



Crowe Horwath®

Horwath Mak Ghazali Ilc  
Auditors & Business Advisors

# Doing Business



INNOVATIVE BUSINESS SOLUTIONS

## Foreword



Dear Friends,

Being a resident in the Sultanate of Oman for the last two decades I felt that this is one of the best business friendly locations in the Middle East. Omani culture always welcome co-operation from other countries. The geography is also diversified, which makes Oman a prominent tourist location. Political stability and steady industrial and economic growth also boost the developments in the Country. Government is in the process of attracting foreign investments and motivating the private sector to increase their involvement in nation's development.

A member firm of Crowe Horwath International, Horwath Mak Ghazali LLC serves a wide spectrum of clients in the Sultanate of Oman. The firm was established two decades ago to provide services in accounting, auditing, taxation and management consulting. Being a one stop shop for the various needs of business community in Oman, we support various public and private sector organizations to face the risk and challenges to remain as market leaders. We are also involved in training and educating young Omani talents as part of our ongoing commitment to society.

This book will give you a quick view of the economic and business environment of Oman, which will help you in strategic decision making regarding investing in Oman.

Let us join together to look forward for a brighter Oman....

With Best wishes,



**Davis Kallukaran**  
Managing Partner

Muscat, Sultanate of Oman  
5 September 2017

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# Crowe Horwath®

Crowe Horwath International is ranked among the top 10 global accounting network with over 764 offices existing in 129 countries with some 35,000 partners and staff.

Crowe Horwath International is a full member of forum of firms promoted by International Federation of Accountants. The membership to the forum requires that members promote the consistent application of high quality audit practices worldwide, support convergence of national audit standards with International Standards on Auditing and have policies and methodologies which confirm to national and international code of ethics.

Crowe Horwath International is a global network of local firms. Therefore, we understand business challenges at the local, regional and global level. Our regional structure is designed to align our local firm expertise with the efficiencies of regional collaboration, technical expertise and professional support.

Horwath Mak Ghazali llc, the Oman member firm of Crowe Horwath International is a pioneering accounting, audit and consulting firm established in the Sultanate of Oman two decades ago. The firm is regionally headquartered in Dubai. The Dubai office of Horwath Mak has a significant presence in UAE since 1981.

We offer an unparalleled range of services to the business community in Oman. We, at Crowe Horwath, believe in providing total business solutions to our clients... from Company formation to accounting... auditing... business consulting to tax advisory.

Always a believer in the value of experience, we continue our march towards excellence in helping companies improve their financial reporting as per IFRS. We provide assurance that their systems are operating effectively within a well controlled environment. Our audit approach, at the leading edge of best practice, is tailored to suit the size and nature of any organization and draws upon our extensive industry knowledge and experience in helping our clients respond to the need for greater transparency, improve corporate governance and business models based on principles of sustainability.

.... "A truly one stop business solution"

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# Introduction

## History

Archaeological evidence suggests that trading, farming and fishing existed in Oman as far back as the 4th millennium BC. In the middle ages, Oman was a thriving centre of commercial activity with a flourishing trade in copper and frankincense. The first Arab people came to Oman from Southern Arabia around 2,000 years ago, but like most of the region, Oman was under the domination of the Persian Empire in the pre-Islamic era. Subsequently, the Azd tribal group, from which the present ruling family is descended, entered Oman from Persian rule and Oman embraced Islam in about AD 630 which is the foundation of the present legal and political systems.

Between the 7th and the 15th centuries, Oman's maritime trade flourished and its dominance on sea trade routes was extended to Africa and as far as China to the East and Europe to the West. Due to its key position on lucrative trade routes, the Portuguese conquered Oman in 1507. Oman was reconquered in 1650 by Sultan Bin Saif Al Yarubi, who established colonial possessions in East Africa.

The present Al Busaidi dynasty was founded by Iman Ahmed Bin Said in 1744. In the late 18th century, a series of friendship treaties between Britain and Oman formed the basis of special relationship between the two countries. In the first half of the 19th century, under Sayyid Said Bin Sultan's rule, the provinces in Persia and Baluchistan, its maritime trade grew and diplomatic relations were established with several countries. Oman was the first Arab country to send a diplomatic envoy to the USA in the nineteenth century.

After the death of Sayyid Said Bin Sultan, the settlement of a dispute between his two sons resulted in the division of the Omani empire and its isolation from its East African territories, its decline as a trading nation and eventually the loss of its other overseas possessions. The country came to rely on date farming and



fishing until economic quantities of oil were first discovered in early 60's and the first exports of crude oil took place in 1967.

Since 1970, when His Majesty Sultan Qaboos Bin Said assumed power, the country has undergone rapid and far reaching economic and social development while maintaining its rich cultural heritage and natural environment.

## Geography and climate

The Sultanate of Oman (referred to as "Oman") is one of the most fascinating countries in the Middle East, known for its spectacular geographical beauty and cultural diversity. Oman's magnificent coastline, towering mountains, expansive deserts, traditional heritage, friendly people and social environment makes it one of the most popular tourist and business destinations in the world. The country is well developed and boasts of world-class civic amenities and infrastructure.

Oman is on the eastern end of the Arabian Peninsula. It borders the United Arab Emirates in the northwest, Saudi Arabia in the west and Yemen in the southwest. Oman has two enclaves separated from it by the United Arab Emirates, the Musandam Peninsula and Madha. Oman with its capital at Muscat, is administratively divided into 5 regions – Al Dakhiliyah, Al Sharqiyah, Al Batinah, Al Dhahirah, Al Wusta and 4 governorates – Muscat, Dhofar, Musandam, Buraimi with 61 wilayats.

Like the rest of the Persian Gulf, Oman generally has one of the hottest climates in the world, and

receives little rainfall. The climate generally is very hot, with temperatures reaching 50 degree Celsius (122 degree Fahrenheit) in the hot season, from May to September. Annual rainfall in Muscat averages 100 mm (3.9 in) falling mostly in January. Dhofar region is subject to the southwest monsoon, and rainfall up to 640 mm (25.2) has been recorded in the rainy season from late June to October.

## Local time

The local time is four hours ahead of Greenwich Mean Time.

## Population and language

Oman's population has almost doubled over the past decade and has now finally passed the four million mark. As of August 2017, the total population of Oman had crossed 4.6 million. Citizens constitute around 55 per cent of the population, while expatriates make up the other 45 per cent. The growth in the Omani population ranges from 2.5% to 3.5%.

The vast majority of Oman's population follows the Islamic faith and they are proud of their history and traditions. Omanis are tolerant people and other religions are freely practiced by the sizeable expatriate population of Oman.

The official language of the country is Arabic, though English is an accepted business language. Applications to Government and other official correspondence need to be in Arabic. Royal Decrees, Ministerial Decisions and Government publications are issued only in Arabic, although unofficial translations are available.

## Constitution

The constitution of the Sultanate is enshrined in the Basic Law of the State which came into effect on its promulgation on 6 November 1996. The Basic Law affirms that the Sultanate of Oman is an independent, fully sovereign, Arab and Islamic State. The system of governance is a Sultani (Monarchical) one, and its principles are the rule of law, justice, consultation and equality.

The Basic Law sets out public rights and duties and the principles governing the State's policies in the political, economic, social, cultural and security areas. It provided for equality, before the Law, of all citizens irrespective of gender, origin, colour, language, religion, creed or social status.

## Government and administration

His Majesty the Sultan is the Head of State and the Supreme Commander of the Armed Forces. The Basic Law confers wide executive and legislative powers on the Sultan to enable him to carry out his duties. The Sultan is assisted by the Council of Ministers and specialist Councils in framing and implementing the general policies of the state. The Council of Ministers is the principal institution that is charged with the task of implementing those policies in respect of which the ministers are collectively responsible before the Sultan and individually responsible for their respective units. The specialist councils are:

- The Financial Affairs and Energy Resources Council, which formulates financial and energy policies, draws up the national budget and studies resources and financial allocations to economic development projects;
- The Defence Council which is allocated a special role by the Basic Law in confirming the successor to the Sultan in certain circumstances.
- The Tender Board, which is responsible for the award of all major civilian Government tenders, and for following up developments in the implementation of projects from their inception until their completion.

## Council of Oman

The Basic Law provides for a Council of Oman (Majlis Oman) composed of two chambers viz., Council of state (Majlis Addawla) and Consultative council (Majlis Ash'shura). The Majlis Oman advises The Sultan on legislative matters. The members of Majlis Addawla are appointed by Royal Decree. The Majlis Ash'shura

consisting of elected members are appointed after a process of local nomination and their term is four years.

## Legal system

The general law of the land is the Shariaa or Islamic law as embodied in the Holy Quran and Islamic tradition. The Basic Law which was promulgated in 1996 affirms that the Shariaa is the basis of all legislation in the Sultanate. However, like most other Arab and Islamic countries, Oman has developed a substantial body of written law to regulate the economic aspects of the country's life.

The Basic Law confirms the independence of the judiciary and the role of judges in upholding the rule of law and guaranteeing rights and freedoms. Judges are not subject to any authority other than the law and it is a criminal offence for anyone to interfere in or influence the judicial process.

His Majesty the Sultan alone is empowered to promulgate laws through Royal Decrees, which are published in the Official Gazette, and sign or ratify international treaties. The legislative process usually includes a period of intensive consultation among and between the various institutions of the State.

Generally speaking, Royal Decrees are drafted in a very short and concise manner and empower the Minister/s to issue Ministerial Decisions, regulations and directives to amplify the laws and provide the necessary details for their implementation. However, Ministerial Decisions, which are also published in the Official Gazette, may not conflict with the laws and decrees in force.

