



# VAT Registration Guide

(Transitional Period)

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G S P U & ASSOCIATES LLC  
CHARTERED ACCOUNTANTS

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**VAT Registration Guide**

**(Transitional Period)**

This guide explains the registration requirements for business and individuals. It explains who is liable to register for VAT, and also explains the registration requirements in the period before the VAT Law is effective.

# VAT Registration Guide

## (Transitional Period)

### 1. Introduction

#### 1.1 Overview of Value Added Tax (VAT)

##### i) Legal framework

The GCC Member States signed the Unified VAT Agreement for the Cooperation Council for the Arab States of the Gulf (“Agreement”). The Agreement specified a common VAT treatment for goods and services, and allowed Member States to adopt certain VAT policies.

Per the Agreement, every state shall issue a national VAT Law that is in line with the provisions of the Agreement. Oman, UAE, Bahrain and KSA have issued their national VAT Laws.

The Sultanate issued its national VAT Law (“VAT Law”) through Royal Decree no. 121/2020. VAT Law will be effective 180 days from its publication in the Official Gazette. Accordingly, VAT Law effective date is 16 April 2021.

Per article (106) of the VAT Law, every person with a place of residence in the Sultanate, and who undertakes an economic activity before the effective date of the VAT Law must submit a registration application within the timelines set by a decision issued by the Tax Authority’s Chairman.

The Tax Authority has issued decision no. (1/2020) determining the Mandatory Registration Threshold and Voluntary Registration Threshold.

## **ii) Tax Authority (“TA”)**

The TA is the authority in charge of the implementation, administration and collection of the VAT in Oman. The TA is responsible for the registration of Taxable persons for VAT, to administer VAT return filing and VAT refunds as well as to undertake audits and other procedures as set out in the VAT Law and Executive Regulations.

## **iii) What is VAT?**

VAT is a general tax on consumption of all goods and services – with certain exceptions-. VAT is paid and collected at every stage of the supply chain, and the Taxable Person may claim VAT paid on purchases made to undertake taxable supplies

## **iv) How VAT works?**

When a VAT-registered business makes a supply of either goods or services it charges VAT on top of the sales price which the customer pays to the supplier. The business making the supply will account for VAT from all its eligible sales on a regular basis to the Tax Authority. The VAT that a business collects on its sales is called Output VAT.

That same business will also be liable to pay VAT to its suppliers on the Goods or Services purchased from other VAT-registered businesses. The VAT that a business pays on its purchases is called Input VAT. Provided the Input VAT is used in making taxable supplies then the business will, with some specific exceptions, be entitled to recover the Input VAT.

Each Tax Period the business will submit a return to calculate how much VAT it owes to the TA. In each period a business will calculate how much VAT (Output VAT) it has charged Customers and subtract from this amount the VAT (Input VAT) it paid to its suppliers in the same period.

The difference between the Output Tax and Input Tax is the amount the business must pay to the TA.

It is also possible for a taxpayer to pay more in Input VAT than it charges in Output VAT. In that case, the business could claim a refund of this amount from the TA.

## 1.2 Definitions

The following terms are used in this guide:

- a) **Taxable Person** - a person who conducts an economic activity independently for generating income, and is registered for VAT in Oman or who is required to register for VAT in Oman.
- b) **Customer** - the recipient of the Goods or Services.
- c) **Output Tax** - VAT collected by a registered Taxable person (supplier) on taxable supply of Goods and Services, i.e. VAT collected on a taxpayer's sales.
- d) **Input Tax** - VAT paid on a taxable supply of Goods and Services, i.e. VAT paid on a taxpayer's purchases.
- e) **Standard-Rate** - the VAT rate of 5% applicable to the taxable supply of most Goods and Services. The Taxable person retains the right to deduct the Input tax associated with standard-rated supplies.
- f) **Zero-Rate** - the VAT rate of 0% is applicable to designated supplies of Goods and Services. The Taxable person retains the right to deduct the Input tax associated with zero-rated supplies.

- g) **Exempt Supply** - a supply is exempt when no VAT is imposed. The Taxable person does not retain the right to deduct the Input tax associated with Exempt supplies.
- h) **Consideration** - everything collected or to be collected by a Taxable person from a Customer or a third party in exchange for the Taxable person's supply of Goods or Services.
- i) **Taxable Supply** - a standard or zero-rated supply of Goods or Services, made in Oman for a Consideration as part of a Taxable person's economic activity.
- j) **Goods** - all types of material possessions (physical assets), including water, and all types of energy (as electricity, gas, lighting, heating, cooling and air conditioning)
- k) **Services** - a supply other than a supply of Goods.
- l) **Reverse Charge** - a simplification measure where a taxable recipient of Goods and Services accounts for any VAT due as opposed to the taxable supplier, i.e. the Customer acts as if he is both the supplier and the recipient for VAT purposes and self-assesses any VAT due.
- m) **Tax Period** - the period of time for which the Net VAT must be accounted, i.e. the VAT return filing period – monthly or quarterly.
- n) **Mandatory Registration Threshold** - the lower limit of the value of actual supplies at which the Taxable Person becomes obligated to register for VAT purposes.

