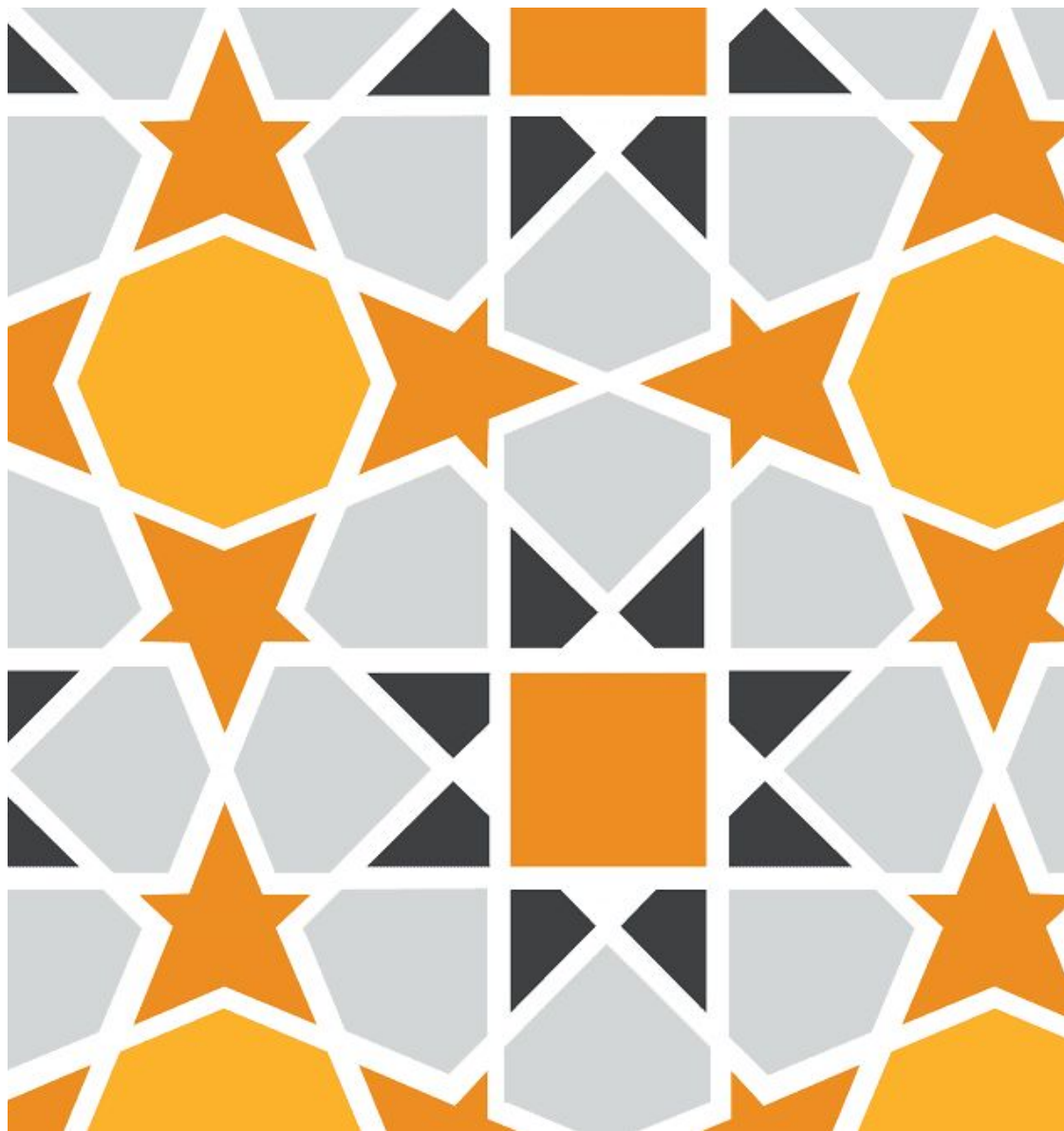


Sultanate of Oman

Amendments to the VAT Executive Regulations

October 2022





In brief

On 16 October 2022, the Oman Tax Authority ('OTA') has issued Ministerial Decision No. 456/2022 (MD 456/ 2022) amending certain provisions of the Oman VAT Executive Regulations (issued under MD 53/ 2021).

