

**AN EXPLORATORY STUDY ON AWARENESS AND CHALLENGES OF SMALL AND MEDIUM ENTERPRISES WITH RESPECT TO VALUE ADDED TAX COMPLIANCE IN SULTANATE OF OMAN.**

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**ABSTRACT**

**His Majesty Sultan Haitham bin Tarik** has endorsed the launch of the future vision “Oman 2040. The 2040 vision aims to ensure Sultanate of Oman is among the ranks of the world’s most developed nations assuring sustained prosperity and security for all. Sultanate of Oman is the fourth GCC country that implemented Value Added Tax system, following the UAE, Saudi Arabia and Bahrain. Value Added Tax (VAT) is a crucial component of modern taxation systems worldwide, serving as a significant revenue source for governments. The introduction of VAT impacts businesses of all sizes, with SMEs often facing distinct challenges due to limited resources and expertise. The objective of this study is to assess the awareness of SMEs in Nizwa City regarding the key aspects of Value Added Tax and their compliance with the tax regulations. The study aims to explore the relationship between awareness levels and compliance behavior, identifying the influence of awareness on compliance to VAT. Furthermore, the study seeks to provide insights into the specific challenges faced by SMEs in Nizwa City in relation to VAT compliance. The study followed an exploratory approach and primary data were collected through questionnaire from 120 SMEs in Nizwa City by using Convenient Sampling method. The primary data were collected on awareness levels, compliance behaviors, and challenges faced. The collected data underwent both descriptive and inferential analyses.

The study found that the respondents (of SMEs) have ‘Knowledge on Tax Rates’ is the strongest influencing aspect and “Registration and Maintenance of Accounts and Records” is the least aspect in predicting Compliance to VAT. The study also identifies and examines the prominent challenges impeding SMEs' seamless adherence to VAT regulations. Therefore, the

study suggested for initiating specialized workshops and training sessions focused on this specific aspect can provide practical guidance on proper record-keeping and registration procedures and offering personalized consultation services and guidance, ultimately leading to improved compliance with VAT regulations. By fostering collaboration, disseminating knowledge, and offering practical solutions, the study contributes to the potential for smoother VAT implementation, ensuring the growth and success of SMEs within the evolving tax framework of the study region.

**Keywords:** Value Added Tax, Compliance, Awareness, SME, Knowledge on Tax Rates, Filing of Tax Returns, Registration and Maintenance of Accounts and Records.

## INTRODUCTION

His Majesty the Sultan confirmed the Government's continued commitment to pursuing five-year plans to achieve the goals and priorities of Oman Vision 2040. Tax is one of the major sources of revenue for the Government. VAT is one of the measure by the Government to increase non-oil revenues and strengthen economy on long term basis. The long-term strategic vision of Oman is to diversify its economy and reduce dependency on oil revenues. On 12 October 2020, His Majesty issued Royal Decree no.121/2020 in relation to the implementation of VAT in Oman, and it was published in the Official Gazette on 18<sup>th</sup> October 2020. VAT has been implemented in Oman with effect from 16 April 2021

In the context of Oman, a Gulf Cooperation Council (GCC) member, the implementation of VAT has introduced new dimensions and challenges for businesses, particularly Small and Medium Enterprises (SMEs). Oman introduced VAT as part of its commitment to diversify revenue sources and reduce reliance on oil-related income. The introduction of VAT impacts businesses of all sizes, with SMEs often facing distinct challenges due to limited resources and expertise. While large corporations might possess the resources to adapt to the new tax regime, SMEs might struggle to navigate its complexities, potentially affecting their financial stability and growth prospects. This study focuses on exploring the awareness of VAT and its compliance among SMEs operating in Nizwa City, Oman.

## STATEMENT OF PROBLEM

The implementation of Value Added Tax (VAT) in Oman has ushered in a transformative shift in the country's tax landscape, affecting businesses across sectors, particularly Small and Medium Enterprises (SMEs). However, the level of familiarity and adherence to this novel tax framework among SMEs presents a pivotal challenge. As VAT integration continues, uncertainties loom regarding the extent of SMEs' awareness regarding VAT regulations and their ability to comply with these regulations effectively. This study addresses a critical problem on the awareness of SMEs on the various aspects of VAT in Nizwa City, encompassing tax rates, the intricacies of filing tax returns, and the intricacies of registration, etc. Moreover, it delves into the current level

of VAT compliance within the SME segment in Nizwa City and its interconnectedness with their VAT awareness.

