation/delivery support in Oman

05

Zero rating on transportation or related services supplied to special zones

06

Key next steps



Key next steps



Examine if supplies are eligible for zero-rating



Assess the need to take clarifications from the tax authority



Verify if declarations have been correctly received



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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