The amendments are effective from 17 October 2022.

The amendments are currently available only in Arabic and are accessible [here](#).

In detail

The major amendments to the Oman VAT Executive Regulations are summarised below:

- 1. Telecommunication services:** Initially, the place of supply for telecommunication services was assessed based on the status of the customer i.e. VAT registered or a non-taxable customer. With the new amendment to the place of supply rule, the place of supply for telecommunication services is now assessed based on the following scenarios (irrespective of whether customer is taxable or non-taxable):
 - a) Supply of services through fixed communication tools (requiring the actual presence of the customer) - the place of actual use or enjoyment of the services is the fixed geographical location where the communication tools are located.
 - b) Supply of services provided through mobile networks - the place of actual use or enjoyment of the services is in the country code stored on the SIM card used by the recipient to receive the services.
 - c) Any other cases - the place of actual use or enjoyment of the services is the place of residence of the customer. The supplier would be required to define the customer's place of residence based on the information provided by the customer after confirming its correctness.
- 2. Financial services:** Initially, the VAT exemption for financial services (remunerated by way of an implicit margin) was available only to banks and financial institutions licensed by the Central Bank of Oman or any other competent authority which is established to conduct banking businesses. With the new amendment, the VAT exemption is not limited to only regulated bodies and could also be applicable to any businesses providing financial services (such as financing group companies).
- 3. Time limit for issuing tax invoices:** The amendment specifies a 15 days period from the date of supply to issue a tax invoice (including full tax invoices, simplified tax invoices and summary tax invoices).
- 4. Refund of tax paid by foreign Governments, diplomatic, consular bodies, etc.:** The amendment removed specific conditions and procedures have from the VAT Executive Regulations. The refund will now be available subject to conditions and controls determined by the OTA, in coordination with the Ministry of Foreign Affairs (MoFA) and after approval of the Ministry of Finance (MoF).
- 5. Electronic tax invoice:** Introduction of a new definition for electronic tax invoice.
- 6. Failure to issue tax invoices:** Administrative penalty prescribed for failure to issue tax invoices.

A comparison of the old and new provisions of the Oman VAT Executive Regulations, is provided in the table hereafter.