Commercial disputes are handled by the Commercial Court, a specialist independent body with primary and appellate divisions. Tax disputes are also resolved by the Commercial Court whose decisions are binding on both the tax authorities and the tax payers.

Disputes relating to employment in the private sector are first handled by regional labour departments of the Ministry of Social Affairs and

Labour. If the Ministry of Manpower is unable to achieve an amicable settlement between the employer and the employee, the dispute must be referred to the Commercial Court.

## International relations

Oman is a member of the Arab League, the United Nations, the International Monetary Fund, the Islamic Development Bank, World Trade Organisation, Indian Ocean Rim Association and other international organizations.

Oman is one of the founding members of the Gulf Cooperation Council (GCC) which was established in 1981. As a member of the GCC, Oman extends certain privileged rights to citizens and companies from other member countries and these are;

- General exemption from customs duty on imports of GCC origin
- Preference in government tenders for products of GCC origin
- GCC nationals may move freely between member countries without visas and may engage in their professions in the other member countries without work permits
- Cross border ownership of shares is unrestricted
- Real estate may be owned in other GCC countries

## Infrastructure and social services

Oman has developed an excellent infrastructure to meet the international and external requirements for economic development. Infrastructure development, which started in 1970, has developed rapidly with public services, roads, hospitals, educational institutions, telephones, water, electricity and other facilities being available widely across the country.

### Air

Oman has three international airports: Seeb International Airport in Muscat, Salalah Airport in Salalah and the new airport in Sohar. Major expansion works are undergoing at Seeb International Airport and are geared towards

## Telecommunications

Oman Telecommunication Company (Omantel) has a monopoly in the landline telephone and internet access markets. The Telecommunication Regulatory Authority (TRA) regulates telecommunications services in Oman. The TRA is dedicated to leading and/or supporting telecom industry related initiatives for providing, expanding and maintain services to broader geographical areas and populations. The international dialing code for Oman is 968.

## Post

A 100 per cent government owned entity, Oman Post was established by a Royal Decree number 48/2005. The first post office in Oman was opened in Muscat in 1856. Today, the number of post offices in Oman has risen to 94 with an additional 347 postal agencies. The total number of post boxes are 62,000 around the country.

An initiative that is the first of its kind anywhere in the world, ePost from Oman Post was launched, as a part of revolution in the postal service. ePost is a free ID offered to anyone who registers for it at Oman Post. Using the ID people will be able to send and receive digital mail.

## Press

There are Arabic and English newspapers available in the country. Arabic newspapers include Al Watan, Al Shabiba, Al Rro'ya, Azzman, Oman Daily, Al Isbou'a. English daily newspapers include Times of Oman, Oman Observer, Oman Tribune, Muscat Daily and weekly newspapers are Hi and The Week.

## Electricity and water

The power stations are run by the Ministry of Electricity and Water. Petroleum Development Oman owns and operates its own power stations to serve the oil fields. Electricity in Oman is 240 Volts, alternating at 50 cycles per second. If you travel to Oman with a device that does not accept 240 Volts at 50 Hertz, you will need a voltage converter.

## Health

Omani nationals have free access to the country's public health care, though expatriates typically seek medical care in private sector clinics and hospitals. Generally, the standard of care in the public sector is high for a middle-income country. The country now has very low rate of disease. The hospitals in Oman generally provide a high quality of health care. Most of the largest and most advanced hospitals and health centres are located in Muscat, such as the Royal Hospital of Oman and the Sultan Qaboos University Hospital.

Though the Omanis have a high life expectancy of 73.8, the nation's medical industry cannot be compared to other more developed countries. Still the government is trying to develop this sector and encourage students to study medicine. Although a sizeable portion of the healthcare workforce is foreign born, due to an aggressive government policy of "Omanization", this is beginning to change. The country now has an accredited medical university and many Omani doctors have obtained their medical training in countries such as Australia, Canada, the United Kingdom and the United States.

## Education and training

The education of the nationals has been given a high priority in the development of the Sultanate. Two Ministries, the Ministry of Education and the Ministry of Higher Education are responsible for the educational system. The progress in the area of education has been remarkable offering primary, secondary, university and vocational education available to the entire population.

Oman operates technical and industrial colleges, teacher training colleges, vocational training centres, banking and financial studies, health science, and several private colleges for engineering, commerce and business management.

The Ministry of Higher Education also provides scholarships and grants for eligible nationals to pursue advanced studies in specialised fields required. Vocational training is provided to Omanis by the Ministry of Manpower.

# Economic Environment

## Economic trends

Over last four decades, Oman has embarked upon an economic development path that has transformed it into a prosperous country. Prudent utilization of oil revenues to develop social and physical infrastructure with substantial investment undertaken in infrastructure, transportation, electric power, water supply, communications and health sector has contributed to a rapid transformation of Oman's economic foundation and structure. Today Oman boasts an impressive physical infrastructure, much improved socio-economic conditions and high standard of living. Oman has recorded one of the highest growth rates in the Middle East region. Oman has also experienced persistent growth in non-oil GDP, financial stability and stable currency despite of severe external trade shocks that resulted from global economic recession and lower oil prices. Oman's Government has taken various steps to increase participation of other business sectors for their contribution towards economic development.



## Economic development plans

The Government strategy for economic development has been based on a series of five year development plans through which it focuses on diversification, industrialization, and privatization. Oman is trying to accelerate its economic growth. Oman's economy is mostly dependent on oil and gas export and related

The key goals of "The Ninth Five Year Development Plan (2016-2020) are

- To achieve an average annual GDP growth rate of 3% and to maintain inflation rate within safe levels, not exceeding 4%.
- To reduce the contribution of oil in GDP at current prices from 44% in 8th five year plan to 26%.
- Focus on private sector and activate the public-private partnerships (PPPs)
- Create job opportunities and focus on SME's.



businesses. However, facilitation and promotion by the Government has led to growth of other business sectors also.

The 9<sup>th</sup> Five-Year Plan for the Sultanate, is the last of the series of 5-Year Plans for the Vision 2020. The major focus of this five year plan is to cut non-core expenditure in favour of additional attention towards investment spending on selected key projects. Private sector role is the backbone of the plan and the government have already been engaged in supporting this view through either the public private partnerships (PPPs) or providing additional facilities. The total targeted investments are at RO 41bn to be funded 52% from private investments and the balance from public investments. The private investments shall be in commodities production activities, services activities and infrastructures. Targeted projects for private sector cover Oman railway, Tourism and fisheries projects, Al Dhahirah Economic Region and Shinas Port.

Particulars	In terms of	Actual Average (2011-2015)	Estimated Average (2016-2020)
Average crude price	\$/barrel	96.7	55.0
Crude production	000 barrels per day	935.0	990.0
GDP at constant prices	growth rate	3.3	2.8
Oil activities	growth rate	2.3	0.2
Non-oil activities	growth rate	5.8	4.3
Investments	% of GDP	27.2	28.0
Inflation	%	1.9	2.9

Source: Oman Arab Bank

Top export destinations	In terms of USD
China	14.7 billion
South Korea	2.78 billion
UAE	2.05 billion
India	1.45 billion
Other Asian countries	2.0 billion

Top exports	In terms of USD
Crude Petroleum	17.5 billion
Petroleum Gas	3.61 billion
Refined Petroleum	2.32 billion
Nitrogenous Fertilizers	726 million
Acyclic Alcohols	618 million

In 2015 Oman imported \$31.3B, making it the 62nd largest importer in the world. During the last five years the imports of Oman have increased at an annualized rate of 7.9%, from \$21.3B in 2010 to \$31.3B in 2015.

Top imports	In terms of USD
Cars	3.33 billion
Refined Petroleum	2.96 billion
Delivery Trucks	854 million
Planes, Helicopters, Spacecraft	468 million
Excavation Machinery	455 million
Top import origins	In terms of USD
UAE	10 billion
Japan	3.16 billion
China	1.81 billion
India	1.67 billion
USA	1.64 billion

## Foreign Direct Investment

Attracting foreign investment is one of the goals of the Government. Foreign direct investment (FDI) in the Sultanate at the end of third quarter of 2016 exceeded OMR 7.02 billion, according to the National Centre for Statistics and Information (NCSI).

The sectorwise and the countrywise investment data:

Sectors	Investments in Rial Omani
Oil and Gas exploration	3.02 billion
Financial intermediaries	1.39 billion
Manufacturing sector	986.4 million
Real estate	622.2 million
Other sectors	992.2 million

Country	Investments in Rial Omani
United Kingdom	2.797 billion
UAE	924.8 million
Kuwait	396.1 million
Qatar	314.8 million
Bahrain	302.6 million
India	298.9 million
Netherlands	230.6 million
US	215.6 million
Switzerland	178.2 million

Source: NCSI

Oman's external sector during the past couple of years has remained comfortable though the current account surplus was lower than previous years in the recent period. As the global economy improves and as the domestic economy becomes more diversified, it is expected that the performance of Omani exports will be enhanced. It is important that the economy is able to improve productivity and product diversification so as to penetrate into new markets as the demand for exports grows with the global recovery. The increase in imports in the recent period reflects the increasing domestic demand. With increasing Omanisation and focus on services sector, it is expected that the outflows under services could be checked, while at the same time workers remittances abroad will stabilize. The size of capital flows are expected to increase as the fundamentals of the Omani economy continues to remain strong, while at the same time the Government is focussing on attracting larger foreign direct investment. Thus, the balance of payments situation will continue to remain comfortable in the near future.

## Economic Sectors

### Oil

Oman's national oil company Petroleum Development of Oman ("PDO") is the primary oil producer which is 60% owned by the Government and balance 40% being held by foreign partners. Apart from PDO, certain other companies like Occidental, Japex etc., extract significant quantities of oil in Oman.

