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VAT introduction in Oman

A step towards implementation

About VAT

Value Added Tax (VAT) is a broad-based tax on consumption of nearly all goods and services. VAT is generally applied on every transaction in a supply-chain and most likely not to be "an absolute cost" to the business.

(#) VAT in the GCC region

Following the signing of the Gulf Cooperation Council (GCC) VAT Framework Treaty, the United Arab Emirates (UAE) and the Kingdom of Saudi Arabia (KSA) introduced VAT effective from 1st January 2018; whereas the Kingdom of Bahrain introduced VAT effective from 1st January 2019.

The GCC VAT Treaty acts as the basis for local VAT legislation by stipulating certain principles, which must be followed by all member states, while allowing the countries to opt for different VAT treatments and approaches.

(value) VAT in Oman

Oman has announced that VAT will be implemented from April 2021. The Sultanate has got enough experience from the implementation of VAT in other GCC countries and around the world and it is well prepared and equipped for its implementation.

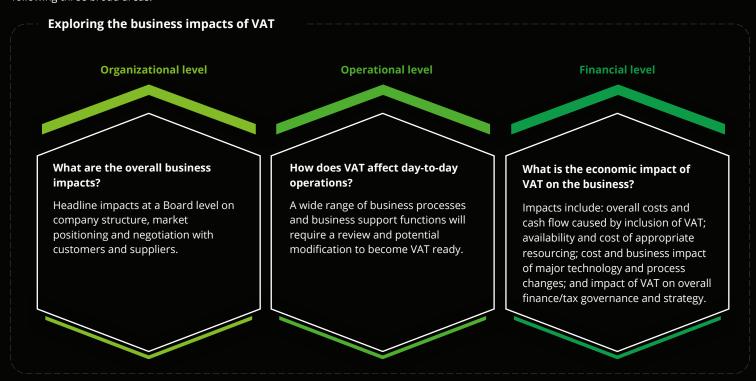
Different working groups are being formed for different sectors, including financial services, oil and gas, telecommunication, etc. to discuss on the issues and practical challenges.

The government has previously clarified that the ultimate responsibility to get ready for VAT is of the business.

How does VAT impact a business?

As a transactional tax, VAT will have significant impacts across business operations.

Whilst different sectors and organizations will face specific complexities, Deloitte considers that business impacts can generally be categorized in following three broad areas:



(F) Start early, learn early

Early preparation is key because:

- It helps the business in being VAT ready where VAT liabilities are generally self-assessed and non-compliances/errors are often subject to severe negatives
- Information Technology (IT) implementation can be time consuming
- It helps avoid the risk of a business disruption

A Potential risks

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In case the business fails to take necessary and timely steps towards VAT, there could be following potential risks:

Reputational:

- The legal requirement under VAT rules is usually to pay the right amount of tax, at the right time
- The ability to pay the right amount of tax depends on whether an organization is fully versed with its tax obligations and understands how to meet them
- Failure to meet these obligations can lead to ongoing public perception challenges and a difficult relationship with the Tax Authority (TA)



- The operational imperative is to maintain business-as-usual principles over the course of a tax implementation
- Disruption of 'procure-to-pay' and 'sell-to-receive' processes will give rise to major operational difficulties with logistics unable to procure goods, sales unable to raise invoices, etc.

Financial

- The business-as-usual principles under VAT could, depending on the level of preparation undertaken, create substantial cash-flow and absolute tax costs
- The inability to sell goods and services due to a failure to implement the necessary changes in time could lead to major revenue shortfalls
- Based on our experience in other GCC countries, we envisage that financial penalties for errors to be levied by TA could be significant

(Common pre-implementation actions

There are a number of actions businesses can take before VAT is implemented to determine if their IT systems, processes and contractual arrangements are 'ready to go'. Immediate actions include:

- > Creating VAT awareness among different stakeholders within the organization
- Strategically planning the activities that can be performed parallel with minimum disruption
- Identifying VAT and IT readiness to meet VAT requirements
- Mapping your transactions to determine all future VAT liabilities so that compliance obligations are easily overlaid
- > Approach other industry counter parts to make representation to TA on industry specific VAT issues and seek clarifications/concessions
- Reviewing and updating contractual arrangements with vendors and customers to determine each party is aware of its responsibilities for paying and accounting for VAT
- Amending contracts/agreements to insert appropriate VAT/tax clauses (to manage VAT costs in vendor contracts or to be able to charge VAT separately to customer)

···· How can Deloitte help?

At Deloitte, we believe that a successful VAT implementation means VAT being effectively embedded within business processes and businesses being confident of a well-managed compliance system producing accurate and timely VAT filings. With these end goals in mind, Deloitte can support you with a host of bespoke services, including:



- End-to-end VAT implementation support (including IT implementation, where applicable)
- Assistance in making representation to the TA
- Assistance in obtaining VAT registration
- Assessment of VAT registration requirements (for non-resident individuals/businesses in Oman)
- Project Management Office (PMO) and Change Management Support
- Bespoke Training Programme
- Developing governance manuals, standard operating procedure (SOP), frequently asked questions (FAQs), and guides for businesses
- Ad-hoc VAT advisory services



- On-going VAT compliance support
- Ad-hoc VAT advisory services
- Other post implementation services (including overall health-check of a business)



(xi) Accelerating your VAT journey with the Deloitte team

At Deloitte, we have a dedicated, Oman based VAT team having deep subject matter expertise and proven VAT implementation capabilities. Deloitte has been advising clients across the GCC on the VAT implementation since it was first proposed several years ago. We have also been involved at a governmental level on the introduction of VAT.

We recognize that a successful VAT implementation will require more than tax expertise. Our multi-disciplinary team combines specialist knowledge and input across key competency areas: systems and technology, people and processes, financial modelling, change management and project management. We also understand the importance of industry expertise, and have team members who bring deep knowledge and experience in all major industries.



For further guidance and support, please get in touch with our Oman tax experts.



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