- o) **Voluntary Registration Threshold** - the lower limit of the value of actual supplies at which the Taxable Person may apply to register for VAT purposes, e.g. OMR 19,250.
- p) **Capital Assets** – A capital asset is a tangible or intangible asset that is assigned by the taxable person for long-term use as a business instrument (e.g. land, building, machinery, commercial vehicles, equipment, etc.).
- q) **Economic Activity** – An activity that is conducted in a continuous and regular manner, particularly commercial, industrial, professional, artisanal, or service activity.

## **2. VAT registration steps:**

Steps for VAT registration are as follows:

1. Determine whether a person must register for VAT.
2. Determine the components of annual supplies for VAT registration purposes.
3. Compute or estimate the value of supplies for the relevant periods as outlined in this guide.
4. Determine registration timelines based on annual supplies.
5. Submission of registration application per the procedures outlined in this guide.

## Step 1: Persons Required to Register

- Any person who:
  - has a place of residence in Oman;
  - conducts a commercial, industrial, professional or other activity in the Sultanate; and
  - has annual supplies that exceed or is expected to exceed the Mandatory Registration Threshold.
- Any person who does not have a place of residence in Oman but is obligated to pay tax, regardless of the value of supplies made.

Important note: The above persons are required to register, whether they are natural or legal persons, and regardless of whether they possess a commercial registration number. For example, institutions, individuals, private and public companies etc.

There are two “tests” a person must check in order to determine if the Mandatory Registration Threshold has been exceeded.

The first test is a retrospective test which looks at the actual value of taxable supplies made in the current month and the previous 11 months combined.

The second test is a forward look at the expected value of taxable supplies to be made in the current month and the next 11 months.

**Example (1):** The annual taxable supplies made by the Government Ministry from a building commercial lease is 1,500,000 OMR.

Is the Ministry required to register for VAT?

Yes, since the Ministry carries out an activity in the Sultanate and its annual revenues have exceeded the Mandatory Registration Threshold.



## Step 2: Value of Supplies for Registration Purposes

For the purpose of registration, the value of supplies shall include the following:

1. Value of Taxable Supplies –except supplies of capital assets.
2. Value of the Goods and Services supplied to the Taxable Person and subject to the Reverse Charge Mechanism.
3. Value of Intra GCC supplies of Goods and Services.

### Example (2):

Hamed's Furniture Company received the following sources of income and supplies during for the year 2019 is as follows:

Supplies/Expenses	Amount (OMR)	Should it be included in the Supplies for registration purposes?
Sale of furniture in Salalah	500,000	Yes, sale of furniture is subject to VAT at 5%.
Sale of a building (part of capital assets)	1,000,000	No, it is a capital asset.
Export of furniture to Yemen	250,000	Yes, exports are subject to VAT at 0%
Received consultancy services from Paris	500	Yes, subject to reverse charge mechanism

Value of annual supplies for registration purposes = 500,000 + 250,000 + 500 = 750,500 OMR

### **Step 3: Calculation of Annual Supplies:**

#### **1. before the effective date of the Law:**

For the purposes of determining the value of taxable supplies before the effective date of the Law a person or business will need to determine which of its supplies would be taxable supplies as if the Law had effect on the date of calculation. This means that a person or business must determine whether the supplies made would have been taxable or exempt.

The actual and expected annual supplies should be calculated as follows:

1. The actual annual supplies are the total value of supplies made during a 12-month period, which starts from November 1, 2019 to October 31, 2020.
2. The expected annual supplies are the total value of supplies that are expected to be made during a 12-month period, which starts from October 1, 2020, to September 30, 2021.

This calculation is used to determine when a "person" needs to register according to the staggered registration dates determined per the Chariman's decision no. (3/2021). The "person", if not required to register from the effective date of the Law, must also carry out checks to determine if they should register before the staggered date as a result of an increase in turnover or expected turnover after the effective date of the Law.

## 2. Calculation of Annual Supplies after the effective date of the Law:

The actual annual supplies should be calculated as follows:

1. The actual annual supplies are the total value of supplies made during a 12-month period ending on the last day of any month.

