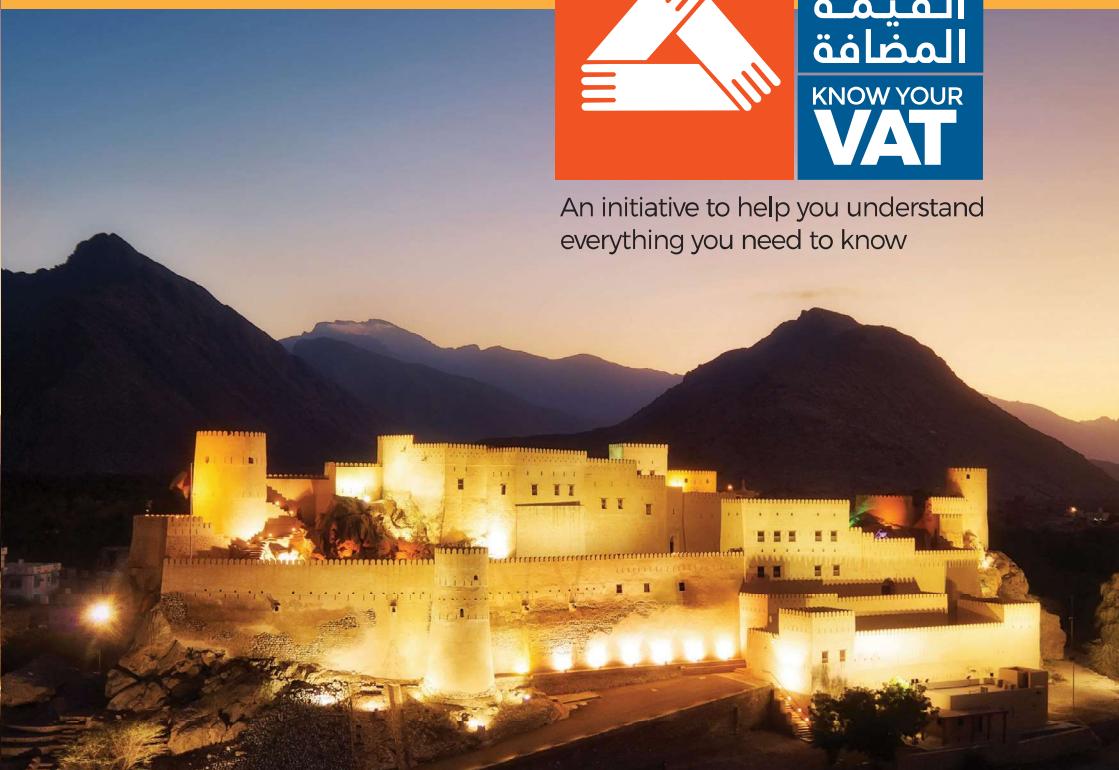


STANDARD TEMPLATE FOR OMAN VAT LAW IMPLEMENTATION



An initiative to help you understand
everything you need to know



INITIATED & ORGANIZED BY



IN PARTNERSHIP WITH

EXECUTED BY





OMINVEST



مركز الزبير للمؤسسات الصغيرة
ZUBAIR SMALL ENTERPRISES CENTRE



مؤسسة الزبير | 50 YEARS
The Zubair Corporation

Standard Template for Oman VAT Law Implementation 2021



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Our government will follow up progress in various sectors, including small and medium enterprises, and entrepreneurship, particularly those based on innovation, artificial intelligence, and advanced technology. This is in addition to training and enabling youth to benefit from the opportunities made available in this vital sector, so that it could form a cornerstone in the national economy.

His Majesty Sultan Haitham Bin Tarik

Our Message

Marking more than 50 years since establishment, we are privileged at The Zubair Corporation to have been contributing to Oman's socio-economic development by supporting small and medium enterprises and empowering them, as a vital part in the backbone of our economy and future sustainable development.

The work of Zubair SEC feeds into this vision, by providing effective and comprehensive support to enable small enterprises in fulfilling their business endeavors.

