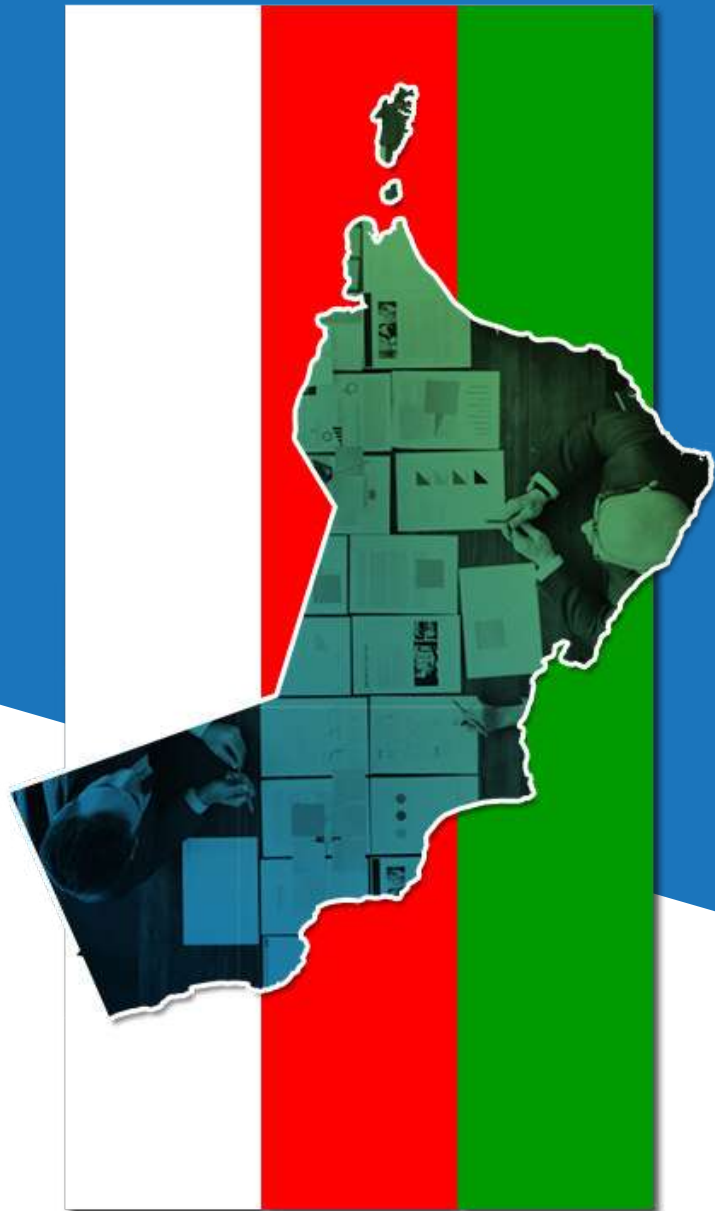


FAQs

Excise Tax



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Frequently Asked Questions


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1. What is the Excise Tax?

The Excise Tax is a tax on specific goods which are normally seen as harmful to individuals' health or to the environment, and referred to as "Excise Goods".

The Excise Tax is collected by businesses on behalf of the Secretariat General for Taxation ("SGT"). The tax is self-assessed and businesses will submit their Excise Tax returns and pay the tax due periodically to the SGT.

As a consumption tax, the Excise Tax is ultimately borne by the final consumers - but collected earlier in the supply chain. Importers, manufacturers and, in certain cases, other agents in the supply chain are liable to register for the Excise Tax, submit periodical returns, and pay the Excise Tax due to the SGT, and maintain supporting documentation.

2. Why is the Excise Tax being introduced?

Although Oman's citizens' and residents' overall health in recent years has improved, more needs to be done to tackle health issues. Along with the other Gulf Cooperation Council ("GCC") countries, Oman has also been considering the need to diversify non-hydrocarbon revenues which can be used for broader government public policy objectives such as enhancing the public healthcare system.

The introduction of Excise Tax follows the Common Excise Tax Agreement of the States of the GCC will entail an implementation methodology similar to that of other GCC countries, including the UAE, KSA, Bahrain and Qatar; it brings a significant change for all businesses that import, manufacture or trade of Excise Goods in Oman.

3. When will the Excise Tax be implemented?

On March 13, 2019, the National Excise Tax Law ("Law") was issued by His Majesty Sultan Qaboos bin Said via Royal Decree 23/2019. On March 17, 2019, the Law was officially published in the Official Gazette. The Law comes into effect 90 days from this date (i.e., June 15, 2019). The Law allows 6 months from the date of publication of the Decree Law to publish the Executive Regulations.

4. What goods will be subject to the Excise Tax?

The list of goods subject to Excise Tax in Oman are expected to be the following:

- Tobacco and tobacco derivatives;
- Carbonated drinks;
- Energy drinks; and

- Special purpose goods (including alcohol and pork products).