### Natural gas

Oman's primary processor of natural gas is LNG LLC (OLNG) which is 51% owned by the Government and the balance 49% being held by foreign partners. The liquefied natural gas project is set becoming the country's major non-oil earner and the government has schemes for gas industries. The new discoveries, continuing exploration and the setting up of the LNG and urea plants indicate that the development of natural gas is a major priority, and gas will form a significant part of exports.

### Minerals

The minerals present in Oman are predominantly metallic minerals such as chromite and copper, dolomite and good quality marble as well as millions of tons of gypsum. Silica is also found in Northern Oman as well as quartzite and silica sand. Oman has a strategic location as it has good sea transport links and is near to the successful African mining market.

Oman's Ministry of Commerce and Industry has undertaken many geological studies and exploration research projects in recent years and they have created numerous reports which provide greater understanding of the opportunities available inside the country.

### Manufacturing

Oman's traditional industries were silver working, ship building and weaving. New manufacturing industries have been growing like manufacture of building materials, chemicals, plastics, base-metal products, furniture and other wood products, paper products, garments,

leather, food and beverages. The manufacturing industries have been encouraged by Government by offering soft loans, subsidized land and electricity, import duty exemptions etc., The Government has established industrial estates thereby focusing on industries specialising in import substitution.

### Agriculture and fishing

Agricultural sector has potential for development due to the variations in the country's geography and climate. The variety of crop cultivation mainly includes dates and limes, tropical crops are coconuts, papayas, bananas, and other fruits and vegetables. The Government has established research and development centres across the country to promote agricultural mechanisation and the introduction of new farming methods and crops.

Fisheries has been one of the main natural resources. The fishing industry is growing and the export market has increased substantially through various initiatives of the government by providing fish farms, marine subsidiaries and cold stores etc.,

### Construction and projects

The construction and projects market in Oman is in good health. The scale of the construction and infrastructure development projects that have already been committed or are under construction is impressive.

The public sector is by far the largest procurer of construction services in the Sultanate of Oman. The chief beneficiaries of the investment programme will be the following sectors:

- Transportation: particularly airports, ports, highways and in the longer term railways
- Tourism: resort and hotel projects are planned or under construction across Oman
- Oil & gas: number of world class exploration and production projects under development, including investment-heavy enhanced oil recovery schemes.

There are numerous active construction projects in Oman and the total estimated value of these

construction projects is USD 194.7 billion. Oman constitutes 10% of the number of active projects in the GCC.

Oman's industrial sector is poised for large expansion with ongoing investment in downstream infrastructure. Added to this is the rapid development of Oman's ports, rail and airports, which is expected to drive its reputation as a regional logistics hub while developing the tourism sector, which is considered as key moving forward.

Popular Industrial Tenders and Projects in Oman at present include:

- Mall of Oman – Bausher
- InterContinental Tilal Muscat Hotel & Golf Clubhouse - Airport Height
- Renaissance Museum – Nizwa
- Hilton Garden Inn - Al Khuwair
- Duqm Oil Refinery - Duqm Refinery and Petrochemical Complex - Phase 1
- Royal Oman Police Hospital Complex - Airport Heights
- JW Marriott Hotel (Package 4)
- Oman Convention & Exhibition Center - Phase 1
- My City Centre – Sur
- Sohar City Centre
- Araimi Boulevard Mall - Al Khoud

#### Tourism

Oman has one of the most diverse environments in the Middle East with various tourist attractions and is particularly well known for Cultural tourism. The capital of Oman was named the Second Best City to visit in the world in 2012 by the travel guide publisher Lonely Planet. Muscat also was chosen as the Capital of Arab Tourism of 2012.

A single entry visa is issued at the point of entry and is valid for one month. There are also an express visa, a multiple entry visa and a common visa with Dubai and Qatar, and GCC resident visa.

The tourist attractions are forts, museums,

beaches, water sports and diving, turtle, dolphin and bird watching, desert safari, caving, markets (souqs), trekking and rock climbing.

The major events are Muscat festival, Cultural theatre program, Dubai-Muscat offshore sailing race, Sindbad classic, Oman adventures, Oman International Rally, Oman Desert Express and Bidiyah challenge.

#### Privatisation

Oman, a small non-OPEC oil exporter, has smaller energy reserves than its wealthy Gulf neighbours and, after spending sharply in the last few years to improve social welfare and create jobs for its citizens, faces a challenge in managing its state finances.

The growing financial demands of various public services would critically derail the fiscal balance. The government's 2020 vision included selling off most of the public controlled agencies.

With the purse of the state's coffers showing signs of splitting from the hems, the government is giving a closer look at its privatization initiative to give the private sector a bigger role. The government is aware of the importance of sustaining a positive economic growth, which requires continued spending on developmental projects, which is why it is continuing with its policy of expansion in spending while at the same time encouraging both the local and foreign investments.

Oman was the first country in the region to allow foreign companies to generate electricity and own desalination plants. In 1994, Al Manah Power Project had the privilege of becoming the first electricity generating company in any Gulf state to be wholly owned by the private sector. Since then, a series of power plants, including those at Barka, Sohar and Salalah, started generating electricity under the ownership of foreign investors.

The government continues to encourage the privatization of certain infrastructure projects having lead the region in many privatization initiatives, including several power projects, water projects, telecommunication services etc.,

## Business Environment

### Business and investment governing laws

The corporate framework and underlying laws and regulations are not so complex and the basic legal framework for business activity and investment in Oman is provided by the following laws:

#### Commercial Companies Law

The Commercial Companies Law of Oman is promulgated by the Ministry of Commerce and Industry. The Commercial Companies Law (Royal decree 4/1974, as amended) and the Commercial Registration Law (Royal decree 3/74) governs business entities in Oman. Further, Oman Commercial Law (Royal decree 55/90) also governs the regulation of merchants and other commercial activities such as contracts and bankruptcy. The Commercial Companies Law include regulations covering all businesses in Oman under various business structures such as general partnership, limited partnership, limited liability company, joint stock company, holding company and joint ventures.

#### Capital Market Authority Law

The Capital Market Law regulates listing and share issuance procedures for joint stock companies that are listed with Muscat Securities Market. As per this law, every joint stock company that wishes to issue securities must obtain the approval of the Capital Market Authority. Joint stock companies are required to fulfil various requirements of Capital Market Authority Law in order to maintain their listings.

#### Code of Corporate Governance

Code of Corporate Governance contains specific requirements of the Capital Market Authority governing the corporate governance requirements of companies listed with Muscat Securities Market. Each year, these listed companies are required to have their activities audited by appointed external auditors to report



on their corporate procedures for compliance with the code of corporate governance.

#### Foreign Capital Investment Law

Under this law, non-Omanis are required to obtain a license from the Ministry of Commerce and Industry in order to participate in commercial activities or to own share in an Omani company. Further, foreign participation in capital of an Omani company is permitted up to 70% without specific approval and can exceed 70% in certain circumstances with the approval from Council of Ministers. This law also governs activities relating to operations of branches of foreign companies. Under this law, foreign nationals may not operate businesses in Oman without Omani participation. Sole proprietorships can be established by Omani nationals only. However, foreign nationals of GCC countries may also do business in Oman as sole proprietorships.

#### Labour Law

Labour Law is prescribed by the Ministry of Manpower. A comprehensive Omani Labour Law was issued by Royal Decree 35/2003 and amendments made by Royal Decree 113/2011. This applies to both the workforce management of local and foreign staff working in companies in Oman. For more details, refer later section on 'Labour Environment'.

#### Income Tax Law

There is no personal income tax in Oman. Only corporate taxes are levied on specific entities with taxable profits. All tax legislations are enacted through Royal Decrees. The Law of Income

Tax on companies was first published in 1981 followed by Law of Profit Tax on Commercial and Industrial Establishments in 1981. The legislations governing levy of Income tax were replaced with the new Income Tax Law 2009 (Royal decree 28/2009) which was effective from tax year 2010. This was further amended by RD 9/2017, which was issued in Feb 2017. Until the tax year 2016, no tax was payable up to taxable income of RO 30,000 and income above RO 30,000 was taxed at a flat rate of 12%. The threshold limit of RO 30,000 on which tax was not payable, has been removed and the tax rate has been increased to 15%, w.e.f. 1st Jan 2017 by RD 9/2017. (Any tax year that starts from 1st Jan 2017 or thereafter).

#### Tender Law

Government Tender Law (Royal decree 86/84) governs the requisite tender process by which contracts from government are awarded. All participants in the tendering process are required to register with the Tender board before any tender can be submitted. Extensive tendering requirements have been laid down in the Tender Law which participants are required to comply with.

#### Anti-money laundering law

Anti-money laundering law was enacted through Royal decree 34/02 promulgating the law on money laundering. The executive regulations relating to money laundering is prescribed in Royal decree 72/04.



#### Anti-Corruption and Anti-bribery laws

The Royal Decree No. 64/2013 approved the Sultanate's accession to the United Nations Convention against Corruption (UNCAC), which reflected the Sultanate's keenness to cooperate with the international community to eliminate all criminal acts of corruption.

This is in addition to the following existing legislation in place to deal with corruption in public and private sectors.

- The law for the Protection of Public Funds and Avoidance of Conflicts of Interest (the "Anti-Corruption Law" promulgated by Royal Decree 112/2011 and
- The Omani Penal Code Promulgated by Royal Decree 7/1974

The Anti-Corruption Law predominantly concerns employees working within the public sector. It is applicable to private sector companies if the Government holds at least 40% shares in the company or in situations where the private sector company has dealings with Government bodies and officials.

The Omani Penal Code is the key legislation which defines bribery and targets corruption in the private sector. Provisions of the Omani Penal Code apply to employees of private sector companies. Bribery is listed as a misdemeanor in the Penal Code and is punishable by penalties of fines and/or apprehension.