Amendments to VAT Executive Regulations

Ref.	Old provision of Oman VAT Executive Regulations (MD 53/ 2021)	New amended provision of Oman VAT Executive Regulations (MD 456/ 2022)
<p>Article 28</p>	<p><u>Place of supply of telecommunication services:</u></p> <p>The place of supply of Wired and wireless Telecommunication Services shall be in the place of the actual usage of these Services or enjoying them. The place of the actual usage or enjoyment shall be determined as follows:</p> <ol style="list-style-type: none"> 1. In the place of residence of the Customer, in cases where the customer is Taxable. Unless the services are provided through fixed communication tools located in a specified geographical location to receive the services, such as fixed or public telephone services or internet services, which require the actual presence of the Customer in the location where the devices are used. The place of actual usage or enjoyment of these services is deemed to be in the geographic location where the devices are located. 2. In the place of actual usage and enjoyment of those Services, in cases where the Customer was not taxable, and that place shall be determined in accordance to the following: <ol style="list-style-type: none"> A. Where the supply of services through fixed communication tools existing in the specified geographical location to receive the service such as fixed or public telephones or internet services that require the actual presence of the customer in the location of the usage of these tools, the place of actual usage and enjoyment of the service by the customer is deemed to be in the geographical location where the devices are located. B. Where the services are provided through mobile networks, the place for using and enjoying the service is in the country in which the mobile network is used to receive these services, including international roaming. <p>In the event that a supplier supplies Telecommunication Services to a Customer in order to re-supply them to another Customer, the location for actual usage and enjoyment of the Services must be determined for each of the two transactions separately.</p> <p>In all cases, the place of actual usage or enjoyment of the Telecommunication Services shall be determined based on the Tax due date mentioned in Article (26) of The Law, and any subsequent changes on the use of the Services received shall not affect the determination of the place of the supply.</p>	<p><u>Place of supply of telecommunication services</u></p> <p>The place of supply of wired and wireless telecommunication services shall be in the place of the actual usage of these services or enjoying them. The place of the actual usage or enjoyment shall be determined as follows:</p> <ol style="list-style-type: none"> 1. If the supply of services is through fixed communication tools located in a specified geographical location to receive the services, such as fixed or public telephone services or internet services, which require the actual presence of the customer in the location where the devices are used, the place of actual usage or enjoyment of these services is deemed to be in the geographic location where the devices are located. 2. If the services are provided through mobile networks, the place of actual use or enjoyment shall be in the country that owns the international code for the chip of electronic device used by the customer. <p>In other than what is mentioned in clauses (1) and (2) of this article, the place of actual use or enjoyment of the service shall be the place of residence of the customer, and the supplier shall determine this based on the information provided by the customer after the supplier checks validity according to the usual commercial security procedures.</p> <p>The place of actual use or enjoyment of the services shall be determined for each transaction separately if a supplier supplies telecommunication services to a customer with the aim of re-supplying them to another customer.</p> <p>In all cases, the place of actual usage or enjoyment of the telecommunication services shall be determined based on the tax due date mentioned in Article (26) of the Law, and any subsequent changes on the use of the services received shall not affect the determination of the place of the supply.</p>



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Ref.	Old provision of Oman VAT Executive Regulations (MD 53/ 2021)	New amended provision of Oman VAT Executive Regulations (MD 456/ 2022)
Article 55 (1)	<p><u>Documents for claiming Input VAT credit:</u> For the purpose of claiming any Input Tax Deduction, the Taxable person shall keep the following documents:</p> <ol style="list-style-type: none"> 1. Original Tax Invoices. 	<p><u>Documents for claiming Input VAT credit:</u> For the purpose of claiming any Input tax deduction, the taxable person shall keep the following documents:</p> <ol style="list-style-type: none"> 1. The tax invoice issued in accordance with Chapter Eight of these Regulations.
Article 79	<p><u>Financial Services:</u> In application to the provisions of item (1) of Article (47) of the Law, Financial Services provided by banks and financial institutions licensed by the Central Bank of Oman or any other competent authority which is established to conduct banking businesses, with the exception of financial services where the payment of the consideration is as a fee, commission or commercial deduction. Tax-exempted financial services include:</p> <ol style="list-style-type: none"> 1. Providing and transferring loans and advances. 2. Credit including credit installments in rental or lease-to-own purchase transactions and credit guarantees. 3. Depositing money into current, savings and deposit accounts. 4. Supply and issuance of financial instruments such as derivatives, deferred contracts and similar options and transactions. 5. Supply and issuance of shares, bonds and other securities. 6. Transfer of ownership of any securities or derivatives related to any securities. 7. Life insurance services. <p>Financial supplies which are made within an Islamic financial arrangement are treated with the same treatments applied to non-Islamic financial products. Provided that among the parties of the transaction is a person licensed to conduct Islamic financial businesses, banking or else by applying the Laws in force.</p>	<p><u>Financial Services:</u> Exempt from tax - In the application of the provision of Clause (1) of Article (47) of the law - the supply of financial services, except for financial services where the payment of the consideration is as a fee, commission or commercial deduction, and the financial services exempt from tax include the following:</p> <ol style="list-style-type: none"> 1. Providing and transferring loans and advances. 2. Credit including credit installments in rental or lease-to-own purchase transactions and credit guarantees. 3. Depositing money into current, savings and deposit accounts. 4. Supply and issuance of financial instruments such as derivatives, deferred contracts and similar options and transactions. 5. Supply and issuance of shares, bonds and other securities. 6. Transfer of ownership of any securities or derivatives related to any securities. 7. Life insurance services. <p>Supplies of financial services made under any Islamic financial transaction shall be treated in the same manner as applicable to traditional products.</p>



