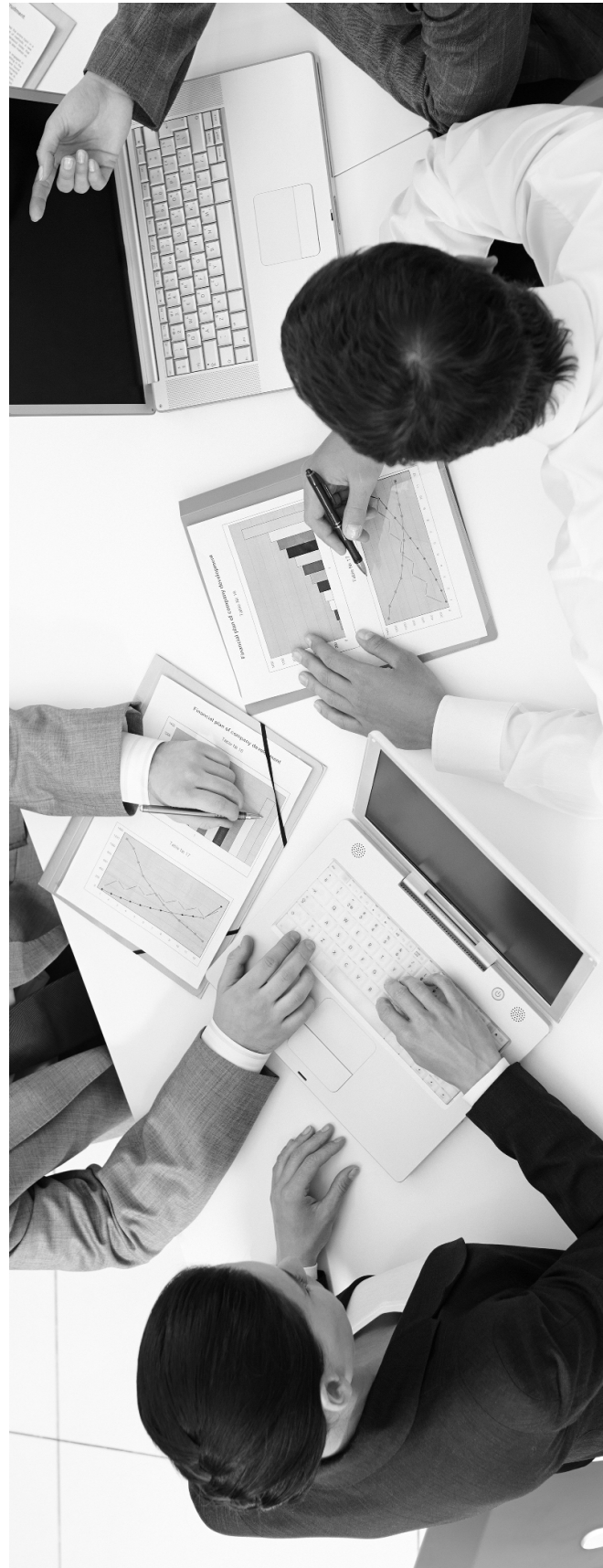


Procedures for applying Value Added Tax (VAT) in Special economic Zones

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CHARTERED ACCOUNTANTS



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This statement outlines procedures for the application of VAT in Special Zones, which include Special Economic Zones and Free Zones.

Overview

The provisions of Article (54) of the VAT Law (Royal Decree No. 121/2020) stipulates that supplies of goods or services to or from the Special Zones, or within them, may be zero-rated following the conditions laid down in Articles of (101) to (107) of the VAT Executive Regulations (Decision 53/2021). We would like to inform you that the Special Economic Zone in Duqm and the Free Zones in Salalah, Sohar, and Al Mazyunah have thereby been classified as Special Zones in accordance with the provisions of Article (102) of the VAT Executive Regulations.

Tax Authority will publish detailed procedures for the purposes of applying VAT at a rate of zero percent in the Special Zones, companies, enterprises, businesses and establishments operating in these areas must comply with the conditions stipulated in the VAT Executive Regulations. These conditions include VAT Registration and VAT Administration as detailed below.

VAT Registration

Companies, establishments, enterprises or persons working in the Special Zone (whether SEZAD, Free Zone) and whose entire supplies of goods or services are taxable at the zero rate, must apply to the Authority for authorization and VAT registration. Applications may be submitted through the electronic portal of the Tax Authority through the following link: <https://www.taxoman.gov.om/>

It is also necessary to prove that you have a valid license and registration in the Special Zone. The VAT registrant must attach to the VAT registration application:

- a copy of the commercial registration certificate; and
- a copy of the license certificate.

issued by the relevant Special Zone Authority for carrying out economic activity in the Zone.

VAT Administration

supplying or transporting goods



For supplying or transporting goods to or within Special Zones, Article (103) of the VAT Executive Regulations stipulates:

- a. That the customer or the recipient are subject to Tax.
- b. That the customer or the recipient be licensed and registered by the operating and supervising authority of the special zone to conduct the activity within the Special Zone.
- c. That the customer or the recipient has received the goods for the purposes of the activity within the special zone.
- d. The goods shall not be among the goods excluded from the right of deduction in accordance with the provisions of Article (56) of the Executive Regulations.

In all cases, documents proving the transfer of goods to, within or between the special zones must be kept; to be certified by the entity operating and supervising the Special Zone with regard to the supply of goods within the Special Zone. This also applies to documents issued by Oman Customs, with regard to the supply and transportation of goods to the Special Zone or from one Special Zone to another.

supply of services

With regard to the supply of services to a Special Zone see Article (107) of the Executive Regulations that requires:

- a. That the customer is registered for VAT in accordance with the VAT registration rules above.
- b. The client must be a person licensed and registered by the Authority operating and supervising the Special Zone.
- c. That the client has received services for the purposes of activity in the Special Zone.
- d. These services do not include restaurant and hotel services, food and beverage undertakings and cultural, artistic, sports, educational and entertainment services provided for in (5) Article (24)(5) of the VAT Law.
- e. These services should not be exempt from VAT in accordance with the provisions of Article (47) of the VAT Law.

If have any inquiries, contact

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