

FAQs for Corporate Customers in relation to Value Added Tax (VAT)

Oman has implemented Value Added Tax (VAT) at the standard rate of 5%, except for items that are specifically zero rated or exempt, with effect from 16th April 2021.

1. What is VAT?

Value Added Tax (VAT) is an indirect tax that is being imposed on the supply of goods and services. VAT will apply at the rate of 5% to most goods and services supplied in the Sultanate of Oman by any person/business required to be registered for VAT, except where a supply is specifically zero rated or exempted under the VAT Law.

2. How does VAT apply to Bank Muscat products and services?

VAT is applicable to conventional and Islamic banking services, both retail and corporate. VAT is charged on fees, commissions, and bank charges. VAT will NOT be charged on interest paid by customers on their credit facilities or interest earned on deposits.

How will VAT affect Bank Muscat Customers?

The bank has updated its schedule of fees to reflect the bank's charges and the applicable VAT amount for each product/service. The schedule of bank charges, effective April 16 2021, is available on the bank's website for customers' quick reference. It is worth noting that VAT is charged on fees/commissions and **NOT** on the transaction amounts.

To clarify, if a company requests salary processing for its employees, the VAT will be charged on the processing fee and **NOT** on the amount transferred. To exemplify the previous point, if the processing fees is RO 20, the applicable VAT charge will be RO 1 (20 X 5%). Therefore, the total salary processing fee inclusive of VAT will be RO 21.

Similarly, if a company requests a cheque book (50 leaves), the VAT will be charged on the bank's fees for issuing the cheque book. For example, if the fee is RO 3, the applicable VAT charge will be 150 Baizas (3 X 5%). Therefore, the total cheque book issuance fee inclusive of VAT will be RO 3.150.

When a company requests for a Visa Corporate Standard Credit Card, the VAT will be charged on the credit card annual fees and **NOT** on the credit card limit or outstanding. Hence, if the annual fee for a corporate standard credit card is RO 25, the applicable VAT charge will be RO 1.250 (25 X 5%). Therefore, the total corporate credit card annual subscription fee inclusive of VAT will be RO 26.250.

To know more, please visit:

<https://www.bankmuscat.com/en/about/Documents/Tariff%20Eng%20Book.pdf>

3. How will VAT be implemented on Bank Muscat products or facilities that the customer applied for before April 16th?

If clients have existing agreements or contracts for a product or service entered before 16th April 2021, VAT will still apply on fees and charges collected by the bank on or after the effective date of VAT implementation in Oman (i.e. 16th April 2021 onwards).

4. How will VAT be applied on Small Business transactions by Bank Muscat on the 16th April 2021?

Bank Muscat is registered for VAT with the Oman Tax Authority. Hence, the bank is required to charge and collect VAT from all types of account holders/businesses, on accrual or receipt (whichever is earlier) for any taxable services we provide that are subject to VAT.

5. What is Bank Muscat's VAT registration number?

Bank Muscat's VAT registration number is OM1100012379. The official certificate is available on the bank's website

https://www.bankmuscat.com/en/about/Documents/bmforms/VAT_Registration_Certificate.pdf

6. Do Bank Muscat customers need a VAT registration number?

If you are a taxable person making taxable supply of goods and/or services in the course or furtherance of business in Oman and whose taxable annual supplies turnover exceeds or is expected to exceed the VAT registration threshold specified by the Tax Authority from time to time, then you are required to register for VAT and charge VAT on taxable supplies made by you from the relevant effective date applicable to you. Clients are urged to consult with their tax advisor for applicability of the VAT law to their business.

7. Why is a VAT registration number required?

In order for a business to recover VAT, where it is eligible to do so, it will require the bank to issue a compliant tax invoice in the format prescribed in the VAT Law and the relevant Executive Regulations. Such a 'tax compliant invoice' should also carry your VATIN. If not, it may result in VAT becoming an additional cost for your business. Hence, if you are a business required to register for VAT, you must obtain a VATIN and have it updated in the bank's records.

8. How will the tax invoices be sent to businesses?

Monthly Consolidated Tax Invoice(s) will be sent by the bank via email to the email ID registered for the bank account. Clients are required ensure that the corporate email ID is registered/updated in the bank's records.

9. How can a business provide its VAT Registration Number to the bank?

- Visit the home branch with a letter on company letterhead signed by an authorized signatory requesting the bank to update VATIN details in respective of your account(s) along with a copy of your VAT Registration Certificate and a copy of your most recent Commercial Registration.

Or

- Share the VAT registration certificate, CR copy and a scanned copy of the request letter mentioned above from your registered email ID to vatregistration@bankmuscat.com. This email shall accept requests until May 30th, 2021.
- The bank may take up to 3 working days to update your account with your Oman VAT Identification Number ("VATIN").

10. Will the VAT amount be displayed in the account statement?

Yes, the account statement will show the bank charges and the applicable VAT amount as two separate entries.

11. How can a Bank customer know more about how VAT will apply to Financial Services?

The Oman Tax Authority has published information on the Law and the relevant Executive Regulations in respect of VAT that shows how VAT will operate in Oman and provide more clarity on how VAT will apply to certain financial services. We suggest you visit the Tax Authority website to know more <https://tms.taxoman.gov.om/portal/web/taxportal/vat-tax>