

Oman VAT implications for financial services

Oman VAT law mentions that financial services are exempt as per Article 47.

It has been specified that further conditions and details related to financial services exemption will be included in the regulations.

VAT treatment

Exempt services

Based on the VAT treatment in KSA, Bahrain and UAE, it is expected that Oman will follow the same treatment and only interest or margin based financial services will be treated as exempt services. Regulations will confirm the exact conditions to be applied in Oman.

Input VAT cannot be recovered on supply of exempt services.

Standard rated services

Generally, if the financial services are supplied for an explicit fee or commission, those will be subject to standard rate (5%) of VAT. Such standard rated supplies include bank charges, remittance fees, loan processing fee, annual card fees etc. It is expected that Oman will follow same treatment however details will be confirmed in the regulations.

Input VAT can be recovered on costs fully related to standard rated supplies.

Zero-rated services

Supply of financial services to a recipient established outside GCC/Oman will be subject to zero-rate (0%) of VAT

Issues of irrecoverable VAT

The irrecoverable VAT may constitute an important cost for financial institutions and potentially impact their pricing policy. This would require an early assessment of the VAT cost and impact to the bottom-line.

Input VAT allocation

It is always a complex issue for financial institutions to track and allocate Input VAT between taxable supplies and exempt supplies. Each GCC country has issued its own method for apportionment of Input vat, which businesses will need to use to calculate the recoverable amount of input vat, incurred on overheads. Regulations will confirm the method to be applied in Oman.

Mixed supplies

Some financial services may comprise of a number of components ('bundled services'), which if supplied separately, may be subject to different VAT treatment.

In order to establish the correct VAT treatment of such bundled services, certain characteristics will need to be assessed to determine whether different VAT treatments will apply.

If you want to discuss more Oman VAT, please drop us an email at info-oman@premier-brains.com or call us at + 968 25524130.

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