5. What is the rate of the Excise Tax?

The expected Excise Tax rates are as follows:

- Tobacco and tobacco derivatives: 100%
- Carbonated drinks: 50%
- Energy drinks: 100%
- Alcohol: 100%
- Pork products: 100%

6. How will the Excise Tax be charged and collected?

The Excise Tax is normally payable at the production stage, or at the time of importation of Excise Goods. The Excise Tax is calculated by applying the above rate on the value of the goods. The value of the goods will be the higher of the retail selling price or of the standard price determined by the SGT on the Excise Goods. For example, the Excise Tax will apply at a rate of 100% in case of tobacco products.

Under the Law, registering for the Excise Tax is the responsibility of any person:

- Producing Excise Goods;
- Importing Excise Goods;
- Releasing Excise Goods for consumption;
- Holding any Excise Goods for which the tax due has not been paid;
- Licensed at the time of the release of an Excise Good at the end of the suspension of tax;
- Licensed in the transfer of Excise Goods (in the event of non-compliance with respect to the suspension of tax provided for in the Regulations); and
- Licensed upon the release of Excise Goods for consumption, which have been lost or damaged during the suspension of tax.

In addition, any business which disposes of goods which are subject to Excise Tax at the time of the implementation date will be required to submit a one-off “transitional return” and pay Excise Tax on the inventory it holds.

The Excise Tax is suspended when Excise Goods are located in a tax warehouse or transported between tax warehouses under a tax suspension scheme. In such cases, the Excise Tax will only levied once the Excise Goods are released for consumption from the tax warehouse.

In certain cases, the Excise Tax may be refunded (i.e., supplies to diplomatic missions). Certain transactions are generally exempt from Excise Tax (i.e., supplies to diplomatic missions, travellers' allowances).

There will be special treatment of intra-GCC movement of Excise Goods, which are to be taxed in the place of consumption. There will be a need for common GCC mechanisms to collect and monitor the Excise Tax due in the appropriate GCC country.

7. How will the Excise Tax affect prices/profits?

Although Excise Tax will be payable only once – generally at the production stage or at the time of import, the payment of excise tax will increase the cost price of Excise Goods, therefore businesses will need to make commercial decisions as to how they will adjust their pricing structures.

8. What are the Excise Tax compliance requirements?

For businesses engaged in importing, exporting, manufacturing, warehousing any of the Excise Goods listed above, the new Excise Tax regime will have a significant impact on their business.

The main compliance requirements are expected to include having to:

- Register for the Excise Tax with the SGT;
- Ensure effective I.T. systems are in place to manage the Excise Tax to reduce the risk of non-compliance;
- Maintain Excise Tax records for 5 years, on paper or electronically (records must be accurate, complete and readable);
- Submit periodical Excise Tax returns and payments;
- Comply with any inventory and movement control systems with respect to the suspension of Excise Tax; and
- Keep customs and transport documents related to the movement of Excise Goods, especially with respect to transactions subject to refunds and/or exemptions, or made under Excise Tax suspension status.

9. Do I need to prepare a transitional Excise Tax return?

All businesses that hold a stock of Excise Goods for commercial purposes at the time of Excise Tax implementation will need to file a 'one-time' Transitional Excise Tax return for the goods held for business purposes at midnight June 14, 2019. The Transitional Excise Tax return is required to be filed by June 30, 2019 and the business must pay any Excise Tax due upon filing

this return. As there is no turnover threshold for which businesses are required to file a Transitional Excise Tax return, any business that has Excise Goods in their inventory will need to file a transitional Excise Tax return.

10. Are there any penalties levied for non-compliance?

Penalties will be incurred in cases where errors have been made, and it is for this reason, appropriate systems and processes should be in place within businesses to limit any exposure.

Any errors that affect the amount of Excise Tax due may be subject to penalty. Other examples of possible errors include:

- The late submission of Excise Tax returns and payment due;
- Not charging Excise Tax correctly; and
- Failure to obtain and retain valid, supporting documentation to support transactions related to Excise Goods.

The SGT is committed to providing on-going support, resources and guidance to assist taxpayers with compliance in the new Excise Tax regime. However, the responsibility lies with businesses to ensure they meet all of their required compliance obligations.

As per the Law, the SGT has the authority to perform audits of taxpayers and, if necessary, impose prescribed penalties on any activities that is not in compliance with the law.

11. We have stock of Excise Goods in our meeting rooms and office facilities for hospitality during meetings/events; do we need to pay the transitional Excise Tax on this stock?

Any business which holds Excise Goods for commercial purposes will need to pay the Excise Tax on the transitional stock of Excise Goods.

Since the Excise Goods are used by the business for purposes of hospitality during meetings/events, but not for sale, then no Transitional Excise Tax needs to be paid on the stock as this type of hospitality does not qualify as commercial purposes.

12. My company holds stock of different types of mineral water. Are these subject to the Excise Tax?

For mineral water to be considered an Excise Good, the mineral water would be aerated and flavoured. If any of these conditions are not fulfilled, the mineral water is not excisable. For example, unflavoured mineral water is not considered as an Excise Good, even if the mineral water is aerated. Similarly, if the mineral water is flavoured, but is not aerated, the mineral water is not considered an Excise Good.