The study also identifies and examines the prominent challenges impeding SMEs' seamless adherence to VAT regulations. Through its comprehensive analysis of these dimensions, the study strives to furnish insights that can potentially steer policy refinement, assist in strategic business decision-making, and enhance the effectiveness of VAT implementation, specifically catering to the unique challenges faced by SMEs.

## **OBJECTIVES OF THE STUDY**

The primary objective of this study is to assess the awareness of SMEs in Nizwa City regarding the key aspects of Value Added Tax and their compliance with the tax regulations. The study aims to explore the relationship between awareness levels and compliance behavior, identifying the influence of awareness on compliance to VAT. Furthermore, the study seeks to provide insights into the specific challenges faced by SMEs in Nizwa City in relation to VAT compliance.

## **SIGNIFICANCE OF THE STUDY**

This study holds significant relevance for multiple stakeholders. For policymakers, it offers insights into the practical challenges SMEs face in implementing VAT, potentially leading to policy adjustments that support SMEs' sustainable growth. Business owners and entrepreneurs can benefit from understanding the link between awareness, compliance, and challenges, enabling them to make informed decisions to enhance their business practices. Additionally, the study contributes to the existing body of knowledge regarding VAT compliance in Oman and offers a localized perspective from Nizwa City.

## **Limitation of Study**

1. The study is limited to SMEs due to short span of semester
2. The study is focused only in Nizwa City.

## **LITERATURE REVIEW**

Naicker and Rajaram (2018) evaluated crucial elements and expenses that ensure tax compliance. Their study's conclusions revealed that VAT is the most complex tax challenge for South African SMEs, often seen as a difficult and costly tax to comply with. Alsughayer (2021) tackled the challenges faced by Saudi Arabian SMEs in adhering to VAT laws, ranking these challenges by their severity. The study proposed that sufficient tax education and knowledge for taxpayers can lead to lower compliance costs and fines, ultimately increasing compliance rates. Using behavioral decision theory, Shakkour et al. (2021) assessed VAT compliance based on taxpayers' work-related capacity, personal attributes, tax education, knowledge, audit systems, and

compliance costs. The results revealed a strong positive correlation between VAT education, individual traits, and tax compliance.

Hammour and Mckewon (2022) analyzed the impact of VAT on household buying behavior in the UAE. Their study found that, at present, only half of UAE residents believed VAT affected their consumption patterns significantly. However, the study suggested that an increase in VAT could potentially have a more pronounced impact in the future. Tareq et al. (2022) delved into the factors influencing Jordanian SMEs' intentions to comply with tax laws. The research indicated that subjective norms, attitudes, behavior, patriotism, and behavioral control significantly influenced compliance intentions among the studied enterprises. Azeez Olasunkanmi and Saheed Akande's study (2023) revealed that Taxpayer Perception and Attitudes (TPA), Organizational Characteristics (OC), Tax Compliance Cost (TCC), and VAT Implementation Efficacy (VIE) collectively shape VAT compliance. Furthermore, the study discovered that SMEs' size and profitability positively and significantly impact VAT compliance.

## **CONCEPTUAL FRAMEWORK VALUE ADDED TAX**

VAT (Value Added Tax) is a consumption tax levied on the value added at each stage of the supply chain in the production and distribution of goods and services. VAT is typically collected by businesses on behalf of the government and is charged to the end consumer as a percentage of the final price of a product or service. The concept behind VAT is to tax the value added at each stage of production, thereby spreading the tax burden across multiple transactions within the supply chain. Unlike a sales tax that is applied only at the point of sale to the end consumer, VAT is collected at every stage of production and distribution, including manufacturing, wholesaling, and retailing. Countries around the world implement VAT as a way to generate revenue for government expenditures. The rate at which VAT is applied can vary from country to country and may differ for different types of goods and services. VAT can have implications for businesses' operations, pricing strategies, and compliance procedures.