Zubair SEC has been working in the field of SMEs development for more than 8 years, gaining insight and expertise on what SMEs need and what challenges they are facing. Zubair SEC is also keen on educating entrepreneurs in the various laws and legislations issued by the concerned authorities, such as the Value Added Tax ('VAT') Law.

As you are no doubt aware Value Added Tax ('VAT') Law has been introduced in the Sultanate of Oman as of April 16, 2021. As a concept, this law is significantly more complex at a corporate level than it may initially seem to the general public. VAT is, in fact, an indirect tax that is charged at each step of the supply chain with an applicable tax credit at various stages of supply, and not just at the end-user level.

Moreover, the law applies to any company whose taxable turnover exceeds OMR 38,500, which includes the majority of Small and Medium Enterprises (SMEs). Given that non-compliance carries with it significant legal and financial risks, it is vital that every business, especially SMEs, are given a clearer understanding of each of the concepts and intricacies of its implementation.

Our recent VAT-focused initiative titled 'Know Your VAT' was born out of this requirement. Initiated and organised by Zubair Small Enterprises "Zubair SEC", in partnership with the Oman International Development and Investment Company (OMINVEST) and executed by Moore, the initiative was the first one of its kind in the country. It included a series of five webinars, five short animated videos and one-to-one sessions where required. The webinars were particularly well-received as they provided SME owners and business heads with a free platform that walked them through every intricate detail of the VAT law and its procedures.

Following the success of this webinar, we are now pleased to announce the launch of our new digital downloadable VAT booklet titled 'Standard Template for Oman VAT Law Implementation'. This specially designed free booklet is effectively a compendium of all knowledge concerning Oman's VAT law. It has been split into eight easy-to-follow chapters, covering all aspects of VAT, starting from the basics of Tax Invoices, all the way to VAT Returns and more; thereby ensuring to provide all the required knowledge for a complete corporate VAT compliance.

This booklet, together with the complete 'Know Your VAT' webinar series, is available online for free on our website - <https://zubairsec.org>.

Said Al Sahib
Director
Zubair SEC

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SECTION A **INTRODUCTION**

Value Added Tax ("VAT") Law has been introduced in the Sultanate of Oman from April 16,2021.

VAT is an indirect tax which is charged at each step of the supply chain with applicable tax credit at various stages of supply.

In this connection, it is important that we all follow the rules and ensure compliance. Most of us are not used to working in an environment where a tax regime of any kind exists. Henceforth, it is extremely important that we change our methods of working to comply with the legal requirement.

In this regard, we have laid down guidelines on following aspects from the VAT Law perspective.



SECTION B **FORMAT OF TAX INVOICE**

B.1 The issuance of the tax invoices shall be in Arabic. The tax invoice may be issued in English provided an Arabic translation is provided in Arabic upon the Authority's request.

B.2 The Tax Invoice includes -in particular- the following details:

- i. The term "Tax Invoice"
- ii. The date of issuance of the Tax Invoice, the date of supply, and the date of payment
- iii. The sequential number of the Tax Invoice
- iv. **The supplier's full name, address and Tax Identification Number**
- v. **The customer's full name, address and Tax Identification Number, if any, or its equivalent in his country of residence if he has no place of residence in the Sultanate**
- vi. Description of the supplied goods and services
- vii. The quantity of goods
- viii. Payment date of advance payment, if any
- ix. Total consideration excluding Tax
- x. The applied Tax Rate
- xi. Any price discounts, or reductions granted to the customer, or any subsidies granted by the State that were not included in the value of the consideration excluding Tax
- xii. Taxable value
- xiii. Value of the Tax due

B.3 An illustrative invoice format with the prescribed contents is provided below:

Tax Invoice

Supplier Name:

Invoice No.:

Address line 1:

Invoice Date:

Address line 2:

Date of Supply:

VAT Registration No:

Date of Supply:

Date of Payment:

Name of the Customer:

Address line 1:

Address line 2:

VAT Registration No:

www.Registrat
(If applicable)

Goods/Service Description	Quantity	Rate	Amount	Discount	Taxable Amount (OMR)	VAT Rate (%)	VAT (OMR)
Mention nature of service/goods <<separate line item is required for each goods and services>>	1	90	90	0	90	5	4.50
TOTAL			90	0	90		4.50