13. I operate a coffee shop and sell coffee. Is this considered an Excise Good?

Coffee is not considered an Excise Good. Therefore, no Excise Tax has to be paid.

14. I have already purchased Excise Goods from a supplier but at a low volume prior to the implementation date. Is there a minimum threshold that would exempt me from filing an Excise Tax Transitional Return?

No, regardless of how much stock of Excise Goods you have previously purchased, Excise Tax must be paid on any Excise Goods still in stock. There is no minimum exemption threshold for the Excise Tax Transitional return.

15. Our company has stock of Excise Goods which was purchased from both outside of Oman and locally. Do I have to pay the Excise Tax on the stock from both sources?

Yes, irrespective of whether the Excise Goods were purchased in Oman or from outside of Oman, Excise Tax is payable on the stock held by the business prior to the implementation date of Excise Tax. After implementation, as importer of the Excise Goods, the company would be responsible for the Excise Tax and obliged to register and file periodic returns.

16. Our accounting software does not have a feature to record the HS code of goods that we are trading with. How can we determine if our products are subject to the Excise Tax?

Businesses are required to determine whether any of their products in stock qualify as Excise Goods or not, irrespective of the HS code recorded in their I.T. systems. It is the responsibility of the business to confirm whether their goods meet the conditions set out in the definitions of Excise Goods. The definitions of Excise Goods are currently as follows:

i. Tobacco products and their derivatives

Tobacco products and their derivatives subject to Excise Tax include any products that fall under Chapter 24 of the *Unified Customs Tariff of the GCC States*. These products include, but are not limited to:

- Cigars;
- Cigarettes;
- Cigarillos;
- Water pipe tobacco; and
- Other tobacco products.

ii. Carbonated drinks

For Excise Tax purposes, carbonated drinks are any aerated (i.e., “fizzy”) beverage except unflavoured carbonated water. This includes, for example, carbonated water with added sugar or other sweeteners or flavours such as cola and soda derivatives.

The carbonated drinks category for Excise Tax purposes also covers concentrates, powder, gel, or extracts intended to be made into a carbonated beverage.

Energy drinks and drinks containing alcohol will not be considered as carbonated drinks, even if these beverages are carbonated.

In case of a concentrate supplied to a retailer to transform it into a carbonated drink (for example, bag-in-box concentrates) and has already been subject to Excise Tax in Oman, the drink which is made from that concentrate would not be considered an Excise Good and consequently would not be Taxable at the point of retail sale.

iii. Energy drinks

For Excise Tax purposes, energy drinks are any beverages that are marketed, or sold as an energy drink, containing stimulant substances that provide mental and physical stimulation.

Such substances can include caffeine, taurine, ginseng and guarana, but could also include other substances that have an identical or similar effect. This also includes any concentrates, powder, gel or extracts intended to be made into an energy drink.

Similar to carbonated drinks, in case of a concentrate supplied to a retailer to transform it into an energy drink (for instance, bag-in-box concentrates) and has already been subject to Excise Tax in Oman, the energy drink which is made from that concentrate would not be considered an Excise good and consequently would not be taxable at the point of retail sale.

iv. Special purpose goods

Special purpose goods for Excise Tax purposes includes goods that are consumed under specific conditions and authorizations. At the date of publication of this Guide, only alcohol and pork products have been named as a special purpose Excise Goods.

Alcohol constitutes any drink that contains a specific percentage of alcohol, and includes all items that are categorized as special goods under the *Unified Customs Tariff of the GCC States*.

Pork products includes all parts of the pig, its fat and all edible by-products – whether cooled, frozen, dried, or salted. All products that are categorized as special goods in the *Unified Customs Tariff of the GCC States* are subject to Excise Tax.

17. Our company has a long-term agreement with our customers for the supply of Excise Goods - and prices in those agreement are fixed. Do we still have to pay the Excise Tax on our stock, even if we cannot increase our prices?

Yes, Excise Tax is payable on the stock irrespective of whether the stockpiler increases their prices to include the amount of Excise Tax. Taxpayers are advised to speak with their business partners as soon as possible to understand the impact of Excise Tax on pricing.

18. Will there be bad debt relief for Excise Tax?

No relief will be available for suppliers that have sold Excise Goods to a customer and have not received payment from that customer.

19. If I sell Excise Goods without increasing the price to reflect the Excise Tax, can I claim a refund?

If businesses do not change their prices for the sale of the transitional stock, they must still pay the Excise Tax due according to the amount declared on the Excise Tax Transitional return and cannot claim a refund.

20. What other guidance is available for Excise Tax?

An Implementation Guide will be released prior to implementation of the Excise Tax (i.e. June 15, 2019); a General Excise Tax Guide will also be published in due course and both will be available on the SGT website: <https://tms.taxoman.gov.om/portal/web/taxportal/home>.

21. Further inquiries

21.1 Contact information

For more information, please contact

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