## **COMPLIANCE TO VAT**

'Compliance to VAT' refers to the degree to which businesses adhere to the stipulated rules and regulations governing the implementation of Value Added Tax (VAT). This encompasses a range of actions and responsibilities that businesses must undertake to ensure accurate calculation, collection, reporting, and remittance of VAT as required by the tax authorities. Complying with VAT involves accurately calculating the applicable VAT rates and ensuring that VAT is correctly included in the sales price of goods and services. Businesses are mandated to maintain meticulous records of all VAT-related transactions, such as sales, purchases, expenses, and VAT collected and paid. Timely submission of these returns, along with the remittance of collected VAT to the tax authorities, forms a fundamental component of VAT compliance. Non-compliance with VAT regulations can have significant consequences, including financial penalties and legal repercussions.

## RESEARCH METHODOLOGY

The study followed an exploratory approach and employed a mixed-methods research approach, utilizing both qualitative and quantitative methods. Surveys and interviews were conducted among 120 sample of SMEs in Nizwa City through questionnaire with the application of Convenient Sampling method. The primary data were collected on awareness levels, compliance behaviors, and challenges faced. The collected data underwent both descriptive and inferential analyses. Techniques such as Mean Analysis, Independent Sample "t" Test, ANOVA, Correlation, and Multiple Regression were employed to assess hypotheses related to Level of Awareness on the major aspects of VAT and their impact on Compliance to VAT and also examine the Challenges faced by them to compliance to VAT.

## DATA ANALYSIS AND DISCUSSION

Analysis had been done through various statistical tools to understand the outcomes with reference to the objectives and hypothesis.

## BUSINESS PROFILE OF SME

**TABLE 1**  
**BUSINESS PROFILE OF SME**  
(Sample Size = 120)

VARIABLES	OPTIONS	FREQUENCIES	(%)
Level of Education	Diploma/Advanced Diploma	68	56.67
	Bachelor	32	26.67
	Others	20	16.66
Age of the SME Business	1 – 3 Years	30	25.00
	4 – 6 Years	44	36.67
	7 – 10 Years	24	20.00
	More than 10 Years	22	18.33
Ownership Structure of SME	Sole Proprietorship	52	43.33
	Partnership	44	36.67
	Limited Liability Company	24	20.00
Nature of Business of SME	Trading (Retail & Wholesale)	86	71.67
	Manufacturing	34	28.33
Annual Sales (Previous Year)	Less than 10,000 OMR	30	25.00
	10,000 OMR – 20,000 OMR	56	46.67
	20,001 OMR – 30,000 OMR	20	16.67
	More than 30,000 OMR	14	11.66

Source: Primary Data

From the above table 1 relating to the Business Profile of the Small and Medium Enterprises in Nizwa City, Oman, it is inferred that 57% of the respondents have

Diploma/Advanced Diploma-holders. 37% of them are running the SME business for 4 – 6 Years and 43% of them are Sole Proprietors. Majority of the respondents (72%) are involving Trading (Retail & Wholesale) activities and 47% of them attained the Annual Sales of 10,000 to 20,000 OMR in the previous year.

**LEVEL OF AWARENESS ON MAJOR ASPECTS OF VAT**

In this study, three major aspects are considered and used for identifying and analyzing the Level of Awareness on VAT and its impact on Compliance to VAT with respect to Small and Medium Enterprises (SMEs) in Nizwa City, Oman.

**TABLE 2  
MEAN ANALYSIS  
LEVEL OF AWARENESS ON MAJOR ASPECTS OF VAT**

<b>MAJOR ASPECTS OF VAT</b>	<b>N</b>	<b>Mean</b>	<b>PERCENT</b>	<b>RANK</b>
Knowledge on Tax Rates	120	18.25	73%	First
Filing of Tax Returns	120	16.92	67.68%	Second
Registration & Maintenance of Accounts and Records	120	15.78	63.12%	Third
<b>LEVEL OF AWARENESS ON MAJOR ASPECTS OF VAT</b>	<b>120</b>	<b>50.95</b>		

**Source: Primary Data  
(Percent = Each Mean/25 x 100)**

The above table 2 indicates the level of Awareness of respondents (who are running SMEs in Nizwa City, Oman) on the major aspects of VAT Compliance. It is inferred that the respondents have more awareness on “Tax Rates” (M = 18.25, 73%) and have lesser awareness on “Registration and Maintenance of Accounts and Records” (M = 15.78, 63.12%) when compared with other aspects of VAT Compliance. The mean value of the Overall level of Awareness of respondents on VAT Compliance is 50.95, which is 67.93% (50.95 / 75 x 100). This indicates that the level of Awareness of respondents on the major aspects of VAT Compliance is nearly 68% which is above the average level in Nizwa City, Oman.