Gross Amount Payable: OMR 94.50/- only

Exchange Rate (Where applicable):

SIMPLIFIED **TAX INVOICE**

B.4 The Taxable Person is required to notify the Tax Authority if the taxable person chooses to issue the simplified tax invoices within a period of 3 months of adopting the simplified tax invoice. The simplified tax invoice can be issued after the following conditions are met:

- The nature of the supplies does not require the issuance of immediate Tax Invoices in accordance with article (144) of these Regulations
- The value of supplies excluding Tax should be less than five hundred (500) Omani Rial

B.5 The simplified Tax Invoice shall include the following details:

- i. The phrase "Simplified Tax Invoice"
- ii. The date of issuance of the Simplified Tax Invoice, the date of supply and the date of payment
- iii. The supplier's full name, address and Tax Identification Number

- iv. Description of goods and services
- v. The quantity of goods
- vi. The total consideration, excluding Tax
- vii. The applied Tax rate
- viii. Any price reductions, discounts granted to the customer, or any subsidies granted by the state that were not included in the value of the consideration excluding Tax
- ix. Taxable value
- x. Tax due
- xi. An illustrative format of the simplified tax invoice has been released by the Tax Authority

SECTION C

FORMAT OF TAX CREDIT/DEBIT NOTE

C.1 Oman VAT Regulations does not specify the format and content of Credit Note/Debit Note. However, as per the best practices and provisions in other GCC countries, the following particulars should be contained in the Tax Credit Note/Debit Note:

- i. The words “tax credit note/debit note” clearly displayed on the invoice
- ii. The name, address, and Tax registration number of the registrant making the supply
- iii. Where a recipient of goods or a recipient of services is a registrant, his name, address, and Tax registration number
- iv. The date of issuing the Tax Credit/Debit Note
- v. The value of the supply shown on the Tax Invoice, the correct amount of the value of the supply, the difference between those two amounts, and the Tax charged that relates to that difference in RO
- vi. Brief explanation of the circumstances giving rise to the issuing of the Tax Credit/Debit Note
- vii. Information sufficient to identify the supply to which the Tax Credit Note/Debit Note relates

C.2 An illustrative Tax Credit/Debit note format with the prescribed contents is as below:

Tax Credit Note

Supplier Name:

Credit Note No.:

Address line 1:

Credit Note Date:

Address line 2:

VAT Registration No.:

Name of the Customer:

Address line 1:

Address line 2:

VAT Registration No.:

(If applicable)

Value of supply of Tax Invoice (A)	Correct value of supply of Tax Invoice (B)	Value of Tax Credit Note (A-B)	VAT Rate (%)	VAT (OMR)
90	85	5	5	0.25
TOTAL			5	0.25

Gross Amount Payable: OMR 5.25/- only

Exchange Rate (Where applicable):

Reason for issuing Tax Credit Note

Original Tax Invoice No. and date

Tax Debit Note

Customer Name:

Debit Note No.:

Address line 1:

Debit Note Date:

Address line 2:

VAT Registration No.:

Name of the Supplier:

Address line 1:

Address line 2:

VAT Registration No.:

Value of supply of Tax Invoice (A)	Correct value of supply of Tax Invoice (B)	Value of Tax Debit Note (B-A)	VAT Rate (%)	VAT (OMR)
90	95	5	5	0.25
TOTAL			5	0.25

Gross Amount Payable: OMR 5.25/- only

Exchange Rate (Where applicable):

Reason for issuing Tax Debit Note

Original Tax Invoice No. and date

SECTION D

CHANGES REQUIRED IN THE ACCOUNTING SYSTEM

D.1 SUGGESTED CHANGES IN THE IT SYSTEM

Following are the suggested changes in the existing IT Systems from a VAT perspective:

D.2 SETTING UP OF MASTER DATA

Master	Required Fields
Taxpayer/Entity	<ul style="list-style-type: none"> ✓ Name of the Taxpayer ✓ Complete address of the Taxpayer ✓ VAT registration number (as and when granted by the tax authorities)
Customer	<ul style="list-style-type: none"> ✓ Name of the Customer ✓ Complete address of the Customer ✓ VAT registration number (if registered for VAT) <p>Note: The above database may be created only for business customer and not for end consumers</p>
Supplier/Vendor	<ul style="list-style-type: none"> ✓ Name of the Supplier ✓ Complete address of the Supplier ✓ VAT registration number (if registered for VAT) <p>Note: The invoice issued by the Suppliers must have the above information so as to claim/ recover the input tax credit of VAT charged by the suppliers. Accordingly, for key/ frequent suppliers, the aforesaid information can be obtained by Taxpayer in advance so that the same can be incorporated in the IT system. Further, after obtaining VAT registration, Taxpayer can also share its VAT details (specifically the VAT registration number) so that supplier invoices are raised with Taxpayer's VAT information and there are no challenges in availing credit.</p>
Product	<ul style="list-style-type: none"> ✓ Goods or services (since place of supply and time of supply provisions are different for goods and services.) ✓ Applicable VAT rate (exempted, Zero rated, outside the purview of VAT or 5%)

D.3 SETTING UP OF GENERAL LEDGER ('GL') CODES:

Following GL codes should be set up in the accounting system to capture output and input VAT:

GL Code	Tax Code Description	Balance Sheet/ P&L
Output VAT	Output VAT liability on supply of goods and services	Balance Sheet – Liability Account
Input VAT	Recoverable VAT on procurement of goods and services	Balance Sheet – Asset Account
Input VAT – Capital Goods	Recoverable VAT on procurement of capital assets/ goods	Balance Sheet – Asset Account
Non-Recoverable VAT	Non-recoverable VAT on procurement of goods and services	P&L – Expense

D.4 SETTING UP OF TAX CODES

Relevant tax codes should be set up in the system so that each transaction can be mapped to the applicable tax code for auto-calculation of taxes and for generating the required reports. Separate tax codes should be defined for supply and procurement transaction, recoverable and non-recoverable input tax credit, reverse charge transaction, etc. An illustrative list of tax codes is given below for reference:

Illustrative Tax Code	Tax Code Description	Nature of Transaction
OT5	5% Output VAT	Supply of goods and services within Oman taxable at 5%
OZO	0% Output VAT	Supply of goods and services within Oman, zero-rated
OEO	Exempt Output VAT	Supply of goods and services within the Oman, exempt
OEX	Exports 0% Output VAT	Export of goods and services, zero-rated
OPV	Outside the purview of VAT	Supply of goods and services outside the purview of VAT
IT5	5% Input VAT	Procurement of goods and services from within Oman taxable at 5%, recoverable
ITO	0% Input VAT	Procurement of goods and services from outside Oman, exempt/ zero-rated
IMG5	5% Output VAT - Import of goods	Output VAT on procurement of goods from outside Oman, taxable at 5%
IM55	5% Output VAT - Import of services	Output VAT on procurement of services from outside Oman, taxable at 5%
IMGC5	5% Input VAT - Import of goods	Input VAT on procurement of goods from outside Oman, taxable at 5%
IMSC5	5% Input VAT - Import of services	Input VAT on procurement of services from outside Oman, taxable at 5%
IMGSO	0% Output VAT - Import of goods/services	Procurement of goods/services from outside Oman, taxable at 0%

SECTION E

SAMPLE ACCOUNTING ENTRIES

E.1 ILLUSTRATIVE ACCOUNTING ENTRIES

With VAT, there would be a change in the way transactions are recorded. The following are the illustrative journal entries for recording the purchase and sale transactions, set off output VAT and input VAT and payment of VAT. We would like to highlight that the aforesaid entries are on the assumption that for import of goods/services, the VAT liability may not be required to be paid in cash as the same would be instantly available as input VAT. However, the same needs to be fine-tuned once the VAT Regulations are issued by the authorities.

