

Value Added Tax (VAT) Technology Compliance Efficiency Oman

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ABSTRACT

This research paper aims to explore the influence of technology in streamlining VAT operations in Oman. It will use a mixed-methods approach, including a review of literature and a survey given to firms in Oman. The survey will look at the amount of technology implementation in Oman's VAT processes and the perceived advantages and difficulties of technology adoption. The study's findings will shed light on the existing level of technology usage in Oman's VAT procedures as well as any prospective advantages and drawbacks of doing so. The study will emphasize the value of technology in lowering compliance costs, minimizing mistakes, enhancing accuracy, and boosting efficiency in the VAT process.

Introduction

VAT is a general consumption tax that is levied on taxable goods and services that are bought and sold in Oman including the import of goods and services. It is levied and collected at every stage of the supply chain right from the manufacturer's purchase of raw materials to a retailer's sale of an end-product to a consumer. Since it is an indirect tax system, the registered businesses act as agents to levy, collect and remit the tax to the authorities.

On October 12, 2020, His Majesty Sultan Haitham bin Tariq bin Taimur issued Royal Decree No. 121/2020 to implement the value-added tax law in the Sultanate of Oman at a rate of 5%. VAT was introduced in April 2021. After the introduction of VAT in Saudi Arabia, the UAE and Bahrain, Oman will be the fourth country in the GCC to implement VAT in the region in accordance with the GCC Common Framework Agreement for VAT. The value-added tax law defines the general principles for applying the value-added tax in the Sultanate of Oman, which amounts to about 5% on goods and services to customers in the country. The cost of living for all individuals in the state. The Oman VAT Law's implementation will help the country's economy diversify overall since it will encourage economic growth while also assisting the government in reducing its reliance on the oil and gas industry. In turn, this will contribute to gradually improving the economy over time.

This research paper aims to explore the influence of technology in streamlining VAT operations in Oman. It will use a mixed-methods approach, including a review of literature and a survey given to firms in Oman. The survey will look at the amount of technology implementation in Oman's VAT processes and the perceived advantages and difficulties of technology adoption. The study's findings will shed light on the existing level of technology usage in Oman's VAT procedures as well as any prospective advantages and drawbacks of doing so. The study will emphasize the value of technology in lowering compliance costs, minimizing mistakes, enhancing accuracy, and boosting efficiency in the VAT process.

Literature Review

The economies of the Gulf Corporation Councils (GCC) rely heavily on oil exports as their primary source of income. Particularly, the coronavirus pandemic and the shutdown measures have severely depressed the world economy. Value Added Tax (VAT) supports the GCC economy's ability to weather the current economic downturn and collapse of the oil price. As a measure, it's critical to understand VAT legislation and how developing nations should effectively implement them. VAT, which is seen as a tax on consumption, is the tax that consumers ultimately pay on the products they consume. Therefore, it's crucial to understand how VAT affects society and how much people are aware of it (Thottoli & Al Mamari, 2022).

Typically, VAT is integrated into every step of a company's supply chain. The efficiency of a VAT compliance function is greatly influenced by the processes in place, the IT system's capability, and the human factor—specifically, the finance/tax department's knowledge of VAT. In our view, the proper VAT strategy does not ensure 100 percent compliance but instead establishes checks and balances that provide control while lowering risk, expense, and error.

How easy it is to update for the arrival of VAT will be heavily influenced by the complexity of your current IT architecture: uncomplicated architecture One accounting software/ERP is often used by one line of business inside a single corporation, with minimal customization required to account for VAT-related operations.

The emphasis of the work will be on enabling or maintaining the capability for tax calculation, invoicing, and reporting. Architecture of moderate complexity: surpasses the straightforward above. Multiple companies, divisional reporting, or multiple business lines; multiple accounting requirements handled by various processes and systems (often requiring a lot of human work and/or reports). Transaction mapping and business requirements definition are necessary for processes affected by the introduction of VAT. The capability of the existing system(s) for tax calculation and reporting is limited and will require configuration and customization. As time and money-saving compliance solutions to add on to current infrastructure, VAT software or a tax engine may need to be taken into consideration.

High complexity architecture: When working this range of complexity, this one is at the opposite end. The business itself is multi-faceted and layered (core and non-core), with many interdependencies in processes and IT. Multiple systems employed, including older linked/feeder systems, with multiple interfaces amongst financial management and accounting systems. VAT capabilities (calculation, statements/ invoices and reporting) varies; may in addition be in the process of IT integration/migration to new ERP or accounting platforms that effect how VAT can be configured to work on Day 1.

The adoption of digital company management solutions not only makes operations simpler, but also makes it easier for users to easily run and expand their businesses without needing to be computer or accounting experts. The main objective is to always put the user experience first while providing speed, simplicity, and adaptability.

Maintain records with ease: Switching to a business management software will assist organizations in organizing data and ensuring that the financial records are simple to access from any location at any time. Along with the operational advantages, these solutions' ease of use and dependability reduce the risk of mismanagement leading to the loss of records, making it simple to comply with regulations and submit VAT returns on time.

Convenient access to information: Interdependence is the key to corporate success. Each department helps the others, creating a network between them. Because of their interconnectedness, all departments need to have access to the vital data about the company at all times and from any location. As a result, it is crucial that the data be accessible when filing taxes, which may be easily made possible by efficient business management software.

Save time as necessary. When done manually, creating and gathering information takes time. In such a circumstance, the related costs likewise rise. Because most business management programs are straightforward and simple to use, they provide firms with the convenience of rapidly creating and keeping data sheets. Businesses can use digital technology to comply with VAT requirements by utilizing greater productivity and efficiency.

Safeguard data: Even if a company uses a complex manual system to keep track of everything, there is always a risk of theft or accident, which can have a negative impact on the data. Data can be securely secured using company management software.

Experience reliability and scalability: It's common for manual calculations to have errors. A slight error in the financial calculations, however, might have catastrophic effects on the company. However, automation makes this procedure ideal because there is no potential of making a mistake of this nature. Business management software is rapidly growing in popularity among businesses and entrepreneurs due to its dependability and simplicity (Junkin, 2021).

Methodology

Efficiency Oman, where its importance and damages are discussed. Secondary sources were used in this research, and information and used quotes from articles, magazines, and books were presented. The descriptive design was used in this research in order to provide answers to the reasons for applying the additional tax and what is its importance and its harm to citizens and companies. Descriptive research is used to obtain information related to the current status of a problem

Results and Conclusion

We conclude from this research the importance of VAT in Oman. The added tax also helps the country to develop and raise the country's economy, especially after the Covid-19 pandemic. The added tax can affect consumers as well as businesses. We also conclude the contribution of taxes of all kinds to the enhancement of public revenues, which has created a stable economic income that is in the public interest and social services such as health, education, infrastructure development and the provision of a social protection network. Finally, we can see that the use of technology as a tool in applying the tax in Oman can simplify the process and make it easier for companies. It also facilitates reporting and record keeping. Technology solutions can be used to simplify VAT procedures for businesses and reduce the administrative burden of compliance.

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