

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

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

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 will be charged on fees, commissions and other bank charges. VAT will NOT be charged on interest paid by customers on their credit facilities or interest earned on deposits.

3. 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 customer makes a transfer to another bank in Oman, VAT will be charged at 5% on the transfer fees, NOT on the transfer amount. For example, if the transfer fee is RO 1, the applicable VAT will be 50 Baizas (RO 1 X 5%). Therefore, the total transfer fee inclusive of VAT will be RO 1.050.

Similarly, if a customer withdraws cash from an ATM machine belonging to another bank, the amount withdrawn is NOT subject to VAT. Only the fee applicable for this service will attract VAT.

We request you to always refer to our published schedule of bank changes for accurate information on applicable fee and VAT for various transactions, products and services. To know more visit:

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

4. Will VAT be implemented on products or facilities that customers applied for before April 16th?

If customers have an existing agreement or contract 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).

5. Will customers be able to see the VAT amount on their bank statements?

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

6. Where can you get more information about how the application of VAT in Oman?

The Oman Tax Authority has published information on the Law and the relevant Executive Regulations in respect of VAT that show 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>

Note: Corporate clients are required to refer to the corporate FAQ document