Nature of Transactions	Journal Entry	Debit	Credit
Supply of taxable goods	Dr. Customer/Cash/Bank Cr. Sale Cr. Output VAT	105	100 5
Supply of zero-rated goods/services (including exports)	Dr. Customer/Cash/Bank Cr. Sale	100	100
Purchase of taxable goods/services (where ITC available)	Dr. Purchase Dr. Input VAT Cr. Supplier/Cash/Bank	60 3	63
Purchase of taxable goods/services (where ITC not available)	Dr. Purchase Cr. Supplier/Cash/Bank	63	63
Payment of Tax	Dr. Output VAT Cr. Input VAT Cr. Bank	8	6 2
Import of goods from outside Oman			
Purchase of goods on which RCM is applicable	Dr. Purchase Dr. Input VAT Receivable RCM Goods Cr. Supplier Cr. Output VAT RCM Goods	100 5	100 5
Payment of VAT in cash	Dr. Output VAT RCM Goods Cr. Bank	5	5
Import of services from outside Oman			
Purchase of services on which RCM is applicable	Dr. Purchase Dr. Input VAT RCM Services Cr. Supplier Cr. Output VAT RCM Services	100 5	100 5
Payment of VAT in cash	Dr. Output VAT RCM Services Cr. Input VAT RCM Services	5	5

SECTION F

CLAUSES TO BE INSERTED IN THE EXISTING CONTRACT

F.1 Taxpayer shall charge the applicable VAT w.e.f. 16th April 2021/1st July 2021/1st October 2021/1st April 2022 (whatever is the effective date of registration applicable to each of the taxpayer), on the value of taxable services provided. For such supply, Taxpayer will issue a Tax Invoice with applicable VAT which shall be mentioned separately on the Tax invoice, as per the requirement of the Oman VAT legislation.

F.2 The Oman VAT Law provide specific transitional provisions relating to applicability of VAT on ongoing contracts. As per the said provisions, where the contracts are entered or advance payments are received prior to introduction of VAT, while the supply of services is partly/fully completed post introduction of VAT, all such supply of services will be liable to VAT to the extent they are provided after introduction of VAT.

F.3 Accordingly, in respect of all existing/ running contracts (including cases where an advance payment has been made to the taxpayer), where the supply of services is made post introduction of VAT, the value of all such supplies would be treated as exclusive of VAT i.e., VAT would be charged over and above the value of services as agreed in the contract.

F.4 The following Tax clauses are required to be incorporated in contracts from a VAT standpoint:

- The PO/ contract value is exclusive of all applicable taxes, including VAT. Any applicable taxes (including VAT) will be charged and recovered over and above the contract price (Suggested to include as an addendum in the ongoing Contracts and in the new contracts/PO)
- It is hereby declared and agreed that if Value Added Tax (VAT) is applicable on the advances and other charges payable/paid in relation to the supply of services made after the date of implementation of VAT, the Taxpayer reserves right to collect the VAT from the customer in line with the impending VAT Laws and Regulation as implemented in Sultanate of Oman (Suggested to include as an addendum in the ongoing Contracts)

SECTION G

DOCUMENTS TO BE MAINTAINED

G.1 THE TAXABLE PERSON MUST KEEP-IN, PARTICULAR THE FOLLOWING RECORDS:

- i. Daily Record in which the daily transactions related to the Taxable Person's activity are recorded according to their chronological and sequential manner and keep all the documents that enable the control of the validity of these activities
- ii. The Master Record which monitors the opening of accounts and the transactions based on this account, provided that there is a separate account for each type of supplies (taxable or exempt)
- iii. The inventory record, where the inventory items, the budget and the total count are recorded
- iv. Records and documents related to the supplies of imported and exported goods and services
- v. Records and documents related to intra GCC supplies of goods and services
- vi. Records and documents related to all customs transactions
- vii. All documents proving taxable supplies at Zero Percent (0%) rate according to the provisions of Articles (51) and (54) of the Law
- viii. All tax invoices and other documents issued by the Taxable Person
- ix. All tax invoices and other documents received by the Taxable Person
- x. Records that include information necessary to determine the correct Tax treatment
- xi. Any other records determined by the Authority
- xii. Goods and Services that have been disposed of or used for non-business-related matters, showing Taxes portion
- xiii. Goods and Services purchased and for which the ITC was not deducted
- xiv. Adjustments or corrections made to accounts or Tax Invoices
- xv. Accounting books to include journal and ledger
- xvi. Record of Capital Assets
- xvii. All the Financial Statements such as Balance Sheet and Profit and Loss account