The FCPA's anti-bribery provisions apply to U.S. companies and individuals, irrespective

#### Intellectual property rights

##### Copyright

An author's copyright and related rights are protected in Oman under Royal Decree 37/2000. This sets out the types of works that may be protected by copyright, which authors can be protected, what rights are given to these authors and penalties for non-compliance. The law applies to authors of original literary, scientific, technical and cultural works, irrespective of their monetary value. Also protected are translators and people who summarize or adapt works, or put them into a new form. No omission, change or addition to a work may be made without the author's approval. There is no time limit on these rights.

##### Trade marks

The Law of Trade Marks was updated in 2000 by Royal Decree 38/2000, which sets out specific rules as to which trademarks may be registered and provides a list of permitted trademarks. In order to qualify for registration, a trademark must conform to Oman's high standards of decency and must not be of a purely religious nature, incorporate false information, or bear a resemblance to an already established mark or trade name.

##### Industrial drawings and patterns

Royal Decree 39/2000 now regulates industrial drawings and patterns. In order to be protected,



a drawing or pattern must be registered in the Trade Drawings and Patterns Register at the Ministry of Commerce and Industry. The person who created the drawing or pattern is then deemed to be the owner, unless another party can prove this not to be the case. The design must be original and, again, must conform to Oman's standards of decency, in order to enjoy protection.

#### Patents

Patents are governed by Royal Decree 82/2000 and the Arab Gulf Co-operation Council States Patents Regulations (AGCC Regulations). An invention is patentable if it is new, contains a novel idea, and is worthy of industrial application. However, it must not be inconsistent with public discipline or etiquette, undermine national security or be incompatible with the Islamic Sharia'h.

#### US-Oman FTA

The US-Oman FTA came into force on January 1, 2009. Under the agreement, US investors and their investments in non-restricted sectors are granted "national treatment", as well as "most-favoured-nation treatment" (MFNT), in Oman.



National treatment means that, in similar circumstances, US investors and their investments are afforded no less favourable treatment than that afforded to Omani nationals. MFNT means that, in similar circumstances, US investors and their investments are afforded no less favourable treatment than that afforded to nationals of any other country in Oman. In the case of companies incorporated in Oman, the application of national treatment under the FTA increases the allowed US shareholding to 100% and reduces the minimum capital requirement to RO 20,000 (\$51,790).

#### Types of business entities

Business may be carried out in Oman in various forms. All types of business entities with the exception of joint ventures and individuals engaged in agriculture and small scale services must obtain commercial registration and must become members of the Oman Chamber of Commerce and Industry. The Commercial Companies Law of Oman recognizes and regulates different types of business entities. Common business structures in Oman are listed below:

Type of Entity	Description
Sole Proprietorships (Establishment)	<ul style="list-style-type: none"> <li>■ Permitted to Omani nationals only</li> <li>■ GCC nationals can carry on proprietorship business in certain permissible activities only</li> </ul>
General Partnership	<ul style="list-style-type: none"> <li>■ 2 or more natural/juristic persons</li> <li>■ Jointly and severally liable to the full extent of their property</li> <li>■ No partner can transfer the interest without the approval of other partners</li> </ul>
Limited Partnership	<p>The limited partnership company is a commercial company that comprises two categories of partners:</p> <ul style="list-style-type: none"> <li>■ One or more general partners jointly and severally liable to the full extent of their property</li> <li>■ One or more limited partners' liability limited to the amount of their contribution to the partnership company's capital</li> </ul>
Limited Liability Company	<ul style="list-style-type: none"> <li>■ Fixed capital divided into equal shares</li> <li>■ Minimum 2 and up to 40 natural/juristic persons</li> <li>■ Liability is limited to the nominal value of their shares in the capital of the company.</li> <li>■ Minimum capital is RO 20,000 without foreign participation and RO 150,000 with up to 70% foreign participation</li> </ul>
Joint Stock Company	<ul style="list-style-type: none"> <li>■ Capital is divided into equal negotiable shares</li> <li>■ The liability of the shareholders shall be confined to the payment of the value of the shares subscribed</li> <li>■ 3 or more natural/juristic persons</li> <li>■ Special approval of the Director General of Commerce</li> <li>■ Minimum Capital for closed joint stock company (SAOC), where no shares offered to public, should be RO 500,000</li> <li>■ Minimum Capital for Public Company (SAOG) should be RO 2,000,000 of which a minimum of 40% and up to 70% must be offered to the public for subscription</li> <li>■ It must retain 10% of their annual profits in a statutory reserve until the reserve reaches one third of the company's capital. The statutory reserve is not available for distribution</li> <li>■ Companies seeking to conduct insurance and banking must be organised in the form of joint stock companies</li> </ul>
Holding Company	<ul style="list-style-type: none"> <li>■ Either a joint-stock company or a limited liability company</li> <li>■ Financially and administratively controls one or more other companies, which become subsidiary to such company by means of its holding at least 51% in the Companies</li> <li>■ Minimum capital of RO 2,000,000</li> </ul>
Joint Venture(s)	<ul style="list-style-type: none"> <li>■ Formed by two or more juristic or natural persons</li> <li>■ Legal relationship between its members without affecting third parties</li> <li>■ Joint Venture will have no name, not a separate entity and no registration required</li> </ul>
Branches of foreign companies	<ul style="list-style-type: none"> <li>■ Branches of foreign companies may engage in certain activities such as:</li> <li>■ carry out government contracts</li> <li>■ conduct businesses declared by the Council of Ministers to be necessary to Oman</li> </ul>
Commercial representative office	Foreign companies are permitted to have legal presence in Oman for the purposes of conducting market research, general advertising, marketing and promotional activities and liaison with commercial entities in Oman.
Commercial agent	Commercial agents are appointed by foreign businesses to export goods and services to Oman. All agencies must be registered with the Ministry of Commerce & Industry

## Major Government departments facilitating businesses

### Ministry of Commerce and Industry

Ministry of Commerce and Industry (MOCI) is the governmental body in the Sultanate of Oman responsible for regulating commerce and industries.

### Oman Chamber of Commerce and Industry

Oman Chamber of Commerce and Industry (OCCI) facilitates trading activities by providing advice and guidance for setting up businesses to potential investors and provides legal and consultative services to investors. Companies that are successfully formed are required to pay annual membership fees to OCCI.

### Export Credit Guarantee Agency

Export Credit Guarantee Agency (ECGA) is a government entity which provides services such as export insurance, financing to exports at low rates, post-shipment financing etc. ECGA charges its customers at a very nominal rate whilst providing adequate level of coverage to exports from Oman.

### Muscat Depository and Securities

#### Registration Company

Muscat Depository and Securities Registration Company SAOC (MDSRC) was established in 1998. MDSRC is established as a closed joint stock company which is a sole provider of the services of registration and transfer of ownership of securities and safe keeping of ownership documents (in its depository). The main functions of MDSR are to:

- Provide custody for the records of shareholders;
- Depose, register and provide custody for shares;
- Provide concerned authorities with information on shareholders or bearers of securities;

- Restrict and place the securities under pledge and release them;
- Distribute securities returns;
- Provide data protection according to confidentiality laws; and
- Provide risk management information related to trading in capital markets.

### Oman economic zones

The Sultanate of Oman is the second largest country in the Gulf Cooperation Council (GCC). It is one of the most liberalized markets in the region and has invested heavily on economic diversification. The development of Free Trade Zones (FTZ) across Oman has been a centerpiece of the Sultanate's plan to diversify the national economy beyond the oil sector by developing the growth of value-added, export-focused industries such as manufacturing, shipping and logistics. FTZ serve as catalysts for this growth by providing infrastructure (e.g. roads, ports), regulatory framework and financial incentives (e.g. income tax and customs duty waivers) that encourage high-end foreign and domestic companies to set up operations.

In addition, FTZ aim to build an industrial and trade base in the Sultanate in order to promote sustainable economic growth, using the countries strategically important position with its commercial harbors of Sohar and Salalah to boost trade, bringing new technologies and creating jobs in higher value-added fields. The goal is to create an economically favorable environment to attract and concentrate companies in a business focused environment. Another goal of establishing free zones is to stimulate the private sector to contribute in the economical and social development.

With each free zone project that was announced, the authorities overseeing and controlling the FTZ have ensured that companies brought in investments into various industries, apart from just oil and gas. Oman's economy has long been reliant on declining oil resources, necessitating the recent diversification drive across numerous sectors.