**H0: There is no significant difference between the Trading and Manufacturing nature of business of the SMEs with respect to the Level of Awareness on the major aspects of VAT.**

An Independent-samples t-test was conducted to compare the significant difference between the Trading (Retail & Wholesale business) and Manufacturing nature of business of the SMEs with respect to the Level of Awareness on the major aspects of VAT.

**TABLE 3  
NATURE OF BUSINESS - AWARENESS ON MAJOR ASPECTS OF VAT**

VARIABLE	NATURE OF BUSINESS						t - value	p - value
	TRADING			MANUFACTURING				
	N	Mean	SD	N	Mean	SD		
<b>LEVEL OF AWARENESS ON MAJOR ASPECTS OF VAT</b>	<b>86</b>	<b>52.49</b>	<b>5.698</b>	<b>34</b>	<b>48.36</b>	<b>7.223</b>	<b>6.982</b>	<b>0.000**</b>

Source: Primary Data (\*\*1% Level of Significance)

As the *P* value (0.000) is lesser than Sig. Value (0.01) in the Level of Awareness on the major aspects of VAT Score (0.000), the Null Hypotheses are rejected. Based on the mean score of the Level of Awareness on the major aspects of VAT, it can be inferred that the respondents involving Trading business (Retail & Wholesale) Activities have more level of awareness (M = 52.49) on the major aspects of VAT than the respondents involving Manufacturing business Activities (M = 48.36). Hence, it is concluded that there is a statistically significant difference between the Trading and Manufacturing nature of business of the SMEs with respect to the Level of Awareness on the major aspects of VAT.

**OWNERSHIP STRUCTURE- LEVEL OF AWARENESS ON MAJOR ASPECTS OF VAT**  
**H<sub>0</sub>: There is no significant difference among the Ownership Structure of the respondents with respect to the Level of Awareness on the major aspects of VAT.**

In order to explore the significant difference among the Ownership Structure of the respondents with respect to the Level of Awareness on the major aspects of VAT, a one-way between-groups analysis of variance (ANOVA) was conducted.

**TABLE 4**  
**OWNERSHIP STRUCTURE- AWARENESS ON MAJOR ASPECTS OF VAT**

VARIABLE	OWNERSHIP STRUCTURE			F - value	p - value
	Sole Proprietorship (52)	Partner ship (44)	LLC (24)		
<b>LEVEL OF AWARENESS ON MAJOR ASPECTS OF VAT</b>	<b>48.55</b>	<b>50.27</b>	<b>51.39</b>	<b>8.694</b>	<b>0.000**</b>
	<b>8.365</b>	<b>9.574</b>	<b>10.122</b>		

Source: Primary Data (No. of respondents are shown in brackets)  
 (\*\* 1% level of Significance)

As the P values are lesser than Sig. Value (0.01) in all the above cases, including Level of Awareness on the major aspects of VAT Score (0.000), the Null Hypotheses are rejected. Apart from reaching statistical significance, the actual difference in mean scores among the Ownership Structure groups is also large (M = 48.55 to 51.39).

The Mean score of the Level of Awareness on the major aspects of VAT in case of the Ownership Structure Group – Limited Liability Company (LLC) (M = 51.39) is more than other groups. This indicated that the respondents who belong to Limited Liability Company (LLC) have more Level of Awareness on the major aspects of VAT than others. Hence, there is a significant difference among the Ownership Structure of the respondents with respect to the Level of Awareness on the major aspects of VAT.

**IMPACT OF LEVEL OF AWARENESS ON COMPLIANCE TO VAT**

**H<sub>0</sub>: There is no significant difference between the Trading and Manufacturing nature of business of the SMEs with respect to the Compliance to VAT due to the impact of the Awareness on the VAT.**

An Independent-samples t-test was conducted to compare the significant difference between the Trading (Retail & Wholesale business) and Manufacturing nature of business of the SMEs with respect to the Level of Awareness on the major aspects of VAT.