G.2 As per the Oman VAT Law, the Taxpayer is required to maintain all Tax records for a period of 10 years. Hence, it is extremely important that purchase as well sales records are preserved and kept in good condition, since, the Authorities can audit the records of the Taxpayer at any given time. Since, these are tax invoices original copies are required for submission during audit as photocopies may not be acceptable.

G.3 Accounting records and books and documents may be kept electronically through applying automated accounting systems by the Taxable Person that prove the accounting transactions, and issue the required documents and details on paper when requested, provided the systems meet the following conditions:

- The systems used for such purposes do not allow any adjusting entries, changes, deletions or additions to the accounting records and books, invoices and documents after the recorded date of the transactions
- The electronic copy should be a clear copy and true copy of the original paper records
- To have available an operating manual for these systems when requested by the Authority

G.4 The Taxable person may keep accounting records and books, invoices and documents in any language, provided they are made available in the Arabic language, upon the request of the authority

SECTION H

INFORMATION TO BE COLLATED FOR VAT RETURNS

H.1 The format for Tax Return has been notified by the Tax Authority

H.2 Under the Oman VAT law, every registered person is required to:

- Compute and deposit the tax liability arising on supply of taxable goods and reduce the corresponding ITC for each tax period
- File a periodical tax return with the Government authorities disclosing details of sales and purchases, ITC, tax liability and other prescribed details

H.3 Data required for filing VAT returns

Basis the executive regulations, we have captured the data which would be required for **filing the return online**

- i. General details for the taxable person
- ii. **The Tax identification number of the taxable person**
- iii. The Tax period for which the return is submitted
- iv. The value of taxable and exempt supplies
- v. The value of imported goods
- vi. The value of the output tax during the tax period for which the return is prepared, and the value of the input tax claimed for deduction
- vii. The value of the tax due during the tax reporting period
- viii. Any other details determined by the Authority

H.4 The Taxpayer shall have the option to file a revised Tax return if he becomes aware of an error or omission in the Tax Return submitted. The revised Tax return shall be filed within 30 days following the error or omission being discovered

SECTION I OTHER ASPECTS

I.1 VAT Chargeability:

- Tax Invoice has to be issued and VAT to be charged on all supplies @5%/ 0%/ exempt etc., w.e.f. 16th April 2021/1st July 2021/1st October 2021/1st April 2022 (whatever is the effective date of VAT registration for each taxpayer)

I.2 Import of Goods and Services:

- Keep track of all payments to overseas vendors, which are subject to RCM
- Ensure proper valuation while paying VAT on import of goods, i.e., Customs duty and Excise tax (if any) would be added in taxable value of import of goods on which VAT is payable
- Payment/accounting of VAT on transactions separately which are subject to RCM

I.3 IT and Accounting Systems:

- Initiate changes in the IT and accounting system
- Recording of the VAT payable and amounts recoverable in the correct ledger
- **Generation of VAT invoice with the prescribed contents and within the specified timelines** generation of report to facilitate the preparation of VAT returns (return format yet to be prescribed)

I.4 Input Tax Credit:

- Letters to be sent to all vendors intimating about the VAT registration number
- Ensure all invoice raised by vendors are proper Tax Invoice mentioning the name, address, VAT registration number of Taxpayer
- Payment should only be processed where vendor invoices are in the name of Taxpayer along with its VAT registration number

I.5 Invoice Sequence:

Separate invoice series may be maintained for different types of supplies

I.6 Currency:

If the supply is in a currency other than the Omani Rial, then for the purposes of the Tax Invoice, the amount stated in the Tax Invoice shall be converted into Omani Rial according to the exchange rate approved by the Central Bank of Oman at the date of supply

I.7 Tax invoice in case of zero-rated supply and exempted supply

There is a requirement to issue tax invoice in case of a zero-rated supply or exempted supply