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Ref.	Old provision of Oman VAT Executive Regulations (MD 53/ 2021)	New amended provision of Oman VAT Executive Regulations (MD 456/ 2022)
Article 143	<p><u>Issuance of tax invoices:</u></p> <p>The Taxable Person must issue a tax invoice in the following cases:</p> <ol style="list-style-type: none"> 1. When making supplies, whether these supplies are for a non-taxable person or a Taxable Person allocating the supplies for personal use. 2. When making deemed supplies. 3. When receiving the consideration -fully or partially- before the date of supply. 	<p><u>Issuance of tax invoices:</u></p> <p>The taxable person must issue a tax invoice in the following cases:</p> <ol style="list-style-type: none"> 1. When making supplies, whether these supplies are for a non-taxable person or a Taxable Person allocating the supplies for personal use. 2. When making deemed supplies. 3. When receiving the consideration, fully or partially, before the date of supply. <p>The tax invoice must be issued no later than (15) fifteen days from the date of occurrence of any of the cases specified in the above items.</p> <p>The tax invoice must be issued in an approved electronic format in the cases specified by the Authority. Provided that the Authority determines the additional requirements for issuing electronic invoices and the data that they must include.</p> <p>The person who issues the tax invoice must issue it in a manner that enables verification of the correctness of the source and content and the ability to read the invoice, starting from the date of issuance until the end of the period for keeping the invoice.</p> <p>The Chairman may suspend or cancel the obligation to apply the electronic tax invoice, in whole or in part, to a category of persons or a specific person, after studying the reasons for this, in accordance with the controls determined by the Authority.</p>
Article 146	<p><u>Simplified tax invoices:</u></p> <p>As an exception from the provisions of Article (143) of these Regulations, the Taxable Person may issue a Simplified Tax Invoice after obtaining the approval of the Authority when the following conditions are met:</p> <ol style="list-style-type: none"> 1. The nature of the supplies does not require the issuance of immediate Tax Invoices in accordance with Article (144) of these Regulations. 2. The value of supplies excluding Tax should be less than five hundred (500) Omani Rial. 	<p><u>Simplified tax invoices:</u></p> <p>As an exception from the provisions of Article (143) of these Regulations, the taxable person may issue a Simplified Tax Invoice, if the value of supplies excluding tax is less than (500) five hundred Omani Rial, or in any other case determined by the Authority.</p> <p>The simplified tax invoice must be issued within the dates specified in Article (143) of these regulations, if it is issued in an electronic form in the cases specified by the Authority.</p>