**TABLE 5  
NATURE OF BUSINESS - IMPACT OF AWARENESS ON  
COMPLIANCE TO VAT**

VARIABLE	NATURE OF BUSINESS						t - value	p - value
	TRADING			MANUFACTURIN G				
	N	Mean	SD	N	Mean	SD		
<b>IMPACT OF AWARENESS ON COMPLIANCE TO VAT</b>	86	20.87	3.125	34	18.55	4.582	4.332	0.000*

**Source: Primary Data (\*\*1% Level of Significance)**

As the P value is lesser than Sig. Value (0.01) in the above case – Compliance to VAT due to the impact of the Awareness on the VAT Score (0.000), the Null Hypothesis is rejected. Based on the mean score of the Compliance to VAT, it is inferred that the mean score of the respondents involving Trading business Activities (M = 20.87) is more than the respondents involving Manufacturing business Activities (M = 18.55). This indicates that the respondents involving Trading business (Retail & Wholesale) Activities have perceived more Compliance to VAT due to the impact of awareness on the VAT than the respondents involving Manufacturing business Activities. Therefore, it is concluded that there is a statistically significant difference between the



Trading and Manufacturing nature of business of the SMEs with respect to the Compliance to VAT due to the impact of the Awareness on the VAT.

**H<sub>0</sub>: There is no significant relationship between Awareness on VAT and Compliance to VAT with respect to Small and Medium Enterprises (SMEs).**

A Pearson product-moment correlation was run to determine the significant relationship between Awareness on VAT and Compliance to VAT with respect to Small and Medium Enterprises (SMEs).

**TABLE 6  
RELATIONSHIP BETWEEN AWARENESS ON VAT AND  
COMPLIANCE TO VAT**

VARIABLE	N	'r' VALU E	P- VALU E	RELATI ONSHIP	REMARKS	
					SIGNIFICAN T	RESUL T
<b>Level of Awareness on VAT – Compliance to VAT</b>	<b>120</b>	<b>0.752*</b>	<b>0.000</b>	<b>Positive</b>	<b>Significant</b>	<b>Rejected</b>

\*\*. Correlation is significant at the 0.01 level (2-tailed).

As the P value (0.000) is lesser than Sig. Value (0.01) in the above relationship, the Null Hypothesis is rejected. There is a strong positive correlation ( $r = 0.752$ ) between the Awareness on VAT and Compliance to VAT with respect to Small and Medium Enterprises (SMEs). Hence, there is a significant relationship between Awareness on VAT and Compliance to VAT with respect to Small and Medium Enterprises (SMEs).

**MULTIPLE REGRESSION ANALYSIS**

Regression is the determination of statistical relationship between two or more variables. Multiple Regression Analysis was carried out to determine the best linear combination of Knowledge on Tax Rates, Filing of Tax Returns and Registration and Maintenance of Accounts and Records for predicting **COMPLIANCE TO VAT** with respect to SMEs.

**TABLE 7  
AWARENESS ON VAT – COMPLIANCE TO VAT  
MULTIPLE REGRESSION ANALYSIS**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.362	.856		4.652	.000
	<b>Knowledge on Tax Rates</b>	<b>.356</b>	<b>.063</b>	<b>.364</b>	<b>6.520</b>	<b>.000</b>

Filing of Tax Returns	.203	.069	.222	3.654	.002
Registration and Maintenance of Accounts & Records	.184	.073	.175	2.554	.021

**Dependent Variable: COMPLIANCE TO VAT**

The combination of all the three independent variables significantly predicts the dependent variable i.e., **Compliance to VAT**,  $F(3, 116) = 79.584$ , p values are lesser than .001 and 0.05 (Sig. Value 2-tailed) and Adjusted R Square = 0.732 or 73% (According to Cohan, it is large effect). Out of three independent variables (Awareness on VAT), ‘Knowledge on Tax Rates (0.364) is the strongest influencing factors which predicting dependent variable – ‘Compliance to VAT’. The beta weights suggest that the ‘Knowledge on Tax Rates’ only contribute most (0.364) to predict Compliance to VAT.

From the unstandardized coefficient, it is found that the one unit increase in the ‘Knowledge on Tax Rates’ would increase the ‘Compliance to VAT’ by 0.356 units. Filing of Tax Returns (0.222) and Registration and Maintenance of Accounts and Records (0.175) also predict the Compliance to VAT significantly but lesser than ‘Knowledge on Tax Rates’.