There are four free trade zones in Oman with

Industries	<ul style="list-style-type: none"> <li>■ General Trading licence: import, export, distribution and storage</li> <li>■ Trade licence: import, export, distribution and storage of specific items</li> <li>■ Industrial licence: manufacturing, import of raw materials and export of finished products</li> <li>■ Service licence: completion of specified services</li> </ul>
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Current investors	<ul style="list-style-type: none"> <li>■ Octal Petrochemicals, US based Company</li> <li>■ Salalah Methanol Company, Operated by Oman oil</li> <li>■ Sapphire Marine</li> <li>■ Oswal Caustic soda</li> <li>■ Dunes Oman, owned by Brakes India,</li> <li>■ PGC Textile Corporation, India</li> </ul>
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Contacts	<ul style="list-style-type: none"> <li>■ <b>Salalah Office</b> P.O. Box 87, PC 217, Al-Awqadain, Sultanate of Oman Tel: (+968) 23132500, Fax: (+968) 23212998</li> <li>■ <b>Muscat Office</b> P.O. Box 258, PC 134, Jawharat Al' Shatti, Sultanate of Oman Tel: (+968) 24601333, Fax: (+968) 24694555 E-mail: info@sfzco.com Web: www.sfzco.com</li> </ul>
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Sohar Free Trade Zone:	<ul style="list-style-type: none"> <li>■ Managed/operated by Sohar Industrial Port Company SAOC</li> <li>■ Operated by its subsidiary, Sohar Free Zone Company LLC</li> </ul>
Location	<ul style="list-style-type: none"> <li>■ Near Sohar Industrial Port</li> <li>■ 220 Kilometres northwest of Muscat</li> <li>■ 180 kilometers away from Dubai</li> </ul>

Facilities	<ul style="list-style-type: none"> <li>■ Easy access to East African Coast and Indian sub-continent</li> <li>■ Offers plentiful land on which to build units</li> <li>■ First 500 hectare phase of the Zone has already been developed with further 4,500 hectares planned</li> <li>■ Equipped with deep-water jetties capable of handling the world's largest vessels, the Valemax class of dry bulk carriers</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>■ 100% foreign ownership (minimum two shareholders)</li> <li>■ 10 year exemption from corporate tax extendable to maximum of 25 years</li> <li>■ No customs duties</li> <li>■ No restrictions on sales within the GCC, a standard 5% GCC customs duty applies</li> <li>■ Minimum Omanisation levels of 15%</li> <li>■ Single window licensing procedure</li> </ul>
Industries	<ul style="list-style-type: none"> <li>■ Metals and steel</li> <li>■ Logistics and trade</li> <li>■ Light manufacturing and assembly</li> <li>■ Food (cold storage and warehouse facilities available)</li> <li>■ Petrochemicals</li> <li>■ Minerals and aggregates</li> <li>■ Education and services</li> </ul>
Current investors	<ul style="list-style-type: none"> <li>■ Oman Petrochemical Industries Company LLC (ORPIC)</li> <li>■ Larsen &amp; Toubro</li> <li>■ Oman Methanol Company LLC</li> <li>■ Oman PolyPropylene LLC</li> <li>■ Jindal Shaded Iron &amp; Steel LLC</li> <li>■ Sohar Aluminium SA</li> <li>■ Sohar International Urea &amp; Chemical Industries S.A.O.C</li> <li>■ Sohar Power Company S.A.O.G</li> </ul>

	<ul style="list-style-type: none"> <li>■ Port of Rotterdam in the Netherlands</li> <li>■ VALE International SA</li> <li>■ Majan Electricity Company S.A.O.C</li> <li>■ Omani Qatari Telecommunication Company (Nawras) S.A.O.C</li> <li>■ Oman Oil Marketing Company S.A.O.C</li> <li>■ Shell Oman Marketing S.A.O.G</li> <li>■ Al-Batina Power Company S.A.O.G</li> </ul>
Contacts	<p><b>Sohar Office</b>                      PO Box 9, Postal Code 327, Sohar, Sultanate of Oman                      Tel: (+968) 26852700 , Fax: (+968) 26852701</p> <p><b>Muscat Office</b>                      PO Box 777, Postal Code 116, Mina Al-Fahal, Sultanate of Oman                      Tel: (+968) 24697830, Fax: (+968) 24697831                      E-mail: info@soharportandfreezone.com                      Website: www.soharportandfreezone.com</p>

**Duqum Special Economic Zone:**

Managed/Operated by	<ul style="list-style-type: none"> <li>■ Special Economic Zone Authority Duqm (SEZAD)</li> </ul>
Location	<ul style="list-style-type: none"> <li>■ Located in Central Eastern Oman – 400 Km from Salalah and 450 Km from Muscat</li> <li>■ Near the future Al Duqum International Airport</li> </ul>
Facilities	<ul style="list-style-type: none"> <li>■ Has land area of 1,777 Sq. kms and 80 km of coastline</li> <li>■ Comprise of sea port, airport, industrial area, town, fishing harbour, tourist zone, logistics centre and education and training zone.</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>■ No personal income tax</li> <li>■ Long-term leases and reduced rates</li> <li>■ No restrictions on foreign ownership</li> <li>■ No minimum investment capital</li> <li>■ Waivers and reduction of corporate tax and customs duties</li> <li>■ 100% repatriation of capital and profits</li> </ul>
Industries	<ul style="list-style-type: none"> <li>■ Industrial estates</li> <li>■ Warehousing and logistics villages</li> <li>■ Tourist villages and resorts</li> <li>■ Commercial, office and residential complexes</li> </ul>
Contacts	<p><b>Muscat Office</b>                      P.O. Box. 25, P.C. 103, Bareeq Al Shatti, Sultanate of Oman                      Tel: +968 24507521                      Fax: +968 245 874 00</p> <p><b>Duqm Office</b>                      Tel: +968 2200 0088                      Fax: +968 2200 0099                      E-mail: info@duqm.com                      Web: www.duqm.gov.om</p>

**Al Mazunah Free Trade Zone:**

Managed/operated by	<ul style="list-style-type: none"> <li>■ Management assigned to Public Establishment for Industrial Estates</li> <li>■ Golden Hala Company also operates the lease of the Al Mazuna Free Trade Zone</li> </ul>
Location	<ul style="list-style-type: none"> <li>■ 4 km from the border with Yemen and 14 Km from the Yemeni city Shahn.</li> </ul>
Facilities	<ul style="list-style-type: none"> <li>■ Offers trade and storage of vehicles, automotive spares, fruits and vegetables, livestock, fresh and frozen meat, machinery and equipment and other merchandise.</li> <li>■ Plots range from 2,000 – 16,000 sq. m across 100 sectioned areas</li> <li>■ PEIE operates an industrial estate within this zone</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>■ Omanisation rates of 10%</li> <li>■ Customs duty exemption</li> <li>■ Exemption from commercial agency law</li> <li>■ 30 year income tax holiday</li> <li>■ 100% capital ownership</li> <li>■ Yemeni employees can work without visas</li> <li>■ No minimum investment required</li> <li>■ Imported goods can be sold into the larger Omani market</li> </ul>
Industries	<ul style="list-style-type: none"> <li>■ Industrial: factories, food, plastics, textiles and maintenance</li> <li>■ Commercial: trading and storage of goods, cars and spare parts, livestock, food, machinery and equipment</li> <li>■ Supporting services: transport and logistics, distribution and clearing, handling and commercial correspondence</li> </ul>
Contacts	<p><b>Head office:</b>                      Knowledge Oasis Muscat                      Tel: +968 24155100</p> <p><b>Al Mazyuna office:</b>                      Tel : +968 2338 2222                      Fax: +968 2238 2229                      E-mail: mfznet1@peie.om, info@almazunah.com, info@peie.om                      Web: www.almazunah.com</p>

**Industrial Estates:**

Managed/Operated by	<ul style="list-style-type: none"> <li>■ Public Establishment for Industrial Estates (PEIE)</li> </ul>
Locations	<ul style="list-style-type: none"> <li>■ Russayl</li> <li>■ Sohar</li> <li>■ Raysut</li> <li>■ Sur</li> <li>■ Nizwa</li> <li>■ Buraimi</li> <li>■ Al Mazunah</li> <li>■ Sumail</li> <li>■ Knowledge Oasis Muscat</li> </ul>
Facilities	<ul style="list-style-type: none"> <li>■ Offering land and buildings for industrial development</li> <li>■ Nearby Hotel accomodation for guests</li> <li>■ Telecommunications infrastructure, banking facilities</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>■ 100% foreign share capital</li> <li>■ 5 year tax holiday for manufacturing/Industrial activity</li> <li>■ No personal income tax</li> <li>■ Exemption from customs duties</li> <li>■ Special loan terms for joint government projects</li> </ul>
Industrial Estate Costs	<ul style="list-style-type: none"> <li>■ Electricity: From RO 0.12/kWh</li> <li>■ Water: From RO 0.003/gallon</li> <li>■ Gas From RO 0.0205/cubic metre</li> <li>■ Rent for land plots : From RO 0.15/sq m a year to RO 0.25/sq m a year</li> <li>■ Rent for building: RO 2-4/sq.m</li> </ul>
Contacts	<ul style="list-style-type: none"> <li>■ <b>Postal address:</b> P.O. Box. 200, P.C. 124, Russayl, Oman Phone: +968 2415 5100 Fax: +968 2444 9095 E-mail: info@peie.com Web: www.peie.om</li> </ul>

**Knowledge Oasis Muscat: (KOM)**

Managed/operated by	<ul style="list-style-type: none"> <li>■ Managed and operated by Public Establishment for Industrial Estates (PEIE).</li> </ul>
Location	<ul style="list-style-type: none"> <li>■ Near Muscat International Airport</li> <li>■ Near Russayl Industrial Estate and Sultan Qaboos University</li> </ul>
Facilities	<ul style="list-style-type: none"> <li>■ 20,000 square meter technology park</li> <li>■ One stop shop facility for handling all administrative services and commercial registration requirement with relevant government entities</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>■ 100% foreign ownership</li> <li>■ Highly competitive telecommunication and Internet broadband rates</li> <li>■ Minimum capital investment</li> <li>■ Eligible tenants can be registered on Oman's tender board and bid for government tenders</li> <li>■ No personal Income tax and no foreign exchange controls</li> <li>■ Duty-free access of products from Oman to GCC</li> </ul>
Industries	<ul style="list-style-type: none"> <li>■ Digital and mobile media</li> <li>■ Environmental science</li> <li>■ Telecommunications</li> <li>■ Hi-tech engineering and software development</li> <li>■ Internet services and Call centres</li> </ul>
Current tenants	<ul style="list-style-type: none"> <li>■ Information Technology Authority</li> <li>■ Microsoft</li> <li>■ Crimson Logic BTE LTD (Oman)</li> <li>■ Cryoto Oman LLC</li> <li>■ Hewlett Packard Arabia</li> <li>■ Qatar Airways</li> <li>■ Oman Air</li> <li>■ Info line</li> <li>■ Indus Novateur LLC</li> <li>■ ITON Software LLC</li> </ul>

**Preparation and submission of financial statements**

SI	Type of Entity	Requirements
1	Joint stock companies	<ul style="list-style-type: none"> <li>■ Must prepare and get financial statements audited within 2 months subsequent to the year-end.</li> <li>■ Provide audited financial statements to shareholders 14 days prior to the AGM.</li> <li>■ AGM must be held within 3 months subsequent to the year-end.</li> <li>■ SAOG companies are required to publish condensed financial statements on a quarterly basis and the same has to be filed with CMA.</li> </ul>
2	Limited liability companies	Must prepare, get financial statements audited and submitted to tax authorities along with annual tax return within 6 months after the year-end.
3	Banks	File audited financial statements to CBO within 1 month after the year-end.
4	Insurance companies	File audited financial statements to CMA within 2 month after the year-end.
5	All taxpayers	File audited financial statements along with the final return of income with the Secretariat General for Taxation within 6 months from the end of the accounting period.

