



G S P U & ASSOCIATES LLC
CHARTERED ACCOUNTANTS

VAT Basics for Individuals

■ FAQ

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1. What is VAT?

VAT has been implemented in more than 160 countries around the world. It is an indirect tax charged on nearly all goods and services that are bought and sold in the Sultanate, including goods and services imported into the Sultanate. Certain goods and services may be zero-rated or exempt. VAT is a tax on consumption that is paid and collected at every stage of the supply chain; from a manufacturer's purchase of raw materials to a retailer's sale of an end-product to a consumer.

2. How does it affect Omani businesses?

Effectively, Omani businesses act as a tax collector for the Sultanate of Oman and bear the costs of charging, collecting and claiming back the VAT – and staying compliant.

Businesses must register for VAT if they meet or expect to meet an annual supplies threshold. Any business with annual supplies of mandatory registration threshold or more must register for VAT. Generally, businesses with supplies of voluntary registration threshold up to the mandatory threshold above may register voluntarily. Businesses will need to run a robust accounting and invoicing system and keep accurate records. Note that a taxable person (i.e., a person who carries on any business at any place in Oman and who is registered or required to be registered as per the VAT Regulations) can be an individual, partnership, corporation or any other legal entity.

3. What does VAT mean for the consumer?

VAT will be charged by VAT registered businesses on taxable goods and services to its customers. The standard rate of tax will be 5% on most goods and services, with a few exceptions (e.g. certain financial services).

4. Will VAT be payable on food?

Generally, yes. However, certain food items will be zero-rated. You will be able to refer to Chairman's decision for the full list of zero rated basic groceries.

5. Will VAT be payable on property?

Certain residential property transactions, such as resales and leases, are exempt from VAT. Therefore, renting a residential property, for example, will not attract VAT. However, for residential leases, the lease needs to be under certain conditions. This means that holiday rentals, short-term leases, hotel stays, etc. will all be subject to VAT. Commercial property, both sales and leases, will be subject to VAT.

6. What items are exempt of VAT or zero-rated (i.e., VAT charged at 0%)?

There are selected items that are not subject to the standard VAT rate of 5%, including:

- Exports (zero-rated)
- School fees set out in the regulations (exempt)
- Certain healthcare services (zero-rated)
- Sale of bare, (e.g. vacant land) (exempt)
- Certain financial services, such as a life insurance policy (exempt)

7. How does VAT affect visitors and tourists?

Visitors, tourists, and diplomats will still be charged VAT on their taxable purchases, however, they will be able to obtain a refund based on certain conditions specified in the Regulations (including type of items eligible for refund, minimum value for a refund to be considered, etc.) This refund scheme will only apply to people travelling to and from Oman from outside the GCC.

8. Will VAT be due on prepaid goods/services?

Where amounts are paid towards goods and services prior to the implementation of the VAT Law, VAT may become due if the goods or services are supplied after the implementation date - whether in part or in full. There will be special transitional rules to deal with these circumstances.

Guidance will be available with regards to any transitional provisions in due course. Some of the transitional provisions are in place to tackle tax avoidance.

9. Do I have to register for VAT if I am self-employed?

Not all self-employed businesses need to be registered for VAT. Some traders are not registered for VAT because their businesses are small – and some business activities do not attract VAT. If your business income reaches the VAT mandatory registration threshold, you must then register for VAT. If you are not required to register for VAT due to the level of your sales, you may choose to voluntarily register for VAT. You may wish to register as you may be able to reclaim the input tax paid on your expenses. Further information will be released on the VAT registration threshold, and timelines for the requirement to register, in due course.

10. How does VAT affect Oman?

The VAT in the Sultanate of Oman is similar to other countries around the world (e.g. used in more than 180 countries), but is a relatively new form of tax in Oman.

Adopting VAT in Oman will have a positive impact on its development and international competitiveness, and will contribute to building a sustainable knowledge-based economy for future generations. The tax collected will provide additional financial resources for the country which will enable it to improve its services and continue developing upcoming infrastructure.

The new VAT rate (i.e., 5%) is among the lowest internationally and its effects on individuals will be minimal, as it relies mainly on the averages and patterns of individual spending. The contributions to economic and social development will be considerable and it will help improve government services – enhancing the welfare of individuals.

The Sultanate of Oman government provides various public services to citizens and residents, including hospitals, roads, public schools, parks, waste management and police services. Therefore, the VAT will provide an additional source of income for the country that will ensure the continued quality of public services. It will also help Oman achieve its goal of decreasing the country's reliance on oil and other hydrocarbon products as its main sources of revenue.

- It generates a more stable and predictable tax income to the country in both good and weak economic environments.
- It is an efficient tax due to the comparatively lower cost of administration and collection.
- It helps the government to avoid introducing personal incomes taxes, and in turn encourages more foreign direct investment. This leads to overall economic growth.

11. Will there be a GCC VAT registration confirmation system in place to confirm I am dealing with a VAT registered business?

The Framework Agreement envisages an electronic matching system for intra-GCC systems. In practice this system may not be available for a while and so it is likely a VAT number checking system will be made available country by country.

The Ministry of Finance and the TA are in the process of developing a system and will make an announcement when the system, at least for Omani businesses, will be available.

12. Further inquiries

12.1 Contact information

For more information, please contact the

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