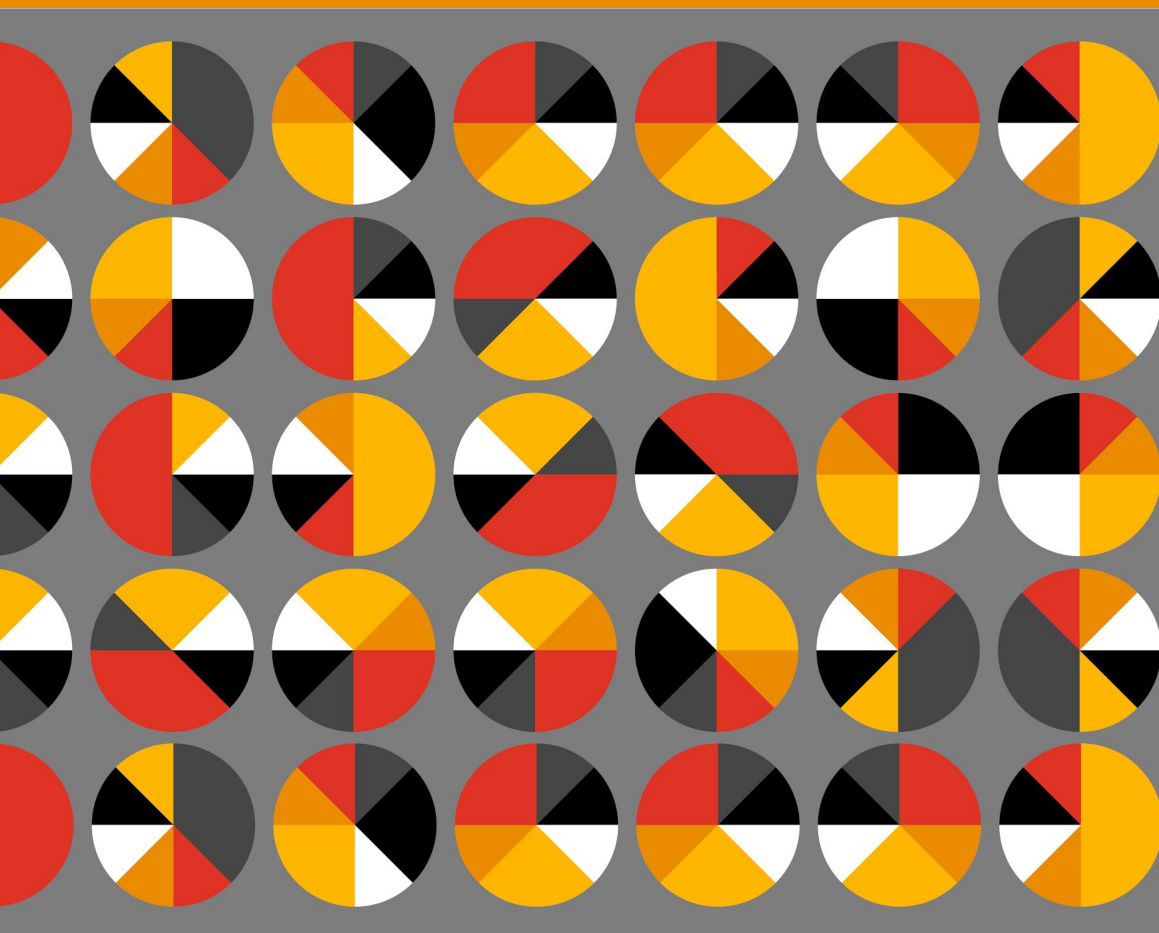


Oman VAT Update: VAT Taxpayer Guide on Exports and Imports

June 2022



In brief

Following the introduction of Value Added Tax (VAT) in Oman on 16 April 2021, the Oman Tax Authority (OTA) issued a new Taxpayer's guide (the Guide) in June 2022 on the application of VAT on exports and imports.

The Guide clarifies the provisions related to exports and imports prescribed under the Oman VAT law and the Executive Regulations. The Guide also addresses certain procedural aspects that may ease doing business in Oman.

In detail

The following topics are covered by the Guide inter alia:

- Date of supply of the imported goods
- Customs declaration for imported goods (Bayan)
- Re-import of goods temporarily exported for repairs, processing, etc.
- Re-export of goods temporarily imported for repairs, processing, etc.
- Exemption for imported goods
- Facility for Import VAT postponement
- Suspension of customs duties
- Receipt of imported services by taxable persons
- Receipt of imported services by non-taxable persons
- Export of services

Some of the key clarifications and procedural aspects discussed in the Guide are as follows:

1. Amendment of the customs declaration (Bayan):

- In case there is a difference in the import VAT paid and the value of import VAT mentioned on the Bayan document, then the Guide clarifies the rectification procedure. The importer must also notify the Directorate General of Customs and the Tax Authority immediately in case of discovery of any difference in the amount imposed or collected by the Directorate General of Customs or in the amount paid to it.
- The Guide clarifies that if the amount paid is less than the actual amount that should have been collected, the importer/taxpayer is required to pay the difference to the Directorate General of Customs. However, if the amount is overpaid by the importer/taxpayer, the funds will be refunded by customs if they are discovered before the goods are cleared.
- In cases where the error/discrepancy is identified post customs clearance, a refund of import VAT paid in excess by the importer/taxable person may be permitted under the procedures specified by the Tax Authority.

2. Applicability of VAT on sale of goods in the course of import/export:

- It is clarified that if there is a sale in the course of import (i.e. before the customs clearance in Oman), then it will be treated as an outside of scope transaction from an Oman VAT perspective.
- In the case of sale in the course of export (i.e. after the customs clearance), where the sale of goods occurs in Oman, the transaction will be treated as a zero-rated supply.

3. Supply of goods in departure areas at airports and ports:

- The Guide clarifies the VAT treatment for the supply of goods in departure areas of airports and ports (after customs and security checkpoints), popularly known as the 'duty free' zone.
- It has been clarified that for passengers traveling to a destination outside Oman, the sale of goods at the 'duty free' is subject to zero-rating from an Oman VAT perspective, provided that the supplier proves to the OTA that the customer is heading to an international destination and intends to carry the goods with him. The proof of this may include the passenger's boarding pass, passport or identity card.

4. Determine the actual customer in case of export of services:

- The Guide has clarified by the way of an example that when determining whether the services supplied qualify as zero-rated export of services, the supplier must identify the customer that benefits from that service. Accordingly to the Guide, the customer must be the actual person receiving and directly benefiting from the service, who may be himself or a different person that is not mentioned in the contracts/commercial documents. For e.g. the contract and/ or invoicing may be with a non-resident person, however if the direct benefits of such services are received by a person resident in Oman, then such services may not qualify as zero-rated export of services.

5. Exports to and imports from the GCC member states:

- It has been emphasised in the Guide that until all GCC member states apply VAT and the electronic service system is introduced, any import from GCC member states will be treated as an import from another country (outside the GCC), and any export from Oman to GCC member states will be treated as an export outside the GCC territory.

Key takeaways

With the release of the Guide, the OTA has made an effort to clarify the provisions relating to exports and imports prescribed under the Oman VAT law and Executive Regulations. However, further clarity is required in respect of certain other areas, especially relating to export of services. For e.g. in respect of export of services, clear guidelines should be provided by the OTA in order to determine if the “benefits of the services accrues outside Oman” and consequently determine if the services qualify for zero-rating.

For a deeper discussion on the VAT taxpayers guide for exports and imports and how it may impact your business operations, please contact us.

Let's talk

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

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