**Financial reporting and auditing requirements**

International Financial Reporting Standards (IFRS) shall be followed by business entities for accounting and reporting of their business activities.

**Maintenance of books of accounts**

As per Oman's Commercial Companies Law, businesses entities having any form of business structures are required to maintain following records (at a minimum) relating to business activities:

- A day book maintaining daily record of all the commercial activities of business,
- A monthly record of personal withdrawals; and
- A stock book listing inventory, by quantity and by value, held at year-end.

**Auditors**

As per the statutory requirements, auditors should be legally licensed to exercise the accounting and audit profession in Oman and should be independent of the company being audited.

# Finance and banking environment

## Currency and exchange control

The currency of Oman, the Omani Rial (RO), divided into 1000 Baiza (bz) is pegged to the US Dollar at US\$ 1 = RO 03854. Denominations of 50, 20, 10, 5, 1 Rials and 500 and 100 Baiza are available in notes and 100, 50, 25, 10, 5 Baiza in coins.

Oman does not impose any exchange controls. There are no restrictions on sending remittances abroad of equity capital, debt capital, interest, dividends, branch profits, royalties, management fees, technical fees and personal savings. However, prior approval of the Central Bank of Oman is required for the declaration of dividends of foreign banks to their head offices of any surpluses from their previous year's profits.

## Finance and banking

The Central Bank of Oman (CBO) is responsible for maintaining the stability of the national currency the Omani Rial and ensuring monetary and financial stability in a deregulated and open financial system by way of monitoring and regulating banking activities in Oman. The institutional framework of the financial sector falling directly under the jurisdiction of the CBO embodied mainly conventional commercial banks, Islamic banks and Islamic Windows, specialized banks, non-bank finance and leasing companies and money exchange and draft



issuing establishments. Besides the above, the financial sector also included several insurance firms, public and private sector pension funds, primary capital markets, brokerage firms and a stock exchange i.e. the Muscat Securities Market.

The Omani banking sector comprises of 21 banks which includes 16 commercial banks, 3 specialized banks, 2 Islamic banks with a total of around 500 branches all over Oman. Official data reveals that the top three commercial banks contribute around 62% of total sector assets, while leading player Bank Muscat accounts for 37.26% of total sector assets. The three specialized banks Alliance Housing Bank, Oman Development Bank, Oman Housing Bank have been set up to support national development efforts in specific fields such as housing, industry, agriculture, fisheries, tourism, education by providing financial and technical assistance for small, medium and large projects in order to promote economic activity. The two Islamic banks are full-fledged sharia-compliant banks and there are also six Islamic windows.

With regard to non-banking financial intermediaries in Oman, at the end of the year 2016, 15 finance and leasing companies are engaged in leasing, hire purchase, debt factoring and similar assets-based financing facilities. There were 21 money exchangers operating under the license of money exchange and remittance business. There were 22 insurance companies, out of these 11 were national companies and 11 foreign insurance companies.

## Capital Market Authority (CMA)

CMA is a government entity with Juristic personality, financial and administrative independence, established with an objective to ensure fair, high quality, growing and sustainable financial market. Role of CMA includes:

- Regulatory role: The core business of the CMA is regulating, licensing and monitoring issuance of securities in the Capital Market and Insurance Sectors in the Sultanate, constantly reviewing the regulations and enforcing law under its jurisdiction.



- Supervisory role: CMA supervises and monitors institutions regulated by CMA to upgrade the efficiency and the level of capital market and insurance sectors in general, and to protect investors and policyholders in particular. Institutions regulated by CMA includes Muscat Securities Market (MSM), Muscat Depository and Securities Registration Company SAOC (MDSRC), listed joint stock companies, mutual funds, companies operating in the securities field and their agents, insurance companies, insurance brokers, credit rating companies etc.,
- Awareness role: CMA spreads awareness in matters related to investment, rights and responsibilities of investors, directors, management and general public through conferences, workshops, and its publications.

## Muscat Securities Market (MSM)

The Muscat Securities Market (MSM) was established in 1988 and has been restructured in 1998. MSM is an exchange where all listed securities are traded. It seeks to encourage saving, disseminating investment awareness and protect investors and also endeavours to create the climate conducive for the mutual interest of investors and the national economy.

Muscat Securities Market is the stock exchange of Oman. It oversees the flow of funds into securities and develops the local financial market. Membership in the exchange is mandatory for Omani licensed banks, public joint

stock companies, specialised loan institutions whose shares are listed in the securities market. All joint stock companies are required to be members of Muscat Securities Market (MSM) and have their shares and bonds listed with MSM.

# Labour Environment

## Overview

People of Oman are friendly and welcome foreign people to work in the country to make their contribution towards development of the country. Oman labour laws allow expatriate staff to be hired by local companies, provided certain criteria is met.

## Labour Law

The Ministry of Manpower is responsible for proposing and implementing manpower general policies in line with the Governments economic and social objectives.

Omani labour law provide rules regarding employment of citizens, expatriates and women, contract of work, wages, leaves and working hours etc.

## Employment of nationals

Special privilege is given for the employment of the Omani nationals, to provide citizens with opportunities to participate in the economy and nation building process.

Ministry of Manpower issues guidelines which require private companies operating in various sectors to employ Omani nationals as certain percentage of their work force. The Omanisation percentage in various sectors keep on changing from time to time based on the directives issued by the Ministry of Manpower. Further, certain specified categories of employment are reserved for Omani nationals only.

The minimum monthly salary for the national is RO 325 and minimum monthly salary for the national who is a graduate of any degree is RO 600.

## Employment of expatriates

The employers are required to recruit the Omani workers to the maximum possible extent but expatriates may also be employed where there is skill shortage. Prior to recruitment of expatriate, employers are required to obtain necessary labour clearance from the Ministry of Manpower.

## Working days and hours

The working days for public and private sector are from Sunday to Thursday with Fridays and Saturdays being weekly holidays. The total maximum working hours per week is 45 hours, but not to exceed 9 hours per day. During Ramadan, the hours of work will be reduced for Muslim employees to 6 hours a day/30 hours per week.



Generally,

Government offices timings are between 7.30 a.m. to 2.30 p.m.

Banks are open between 8.00 a.m. to 2.00 p.m.

Private companies and business entities work on straight hours between 8.00 a.m. to 5.00 p.m.

Retail businesses are generally open between 10.00 a.m. to 9.00 p.m.

## Social Security Law

The Social Security Law is applicable to Omani employees in the private sector. The

Public Authority for Social Insurance (PASI) is responsible for implementation of this law. The employer shall undertake to collect the employees' share against their monthly salary and shall be responsible for making payment of the full social insurance contributions to PASI on behalf of all its Omani employees. The benefits of the social insurance include pensions, end of service benefits, work injury benefits and additional grants.

Employers are required to register all Omani employees with PASI within 15 days from the date of their joining. Monthly social contribution is 7 % of the gross salary from the employee and 11.5% of the gross salary from the employer. PASI sends monthly billing to the employer which is payable on or before the 15th day of the following month.

## Terminal benefits to expatriate employees

Employers must pay terminal benefits (Gratuity) to the expatriate employees, provided he is in continuous service for one year, at the rate of 15 days basic salary for every year of service for the first three years of service and 30 days basic salary for every subsequent year of service.

## Leave Salary

Employees are entitled to 30 days leave with full salary for every year of service. Employees have also the right for 6 days emergency leave annually, with full salary in case of emergencies.

## Employment taxes

Income from employment is tax free and can be freely remitted abroad.

## Trade unions

The workers may form labor unions to safeguard their interests, defend their rights and improve their materialist and social status and to represent them in all matters relating to their affairs.

## Taxation

### Overview

Taxation regime in Oman is very favourable for businesses in the present global context and provides various incentives for new businesses and foreign investment.

The main source of Government's revenue is from oil and gas sector of the economy. Therefore, taxation system is moderate. Oman levies no personal income tax, estate tax or gift tax. The main tax levied in Oman is the tax on business income. All business entities, both foreign and locally owned, are taxable in Oman.

Oman's Government deserves praise for carrying out reforms of the Oman's tax structure. The revised tax system provides balanced and identical tax practices for the foreign and local firms operating in Oman. The revised tax system has been effective since January 2010, which has been further amended in February 2017.

Apart from business income tax, Oman has levied only customs duty on imports and certain tourism and municipality tax.

### Taxable business entities

The Government of Oman levies income tax on the following business entities:

- Establishment (sole proprietorship business);
- Company established under Omani legislation including partnership, limited partnership, limited liability company, joint venture and joint stock companies;
- Branches and Permanent establishment of foreign companies.