**CHALLENGES FACED BY SMALL AND MEDIUM ENTERPRISES (SMEs) WITH RESPECT TO COMPLIANCE TO VAT**

**Descriptive Statistics**

VARIABLES	N	Mean	SD
Involves more paper work	120	3.83	.838
VAT compliance are very complex	120	3.68	1.030
Penalties for non-filing of returns are very high	120	3.23	1.011
Computation of Taxable income is not easy.	120	3.31	.947
Calculation difficulties of Input and Output tax	120	3.36	.857
<b>CHALLENGES FACED BY SME WITH RESPECT TO COMPLIANCE TO VAT</b>	<b>120</b>	<b>17.41</b>	<b>3.174</b>

**Source: Primary Data**

From the above table, it is indicated that the Challenges faced by Small-Medium Enterprises (SMEs) with respect to Compliance to VAT is higher in case of the challenge - “Involves more paper work” (M = 3.83) and is lesser in case of the challenge - “Penalties for non-filing of returns are very high” (M = 3.23) when compared with others. The mean value of the Challenges faced by Small-Medium Enterprises (SMEs) with respect to Compliance to VAT is 17.41 which is 69.64 % (17.41 / 25 x 100). This indicates that the Challenges faced by Small-Medium Enterprises (SMEs) with respect to Compliance to VAT is above 69% which is above the average level.

**H<sub>0</sub>: There is no significant difference between the Trading and Manufacturing nature of business of the SMEs with respect to the Challenges faced by SMEs while Compliance to VAT.**

An Independent-samples t-test was conducted to compare the significant difference between the Trading and Manufacturing nature of business of the SMEs with respect to the Challenges faced by SMEs while Compliance to VAT.

**TABLE 8**  
**NATURE OF BUSINESS - CHALLENGES FACED BY SME WITH RESPECT TO COMPLIANCE TO VAT**

VARIABLE	NATURE OF BUSINESS						t - value	p - value
	TRADING			MANUFACTURING				
	N	Mean	SD	N	Mean	SD		
<b>CHALLENGES FACED BY SME WITH RESPECT TO COMPLIANCE TO VAT</b>	<b>86</b>	<b>19.87</b>	<b>2.987</b>	<b>34</b>	<b>20.35</b>	<b>2.653</b>	<b>1.756</b>	<b>0.353</b>

**Source: Primary Data**  
**(5% level of Significance)**

As the P value is greater than Sig. Value (0.05) in the Challenges faced by SME Score (0.353), the Null Hypothesis is accepted. Based on the mean score of the Challenges faced by SMEs while Compliance to VAT, it is inferred that the mean score of the respondents involving Trading business Activities (M = 19.87) and the respondents involving Manufacturing business Activities (M = 20.35) is more or less same. This indicates that the respondents involving Trading business (Retail & Wholesale) Activities and Manufacturing business activities have faced same level of challenges while Compliance to VAT. Therefore, it is concluded that there is no statistically significant difference between the Trading and Manufacturing nature of business of the SMEs with respect to the Challenges faced by SMEs while Compliance to VAT.

## **FINDINGS AND SUGGESTIONS**

The study found that the respondents (of SMEs) have ‘Knowledge on Tax Rates’ is the strongest influencing aspect and ‘Registration and Maintenance of Accounts and Records’ is the least aspect in predicting Compliance to VAT. The study also identifies and examines the prominent challenges impeding SMEs' seamless adherence to VAT regulations. Therefore, the study suggested for initiating specialized workshops and training sessions focused on this specific aspect can provide practical guidance on proper record-keeping and registration procedures. Developing user-friendly digital tools that simplify record maintenance and automate registration processes can alleviate the burden on SMEs. Collaborating with industry experts to create comprehensive guidebooks and online resources specifically addressing registration and record-

keeping requirements can serve as handy references. Additionally, offering personalized consultation services and establishing a dedicated helpline to address queries related to this aspect can ensure SMEs receive accurate guidance, ultimately leading to improved compliance with VAT regulations.

## CONCLUSION

The study's investigation into SMEs' compliance to VAT in Nizwa City, Oman, intended to delve into the extent to which these enterprises align with VAT regulations, uncover any obstacles they encounter in meeting compliance requirements, and shed light on how these challenges impact their overall business operations and growth potential. By fostering collaboration, disseminating knowledge, and offering practical solutions, the study contributes to the potential for smoother VAT implementation, ensuring the growth and success of SMEs within the evolving tax framework of Nizwa City. By addressing these issues about awareness and compliance, this study holds the potential to empower SMEs, fortify their financial stability, and facilitate their sustainable growth within the evolving VAT landscape of Nizwa City, ultimately contributing to a more transparent and efficient business environment.

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