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Ref.	Old provision of Oman VAT Executive Regulations (MD 53/ 2021)	New amended provision of Oman VAT Executive Regulations (MD 456/ 2022)
Article 150	<p><u>Summary tax invoices:</u></p> <p>The Taxable Person may issue a Summary Tax Invoice that includes all supplies of goods and services provided to the same customer within a month, provided that the Simplified Tax Invoice contains the same details as the tax invoice provided for in Article (144) of these Regulations.</p>	<p><u>Summary tax invoices:</u></p> <p>The taxable person may issue a summary tax invoice that includes all supplies of goods and services provided to the same customer within a month, if it is issued within fifteen (15) days from the end of the month. The summary tax invoice must include the same data as the tax invoice stipulated in Article 144 of these Regulations.</p>
Article 155	<p><u>Adjustment document:</u></p> <p>The Taxable Person must issue an adjustment document in cases where the invoice must be amended after it is issuance.</p> <p>The adjustment document must be in conformity with the provisions of Article (144) of these Regulations, and it must indicate the invoice or group of invoices related to the adjustment and the value of the Tax that must be adjusted.</p>	<p><u>Adjustment document:</u></p> <p>The taxable person must issue an adjustment document in cases where the invoice must be amended after it is issuance, provided that it is issued in an electronic form in the cases where the original invoice has been issued in electronic form.</p> <p>The adjustment document must be in conformity with the provisions of Article (144) of these Regulations, and it must indicate the invoice or group of invoices related to the adjustment and the value of the Tax that must be adjusted.</p>
Article 188	<p><u>Conditions for VAT refund by foreign Governments, etc.</u></p> <p>The Tax paid by foreign Governments Diplomatic, Consular and Military bodies or Missions, International organizations, and members of Diplomatic and Consular Corps accredited by the Sultanate shall be refunded in accordance with the following conditions:</p> <ol style="list-style-type: none"> 1. The condition of reciprocity is met. 2. The Tax was incurred for goods and services exclusively intended for official use to exercise their functions and carry out their work. 3. The total value of the Tax in any Tax Refund Request should not be less than one hundred (100) Omani Rials. 4. The Tax is not incurred on the following goods and services: <ol style="list-style-type: none"> A. Petroleum products. B. Tobacco or e-Cigarette products. C. Alcoholic drinks. D. Wired and wireless telecommunications services. E. Motor vehicles. 	<p><u>Conditions for VAT refund by foreign Governments, etc.</u></p> <p>The tax paid shall be refunded to foreign Governments, Diplomatic, Consular and Military bodies or Missions, International organizations, and members of Diplomatic and Consular Corps accredited by the Sultanate, on the condition of reciprocity, in accordance with the conditions and the controls determined by the Tax Authority in coordination with the Ministry of Foreign Affairs and after approval by Ministry of Finance.</p>



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Ref.	Old provision of Oman VAT Executive Regulations (MD 53/ 2021)	New amended provision of Oman VAT Executive Regulations (MD 456/ 2022)
Article 189	<p><u>Procedures for VAT refund by foreign Governments, etc.</u></p> <p>The concerned person who wishes to get a Tax refund must submit an application to the Authority in accordance with form prepared for such purpose after it is validated by Ministry of Foreign Affairs, provided that the Tax Refund Request includes the details and documents specified by the Authority and in particular, the following:</p> <ol style="list-style-type: none"> 1. A copy of the purchase invoice, including its number and date, and supporting documents to the invoice. 2. In respect to each invoice; names, addresses and Tax Registration numbers of suppliers in the Sultanate. 3. Values of the Tax on each invoice and in total. 4. Omani bank account details of the Applicant foreign government, Diplomatic and Consular mission, Body or Corps, or international organization. 5. 5- Any other details and documents specified by the Authority. <p>Tax refund application shall be submitted within six (6) months from the end of each of the two periods mentioned below, and the application shall include the invoices which dates are within these two periods:</p> <ol style="list-style-type: none"> 1. The first period: from 1st January to 30th June of each tax year. 2. The second period: from 1st July to 31st December of each tax year. 	<p><u>Procedures for VAT refund by foreign Governments, etc.</u></p> <p>The person concerned must submit a request to the Authority to refund the tax according to the form prepared for this, and in accordance with the procedures specified by the Authority.</p>
Article 1 (8)	<p>-</p>	<p>Electronic Tax Invoice: A tax invoice issued in an electronic format organized through an electronic means, and this invoice must include - at a minimum - the information specified in these regulations and any other information specified by the Authority.</p>
Article 202 (4)	<p>-</p>	<p>Failure to issue the tax invoice in accordance with the requirements specified in these regulations and any requirements determined by the Authority regarding the issuance of the electronic tax invoice.</p>

The takeaway

Taxable persons need to assess the impact of the amendments to the VAT Executive Regulations, especially relating to the place of supply rules for telecommunication services and widening of exemption for financial services. The impacted areas could largely impact the current VAT treatment being adopted by businesses providing these services.

Further, businesses should also be aware of the key changes to VAT compliance processes and penalties thereon, such as issuance of tax invoices within specific time limits and administrative penalties specifically prescribed for incorrect tax invoices.

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Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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