

# Comments on taxes in Oman, Times of Oman, 20 Jan 2016

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## Consumers to pay new tax in Oman as 'VAT' gets closer

Value Added Tax (VAT) will be introduced in Oman by the middle of next year, or even earlier, a member of the Majlis Al Shura's economic committee has told the Times of Oman.

"Implementation of VAT is in the final stages. Oman is working out a mechanism on how to collect the tax. So, by the mid-2017, we can expect VAT being introduced in Oman," Tawfiq Al Lawati said.

### Struggling economies

With crude prices touching all-time low, economists in Oman and neighbouring countries have been stressing the need for VAT's implementation to cushion the struggling economies.

Governments in all the GCC countries have been working on a model which could be implemented across the members simultaneously.

According to the Shura member, once implemented, the VAT amount would be about three to five per cent, with foodstuff and certain other products to be exempted from the tax.

"Through the introduction of VAT, we estimate that Oman will be able to earn between OMR200 million and OMR300 million extra every year," the Shura member added.

Nasser Saidi, a GCC-based economist, said VAT is the most notable reform that Oman and its neighbours could adopt to boost revenue, while Manjot Sing Chug, a business tax advisor in Muscat, said given the current oil prices, the implementation of VAT is likely to be accepted as a positive

measure for diversifying and strengthen the governments' revenue base.

"While VAT is likely to be implemented at a uniform rate across the GCC, Oman should also plan to introduce selected excise taxes (e.g. on recreational vehicles, such as cars, boats, tobacco, alcoholic beverages, telecom services, hotels, energy products etc.)," Saidi stated.

Last December, there were media reports that countries in the GCC had agreed on key issues regarding the implementation of VAT in the region, but were still in talks about finalising and unifying the process.

"VAT cannot be implemented unilaterally, but has to be part of a Gulf-wide decision and if all GCC states agree on a deadline, then some could implement it ahead of the others," Anchan CK, an investment advisor in Muscat, noted.

During the first week of January and while unveiling the details of the OMR3.3 billion deficit general budget, the government had focused heavily on austerity measures, such as increasing the contribution of non-oil revenues to total revenues, reducing dependence on oil revenues and the introduction of tax reforms.

Last year in December, Majlis Al Shura had voted yes for a 3 per cent increase in corporate income tax. The current corporate income tax for companies, which is 12 per cent, was raised to 15 after approved by the State Council this month.

According to Saidi, in addition to VAT, a recurrent property tax could also be levied, given the difficulty in evasion and potentially large base; plus, the tax could be extended to vacant land, as was implemented recently in Saudi Arabia.

"Furthermore, the government could move towards a more efficient, equitable pricing of public services and utilities, as was done in Abu Dhabi last year," he added.