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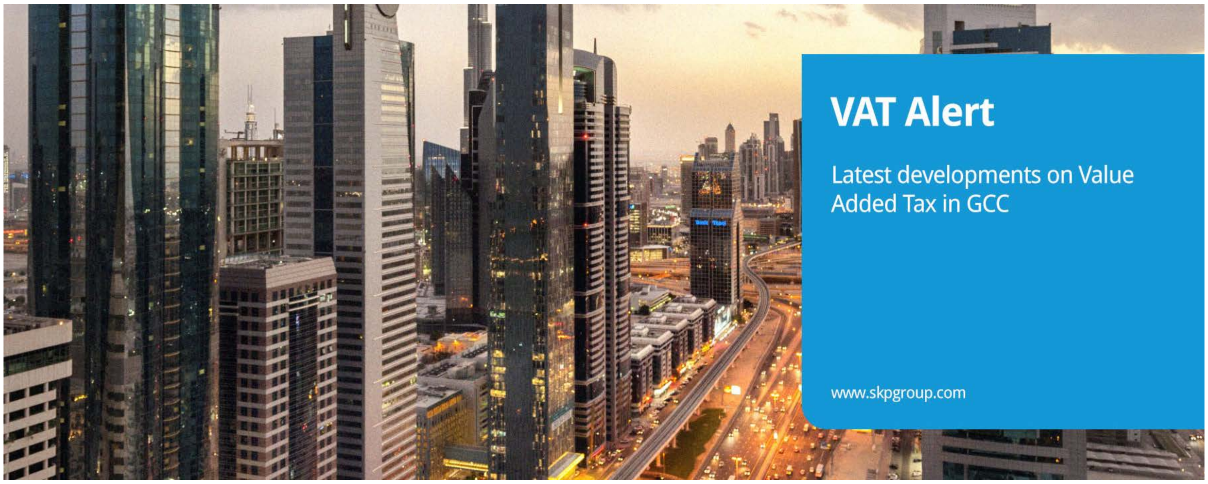

3 March 2017

Tax evasion can lead to a hefty fine, jail term under new Omani law

Dodging taxes can lead to a jail term of up to three years and a maximum fine of OMR 50,000 under tax law amendments published by the Ministry of Finance, as the government begins its crackdown on evaders.

Out of the 300,000 companies registered with the Oman Chamber of Commerce and Industry, only about 10 percent file tax returns with the government, according to details published in the Official Gazette. The move is designed to ensure voluntary compliance and self-assessment.

Source: Times of Oman dated 26 February 2017.

Omani firms prepare for VAT, update their systems

“We are listening to the authorities on how to go about the VAT and are currently in touch with economic and IT experts to update our systems that fully comply with VAT requirements”, Chief Financial Manager of a leading company in Oman said.

Source: Zawya dated 21 February 2017.

Dubai government entity seeks a consultant for VAT compliance

State-owned Dubai Water and Electricity Authority (DEWA) is preparing for implementation of five percent VAT, which will be rolled out across the GCC countries from January 2018.

The utility company is the first government entity in the emirates to have issued a public tender this week, seeking consultants for VAT preparedness and implementation. No other details are mentioned in the tender. Arabian Business has approached DEWA for a comment.

The UAE Ministry of Finance defines VAT, as a general consumption tax, which it says will apply to the majority of transactions in goods and services with a limited number of reliefs likely to be granted.

Source: Arabian Business dated 21 February 2017.

Six Gulf nations aiming for simultaneous VAT adoption in January: UAE official

Policy makers in the six-nation Gulf Cooperation Council (GCC) are aiming to introduce a 5 percent Value Added Tax (VAT) at the beginning of the next year, in spite of administrative and technical obstacles, a senior United Arab Emirates (UAE) finance official said on Sunday.

However, Younis al-Khouri, the under-secretary of the UAE finance ministry, said GCC governments were planning for early, simultaneous adoption.

"By 1 January 2018, we are aiming to adopt 5 percent VAT across the GCC countries," Khouri said in a joint interview with Reuters and fellow Thomson Reuters Company Zawya. Other GCC members are Saudi Arabia, Kuwait, Qatar, Oman and Bahrain.

When asked whether some sectors in the UAE might be exempt from the tax to reduce the drag on the economy, Khouri said the government was aiming for a 5 percent rate across the board but parts of seven sectors - education, healthcare, renewable energy, water, space, transport and technology might get special treatment.

"There might be areas... but currently, as the Ministry of Finance, we are not aiming towards exemptions, which could create some leakages, some confusion." said Khouri.

Source: Reuters dated 12 February 2017

Questions over exemptions add to complexity of GCC-wide VAT

"We are currently in the preparation phase to implement the VAT law in 2018," said Saeed Al Yateem, the assistant undersecretary of resources and budget sector at the Ministry of Finance. "Once it's issued, the law includes a grace period to allow the institutions and companies from the private sector to align their financial systems to cope with the taxation system in the UAE. The law is expected to be published during 2017."

None of the six GCC countries have enforced local VAT laws and there is ambiguity on the type of products and services that will be taxable.

"An in-depth study was conducted on local and GCC levels to determine the tax exemptions." Al Yateem said.

"Therefore, the UAE and GCC countries have moved towards achieving balance by implementing VAT at its lowest rate of 5 percent, and subjecting zero percentage on key sectors such as education and health, as well as other sectors that affect the global competitiveness and investment attractiveness, such as exports, and sectors covered by international agreements, such as the international transport sector."

However, the difficulty is in the details of which specific products and services within these sectors will be either exempted or zero-rated. This difference is a positive or a negative depending on which party is being affected.

Source: The National dated 12 February 2017.

SKP's comments

The GCC countries have planned the early implementation of VAT and thus the target timeline i.e. 01 January 2018 seems to be a reality now. In light of this multiple firms, including government companies, have started to strategise and chalk their plan for a smooth transition and implementation for the upcoming VAT regime. Now only 10 months are left for the expected date of implementation. It is advisable for entities to take appropriate steps towards being VAT ready before the actual implementation.

Please feel free to reach out to us if you have any queries regarding VAT.

Best regards,
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