### Tax rates

All the business entities shall pay income tax at a flat rate of 15% on the entire taxable income without any basic limit, from tax year 2017 (Any tax year that starts from 1st Jan 2017 or thereafter).

Companies deriving their income from sale of petroleum are taxed on their taxable income at the rate of 55%.

### Permanent establishment (“PE”)

PE means a fixed place of business through which a business is wholly or partly carried out in Oman by a foreign person either directly or indirectly through a dependant agent or otherwise. PE especially includes: 1) a place of sale, place of management, branch, office, factory or workshop; 2) a mine, quarry or other place of extraction of natural resources; 3) a building site, place of construction or an assembly project.

PE also includes any foreign person that provides consultancy service or other services in Oman for not less than 90 days, whether provided directly or indirectly.

Arrangements mentioned below shall not be regarded as PE when the foreign person uses a fixed place of business solely for the following purposes:

- 1) Storage, display or delivery of goods or merchandise belonging to that person;
- 2) The maintenance of a stock of goods belonging to that person for the purpose of storage, display or delivery or processing by another person;
- 3) Purchase of goods, merchandise, or collection of information for the business;
- 4) Carrying on any other activity of a preparatory or auxiliary character for the purposes of the business; and
- 5) The combination of any of the activities mentioned provided that the overall activity of the fixed place of business resulting from that combination is of a preparatory or auxiliary character.

### Withholding tax

Withholding tax is a tax charged on the gross amounts of the following specified payments which accrue or arise in Oman to foreign companies which do not have a PE, or which do not constitute a part of the gross income of a PE.

- Royalties

- Management fees & fees for services
- Consideration for the use of or right to use computer software
- Consideration for research and development
- Interest payments
- Dividends

Any taxpayer who pays or credits any of the amounts specified above to a foreign person, shall be liable to deduct 10% as withholding taxes from the gross amount paid or credited, and shall remit the same to the Secretariat General for Taxation, not later than 14 days from the end of the month in which that amount has been paid or credited, whichever is earlier.

The remittance of this tax shall be made to the Secretariat General for Taxation accompanied by a statement in the form prescribed for this purpose. A copy of that form shall be sent to the recipient of the payment.

## Taxable income

Taxable income for business entities is their gross income for the tax year after deducting the expenses or allowing any deductions or set off or any exemption under the Income Tax Law or any other law in Oman.

### Global basis

The tax law confirms the global concept of tax system, by taxing all income, wherever earned, accruing or arising to a company in Oman.

### Income

Income means income of any kind – whether in cash or in kind and includes in particular:

- Profits from any business
- Consideration for carrying on researches and development
- Consideration for the use or right to use of computer software
- Consideration for lease or usufruct of real estate, machinery or other moveable or immovable property
- Profits resulting from granting any person

a usufruct of or the right to use a real estate, machinery or any other moveable or immovable property.

- Dividends, interests or discount received
- Royalties or management fees.

## Deductible/Non-deductible expenses

### Deductible expenses

In determining taxable income for any tax year, all the expenses actually incurred for the purpose of generating the gross income for the tax payer is allowed as deduction.

### Deductible expenses subject to limits

#### Donations

Donations may be deducted, up to 5% of gross income, only if made to organizations approved by the Council for Financial Affairs and Energy Resources.

#### Bad debts

Bad debts may be deducted only to the extent that the tax authorities consider them bad and irrecoverable. Deduction of bad debts below RO 1,500 is subject to taking recovery procedure and relevant supporting. Deduction of bad debts in excess of RO 1,500 will only be allowed if taxpayers provide documentary proof that he has taken legal steps to recover the debt including judgement by a court of law, debts redemption order or liquidation or bankruptcy proceedings.

#### Interest costs

Interest expense must be actually incurred to generate the business revenue and not for capitalization of the business. Omani establishments and companies claiming deduction of interest costs on loan from related parties are now required to comply with minimum capital requirements referred to as "thin capitalization rules". Omani establishments and companies which exceed debt to equity ratio of 2:1 is subject to proportionate disallowance of

deduction for interest expenses on loans taken from related parties.

Interest costs incurred by foreign branch companies are deductible only if the interest bearing loan is actually borrowed by the head office from a third party lender or bank for the specific benefit of the Oman branch and the loan is used by the branch for financing its working capital.

### Remuneration to directors, members and partners

The remuneration paid to director, member, partner or proprietor is deductible for tax purposes, as per the following amounts, provided they are full time engaged in management of the business and do not claim this deduction in any other entity.

Either actual or RO 1,000 (for professionals RO 3,000) per month per person, or 10% of the taxable income of any entity, whichever is less.

In the case of joint stock companies, the remuneration paid to members of the board of directors of joint stock companies shall be considered as a deductible cost as per the limits specified in Articles 101 of the Commercial Companies Law.

### Rental costs

Rental costs are deductible only if the rental agreements are registered with the municipalities.

### Depreciation

While computing taxable income of an entity, depreciation is deductible at the rates prescribed by the Income tax law, as follows:

Assets	Depreciation method	Rate
Permanent buildings	Straight line	4%*
Prefabricated buildings	Straight line	15%
Quays, jetties, pipelines, roads and railways	Straight line	10%

Assets	Depreciation method	Rate
Aircraft and ships	Straight line	15%
Hospital buildings and educational establishments	Straight line	100%
Heavy equipment	Written down value	33%
Motor vehicles	Written down value	33%
Furniture and fixtures	Written down value	33%
Computer and softwares	Written down value	33%
Drilling rigs	Written down value	10%
Office equipment	Written down value	15%
Tools and equipment	Written down value	15%

\*In case of buildings used for industrial purposes (excluding buildings for housing of employees, office and storage), the stated rates of depreciation shall be doubled i.e. 8 %.)

Amortisation of intangible assets is also allowed at a rate approved by the Secretary General for Taxation.

A major change in regard to depreciation under the Income Tax Law is the introduction of the concept of pooling of assets. According to this concept, all assets coming under a certain category would be pooled together and depreciated by applying depreciation rate, as specified in the Income Tax Law, by written down value method. Net assets base would be computed by first adding additions made to opening net written down value and then subtracting from it the sale proceeds of the assets disposed.

### Loan losses

The loan loss provisions are allowed as deductible expenses to all banking companies and leasing companies as defined in the banking law to the extent specified by Central Bank regulations.

### Insurance agency fees

Any insurance commission paid to an authorised agent in Oman by a foreign company is restricted to 25% of the net premium underwritten.

## Sponsorship fees

Sponsorship fees paid by a foreign company to carry on its business in Oman is restricted to 5% of the net taxable income before charging such fees and after set off of tax losses from earlier years. The sponsorship fees must have been incurred for services received and not relate to commission or consideration for other service arrangements.

## Head office expenses

In respect of foreign company branches or foreign companies operating in Oman with PE status, the head office expenses are allowed either actually incurred or 3% of the total income whichever is less. This 3% allowance may be increased to 10%, in case of major industrial companies using modern and sophisticated means of productivity.

For branches of foreign banks and insurance companies, the allowance of expenses is either actual or 5% of the revenue, whichever is less.

## Loss carryovers

Losses may be carried forward for five years but may not be carried back. Net losses incurred by business entities benefiting from tax holidays under the tax law may be carried forward without any time limit under certain circumstances.

## Non-deductible expenses

The following expenses are not allowed as a deductible expense in computation of taxable income.

- Income tax paid in Oman or in other countries
- Income tax consultancy fees
- Capital expenditure
- Provisions for stock, receivables
- Expenses which may be recovered by virtue of any insurance contract or claim for compensation
- Loss on disposal of securities listed in MSM
- Expenses incurred to generate tax exempt income
- Any expenditure which the Secretariat General for Taxation deems inappropriate

## Tax exempt income

The following types of income is fully exempt from tax

Dividends received from shares of any Omani company when paid to an Omani National, Omani Company or a PE in Oman

Profits or gains from the disposal of securities listed in the Muscat Securities Market.

## Tax exempt activities

### Shipping activities

As per the Income Tax Law, income accruing to an Omani company/establishment from carrying on its activity in the field of shipping shall be exempt from tax. Further, the income from the shipping/air transport activities accruing to a foreign company in Oman shall be exempt from tax, provided similar treatment is accorded on reciprocal basis in the foreign country in which the foreign company is incorporated or where its effective management and controls are exercised.

### Investment funds

Income accruing to investment funds set up in Oman under the Capital Market Law, or investment fund which is set up outside Oman to deal in Omani securities listed in Muscat Securities Market (MSM), shall be exempt from tax.

### Priority sector activities

Income Tax Law provided tax exemptions in respect of income earned from several activities up to 26th February 2017. Income Tax Law was amended by RD 9/2017 which has made drastic changes in regard to tax exemption. Income accruing to Omani companies/establishments from manufacturing and Industrial activity only would be exempt from tax for a period of 5 years with effect from 27th February, 2017. However, tax exemption granted earlier would continue till the end of the period up to which exemption was granted.

The tax exemptions may be granted by a

decision issued by the Minister supervising the Ministry of Finance. The exemption provided shall be for a period of five years beginning from the commencement of the business or registration of the company, as applicable.

## Double taxation treaties (DTT)

Oman has signed comprehensive double taxation avoidance treaties with many countries: Algeria, Bangladesh, Belarus, Belgium, Brunei, Canada, China, Croatia, Egypt, France, Germany, India, Iran, Italy, Japan, Korea, Lebanon, Mauritius, Moldova, Morocco, Netherlands, Pakistan, Russia, Seychelles, Singapore, South Africa, Spain, Sudan, Switzerland, Syria, Thailand, Tunisia, Turkey, United Kingdom, Uzbekistan, Vietnam, Yemen. Some of these treaties have not been ratified or are not yet come into force.