**Example (3):** The results of the Asala Consulting Company's operations during the 12-month period ending on April 30, 2021, was as follows:

2020								2021			
May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
50,000	150,000	100,000	100,000	30,000	40,000	35,000	40,000	35,000	40,000	100,000	40,000
<b>Total Annual Supplies = 760,000 OMR</b>											

The expected annual supplies should be calculated as follows:

2. The expected annual supplies are total value of supplies that are expected to be made during a 12-month period, which starts on the beginning of any month.

**Example (4):** Asala Consulting Company estimated its expected supplies during the 12-month period that begins on beginning of the month of the effective date of the Law, as follows:

2021								٢٠٢٢			
Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar
50,000	150,000	100,000	100,000	100,000	110,000	105,000	110,000	105,000	110,000	100,000	110,000
<b>Total value of supplies = 1,250,000</b>											

**Step 4: Mandatory Registration Deadlines during the transitional period:**

After calculating the annual supplies, the person who is required to register must apply for registration with the Tax Authority within the dates specified in the Tax Authority Chairman’s Decision number (3/2021), as shown in the table below:

<input type="checkbox"/>	Wave <input type="checkbox"/>	Deadline <input type="checkbox"/>	Date of Registration <input type="checkbox"/>
A <input type="checkbox"/>	For the person with annual supplies that exceed or expected to exceed (1,000,000) OMR <input type="checkbox"/>	From 1 February 2021 to 15 March 2021 <input type="checkbox"/>	Effective date of the Law <input type="checkbox"/>
B <input type="checkbox"/>	For the person with annual supplies that are or expected to be from (500,000) OMR to (1,000,000) OMR <input type="checkbox"/>	From 1 April 2021 to 31 May 2021 <input type="checkbox"/>	1 July 2021 <input type="checkbox"/>
C <input type="checkbox"/>	For the person with annual supplies that are or expected to	From 1 July 2021 to	1 October 2021 <input type="checkbox"/>

	be from (250,000) OMR to (499,999) OMR <input type="checkbox"/>	31 August 2021 <input type="checkbox"/>	
D	For the person with annual supplies that are or expected to be from (38,500) OMR to (249,999) OMR	From 1 December to 28 February 2022	1 April 2022 <input type="checkbox"/>

The Date of Registration is the date on which the registration becomes effective, and the taxable person must comply with all provisions of the Law, such as issuing tax invoices, keeping accounting books and records, submitting tax returns and other obligations.

**Example (5):** Referring to example (3) above, when should Asala Consulting Company apply for registration according to Tax Authority Chairman's Decision number (3/2021)?

Since the company's annual supplies is 760,000 OMR, it must apply for registration during the period from April 1, 2021 to May 31, 2021.

**Example (6):** However referring to example (4) above, when should Asala Consulting Company apply for registration according to the Mandatory Registration Limit in the above table?

Since the company's expected annual supplies are 1,250,000 OMR, it must apply for registration during the month of May 2021. Assuming that the company did not previously exceed 1,000,000 OMR per the

calculations made in October 2020, it must register within 30 days of determining that it has exceeded 1,000,000 OMR.

### **3. Persons who may register for VAT:**

- Any person who:
  - has a place of residence in Oman;
  - conducts a commercial, industrial, professional or other activity in the Sultanate; and
  - has annual supplies that exceed or is expected to exceed the Voluntary Registration Threshold 19,250 OMR.
- Any person who:
  - has a place of residence in Oman
  - has annual expense that exceed or is expected to exceed , the voluntary registration limit 19,250 OMR, provided the expense relate to a commercial, industrial, professional or other activity conducted in Oman.

### **Voluntary Registration Deadlines:**

The person who may voluntarily register for VAT may apply for registration with the Tax Authority at any time starting from February 1, 2021.

### **4. How to register with the Tax Authority:**

1. The person required to register must visit the Tax Authority's online portal at <https://taxoman.gov.om/portal/ar/home>
2. Log in via the Digital Certification Service
3. Accurately fill out the VAT registration electronic form
4. Ensure that the data entered is correct and that the application meets all the requirements
5. Submit the application and retain the application receipt

6. The Tax Authority shall review the registration application, and in case it is approved, will issue a VAT registration certificate that contains the VAT registration number and other information such as the registration effective date, tax periods and other important details.

## **10. VAT Registration Certificate and VAT Identification Number**

The VAT registration certificate must be clearly displayed at every location in which the activity is conducted, such as the head office, branches, stores, etc.

The person shall obtain only one VAT identification number, regardless of the number of branches and activities.

The taxable person must include the VAT identification number in all documents issued such as tax invoices, communications and all other documents issued by the taxable person.

Important note: applying for registration on time and timely compliance with the provisions of the Law will ensure that penalties will not be levied.

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