

Sultanate of Oman: VAT Guide on Commercial Agencies

October 2022





In brief

On 28 September 2022, the Oman Tax Authority ('OTA') has published a VAT Guide on Commercial Agencies to provide guidance on the VAT implications of agency relationships.

It contains guidance on the concept of agency from a VAT perspective whilst outlining practical features of such relationships. The guide subsequently clarifies the VAT compliance and reporting obligations arising from such relationships. The VAT Guide on Commercial Agencies is currently available only in Arabic and is accessible [here](#).

In detail

The OTA published a VAT Guide on Commercial Agencies (hereinafter the 'Guide') to provide guidance on the VAT treatment of supplies of goods and services made through and by agents.

The Guide discusses various general aspects of VAT applicable to most businesses such as VAT registration requirements, place of supply rules for goods and services, input tax recovery/apportionment, date of supply, disbursements, reimbursements and record keeping requirements.

The Guide additionally clarifies the concept of agency whilst recognising that the concept is not defined in the VAT Law and Regulations. It defines an agent as a person which represents or works on behalf of another person ('the principal') to arrange or facilitate the supply of goods or services.

The agent may act as a 'selling agent' for arranging the supply of goods or services to third parties or a 'receiving agent' for procuring goods or services on behalf of the principal.

It entails that for an agency relationship to arise, an agreement, whether explicit (oral/written) or implied, should be present between the agent and the principal.

The Guide further elaborates on the common features of an agency relationship which should be present upon deeming such a relationship for VAT purposes.

These features include:

- The agent facilitates or arranges transactions to the principal;
- The agent does not retain title to the goods and does not benefit from the services the principal provides;
- The agent does not alter the nature or value of the supply made by the principal to the customer.

It is further explained that there are situations where a person is commercially referred to as an agent but does not act as such (and vice versa). The Guide entails that contractual agreements and commercial substance will be taken into consideration when assessing the existence of an agency relationship.

The Guide lists the VAT compliance requirements in regards agents such as tax invoicing, VAT reporting and input tax recovery whilst differentiating between disclosed and undisclosed agents. Accordingly, we have set out a summary understanding of the specific VAT considerations in the table hereafter.



Disclosed vs. Undisclosed Agency

	Disclosed agency	Undisclosed agency
Illustration of the agency relationship	<p>In a disclosed agency the agent is acting in the name and on behalf of the principal. The principal and customer know the identity of each other and contract directly for the supply of goods or services.</p> <p>Where an agent acts in the name and on behalf of the principal while the principal and the customer are aware of each other (whether or not they had direct contact) and have contracted with each other for the supply of goods or services.</p>	<p>In an undisclosed agency the agent is acting in his/her own name but on behalf of the principal. The principal and customer do not know the identity of each other and do not contract directly. The undisclosed agent enters into a contract, in its own name, with the principal and the customer.</p> <p>Where an agent acts in his/her own name but on behalf of the principal to effectuate a certain supply. The customer is not aware of the agency relationship between the agent and the principal and does not contract directly with the principal.</p>
Obligation to account for VAT on supply made to the customer	<p>The principal is making the supply of goods or services directly to the customer and is liable to account for VAT on the supply to the customer.</p>	<p>The undisclosed agent is interposed between the principal and the customer and is considered receiving a supply of goods/services from the principal and making a supply of goods/services to the customer. The undisclosed agent is liable to account for VAT on supply made to the customer.</p>
VAT treatment of agency services	<p>Agency services provided by the disclosed agent to the principal are subject to the normal VAT rules.</p>	<p>Agency services (if any) provided by the agent are subject to the normal VAT rules.</p>
Invoicing obligations for supply made to the customer	<p>A VAT registered principal is liable to issue a tax invoice to the customer.</p>	<p>A VAT registered undisclosed agent is liable to issue the invoice to the customer.</p>
Specific record keeping requirements related to the agency arrangement	<p>Official agency contract, entailing that the agent is to act in the name and on behalf of the principal.</p> <p>Sales contract or invoice which clearly indicates that the agent is providing goods or services in the name and on behalf of the principal in addition to the identity of the principal and the customer.</p>	<p>No specific record keeping requirements.</p>
Input tax recovery	<p>The principal is eligible to deduct input tax incurred in making the supply to the customer, in compliance with the general rules of input tax recovery.</p>	<p>The agent is eligible to deduct input tax charged on the supply made by the principal to the agent.</p>

The takeaway

Taxable persons participating in an agency relationship need to assess the VAT treatment of their supplies in the context of the VAT legislation and the recent guidelines issued by OTA.

For a deeper discussion on various aspects listed in the Guide that are applicable to your businesses, please get in touch.

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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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