In application of the provisions of any international agreement for the avoidance of double taxation, the foreign tax paid in respect of the income which was charged to tax in the country with which Oman has avoidance of double taxation treaty, shall be deducted from the tax payable on its taxable income in Oman of the tax year of which the income charged to the tax in that other country.

## Double taxation avoidance

The foreign tax paid in respect of the income which was charged to tax in the country with which Oman has concluded that agreement shall be deducted from the tax payable on its taxable income in Oman of the tax year of which the income charged to the tax in that country forms a part.

The amount allowed to be deducted for the foreign tax, for any tax year, shall not exceed the difference between the amount of tax which would be chargeable on the taxable income for that year before the deduction for the foreign tax, and the amount of tax which would be chargeable on that income after deducting the income for which the deduction is to be allowed.

In all cases, the total amount allowed to be deducted for any tax year for the foreign tax shall not exceed the tax payable for that year.

This relief would be available even in respect of taxes paid in countries with whom Oman does not have DTT.

## Related party transactions

Two parties are deemed to be associated with each other if one controls the other or both are controlled by the same person by virtue of shareholding, voting power, rights to distribution of profits or assets or marriage.

A tax avoidance transaction is defined as one where the main purpose of the transaction was the avoidance of part or whole of any liability to the tax due and payable for any tax year. This definition applies even when avoidance is achieved through the combined effect of two or more transactions.

The law requires two related parties or persons shall do business or transact with each other on an arm's length basis. Where related persons enter into transactions that result in a lower taxable income or higher losses than would have been the case if it was between independent persons, the actual terms of such transactions shall be ignored in computing the taxable income.

### Pricing between related parties:

The pricing of related party transactions is of importance to business groups and is also a focus area for the tax authorities, not only in Oman but also globally. The Income tax law or its executive regulations does not specify any method or rules for transfer pricing, but still, the tax department is keen on evaluating the reasonableness of pricing of goods and services exchanged between the related parties on a case to case basis. Therefore having suitable documentation to support a position on pricing for transactions between related parties is a must.

## Tax compliance and administration

### Tax Authorities

The Secretariat General of Taxation (SGT) at the

Ministry of Finance is the authority responsible for the administration, assessment and collection of income tax.

#### Registration

Business entities must register with the SGT within two months from the incorporation or commencement of business and must update within one month from the date of modification to this information, as per the Law amended by RD 9/2017.

#### Tax card

Every tax payer must make an application and obtain a Tax Card as soon as a tax payer initiates procedures for registering his commercial activity. Tax card obtained must be renewed after the validity expires. Ministries, Government Department, Government Bodies and companies with at least 40% ownership by Government, must obtain a copy of the card before dealing with a tax payer. Non compliance would invite a penalty up to RO 5,000. The date from which provisions relating to Tax card would be implemented is yet to be announced.

#### Principal officer

Business entities have to designate a principal officer who would be the focal person in respect of Income Tax Law. Otherwise, Secretary General may designate any person connected with the business as the principal officer.

#### Financial statements

Business entities financial statements are to be prepared in accordance with International Financial Reporting Standards and on accrual basis and in the local currency i.e. Rial Omani. The adoption of any other basis of accounting and preparation of financial statements in a foreign currency requires the approval from the SGT.

#### Preserve the books

The Income Tax Law requires the business entities to preserve all their books of accounts and supporting documentation for at least ten years from the end of the accounting period.

#### Accounting period

The first accounting period for business entities shall begin on the date it commences business or the date of their commercial registration whichever is earlier

First accounting period may be of less than twelve months or may extend to a maximum period of eighteen months.

Business entities may with the prior consent of the Tax Authorities, change the date on which the accounting period ends.

#### Filing of returns and audited accounts

The Income Tax Law requires every tax payer to furnish a provisional and a final return of income for each tax year to the SGT in the forms prescribed for this purpose within the period mentioned below and pay the taxes due as per the returns.

- The provisional return of income (PRI) should be filed within three months from the end of the accounting period relevant to that tax year and pay the advance income tax on the estimated taxable income, if any, for that year.
- The final return of income (FRI) should be furnished within six months from the end of the accounting period relevant to that tax year, along with audited financial statements of the business entity and the balance tax payable, if any, and the relevant appendices and details.
- If a foreign person carries on business in Oman through more than one PE, a consolidated return must be filed, including the taxable income of all the PE's.

SGT has introduced facilities to file the Income Tax returns and the tax documents through its electronic portal and is operational now.

#### Relief for small Omani Establishment and Companies (lower tax rate)

Tax shall be charged @ 3% for Omani Establishments and Omani Companies which fulfils the following conditions:

#### Tax disputes

The taxpayer has the right to object to an assessment, if there is any dispute in the assessment completed by the Secretariat General. The objection shall be filed in writing to the Secretary General and shall include the claims of the taxpayer, within a period of 45 days from the date of serving of the assessment order or the decision. The tax payer may submit an application requesting for postponement of payment of objected tax. The Secretariat General may review the objected assessment and issue a decision confirming, cancelling or reducing the assessment. A Tax payer may file an appeal/ contestation to the Tax Committee, if aggrieved with the decision on objection.

The Income Tax Law permits the tax payer to file tax suit before the Primary Court against the decision issued by the Tax Committee within 45 days from the date of serving the notification of the committee's decision. Either the Secretary General for Taxation or the taxpayer may contest against a judgment issued by the Primary Court through appeal before the Court of Appeal and then before the Supreme Court. The provisions of the Civil and Commercial Procedures Law shall apply for matters not covered in the Income Tax Law, when hearing and making final judgement over the tax suit.

#### Payment and collection of the tax payable

The Income Tax Law requires the tax payers to pay the tax due and payable, either as per the Provisional or Final Return or as per the tax assessment on the date specified by the Law, thereto. Non-payment of tax shall result in:

- Imposing an additional tax at 1% per month of the unpaid amount of tax due and payable. This tax is calculated for the period extending from the date on which the tax is due to the date of the payment.
- Collecting the tax by adopting the procedures specified for the administrative enforcement under System for Collection of Taxes, Fees and other amounts payable to the Units of the Administrative Apparatus of the State.

## Administrative penalties and criminal prosecution

As per the Royal Decree 9/2017 issued in 2017, non-compliance with tax law requirements would attract stiffer penalties and criminal prosecution.

Failure to file Provisional Return and Final Return of Income - a fine of RO 100 to RO 2,000 may be imposed.

Failure to declare correct taxable income – fine of minimum 1% and maximum not exceeding 25% of the difference between the assessed tax and tax as per final return may be imposed.

Failure to submit any statements, information, financial statements, documents required to be submitted, non-submission of queries related to assessment - Minimum fine of RO 200 and maximum fine not exceeding RO 5,000 may be imposed.

Intentional non-submission of return, documents, information, accounts, records, statements, not preserving the books of accounts for a period of 10 years, failure by the owner of the establishment/PE to designate a principal officer - shall be punishable by an imprisonment for one month to six months for non-submission of returns and six months to 3 years for intentional non submission of documents etc., and a fine of an amount between RO 500 to RO 30,000 and fine amount of RO 5,000 to RO 50,000, respectively.

## Other indirect taxes and duties

There are certain other taxes imposed or not applicable in Oman as tabulated below:

Type of tax	Applicable	Rate
Municipality tax	Yes	5%
Tourism tax	Yes	4%
Electricity bills exceeding RO 50 per month	Yes	2%
Lease agreements	Yes	5%
Custom duty	Yes	5%-100%
Capital duty	No	-
Property (real-estate) tax	No	-
Stamp duty	No	-
Transfer tax	No	-
VAT	Expected from 2018	Proposed at 5%

## Value Added Tax (VAT)

GCC countries have been discussing VAT for more than a decade, and with the signing of the VAT Framework Agreement, the GCC countries have to implement VAT in the course of 2018.

The VAT law of Oman is yet to be published. In general, there are 3 categories of actions to be taken when readying for VAT.

### Tax Determination

- Analyse all sales and purchase transactions to determine whether and how VAT will apply.

### Accounting & Records

- Calculate VAT correctly
- Capture all VAT collected and VAT paid
- Make the data easily accessible for the preparation of the VAT return

### VAT Management

- Develop a strategy for VAT
- Identify all business functions and stakeholders that are involved in VAT
- Determine objectives for the VAT function
- Allocate responsibilities for VAT to individuals within these functions
- Identify risk areas for VAT and plan how these will be managed
- Develop communication, review and escalation processes
- Create awareness of VAT and touch points across the organization
- Develop controls to ensure accurate and timely VAT return submissions and on-time payments
- Controls to identify relevant changes in the business (new products, change of the supply chain)
- Process to capture non-routine transactions
- Process for tracking in-country legislative developments
- Training of staff
- Use of technology
- Use of external advisers



## Crowe Horwath International Offices Worldwide

As a member of Crowe Horwath International we offer unequaled access to International expertise professional experience and business knowledge through close acquaintance with authroities in auditing, taxation and business management across the globe.

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**Dr. Khalid Maniar** FCCA  
Founding Partner

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Partner Audit & Assurance

**Amarjeet Majumdar** BTech, MBA, CISA, CIA  
Managing Partner Business Advisory Services

**P.R. Pillai** MCom, CAIIB, ACS  
Director Banking Advisory Services

**Jim Joseph Itty** FCA  
Director Corporate Finance

**Arqam Ayubi** ACA, ACMA, CISA  
Director Risk Advisory Services

**Issam Mahamoud** CA  
Director Regulatory Compliance Services

**Ramya K** FCA  
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**Josefina Tayco Sunga** CPA  
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