

Wishing all our Clients,  
Well Wishers and Friends  
Merry Christmas  
&  
Happy New Year 2021



# Newsletter

## Vol 3, 2020



## Message from the Managing Partner



Davis Kallukaran  
Founding and Managing Partner  
Crowe Oman  
davis.kallukaran@crowe.om

### Dear Friends

We are fully in the grip of the 2020 global pandemic. This experience is unlike anything we have encountered before and it is impacting all of us in our communities, neighbourhoods, in our countries and around the globe. The role of leadership is critical in times like these. Before COVID-19, CEOs and other executives in

high-growth companies were focused on fostering innovation, driving revenue, and gaining market share. Today, many of the same leaders must make rapid decisions about controlling costs and maintaining liquidity. They may encounter unforeseen roadblocks, supply chain issues, team shortages, and operational challenges that drastically alter the scope of their roles and priorities.

The pandemic has highlighted skills gaps within many such organisation. These skills gaps are significant enough to hamper their organisation's future growth and success. If we are to meet the future challenges that are needed for a post covid situation, we have to equip our employees with the required skillset. The finance function is also not different. Businesses should ensure that their finance team have necessary training, to handle the pandemic crisis which has forced many businesses to change how they operate. The accounting policies may have to be rewritten. Presentations and disclosures in the annual financial statements may have

to be redrafted. The financial position, post covid should comply with the requirements of International Financial Reporting Standards. (IFRS).

We wish all our clients' well-wishers and friends a Merry Xmas and a happy new year.

### Inside This Issue

- Message from the Managing Partner
- Excellence Award to Crowe Oman
- Winners and Losers from the Pandemic
- Impact of VAT
  - Education Sector
  - Shipping and Logistics Industry
- Our New Resources
- About Us



# Excellence award to Crowe Oman



CROWE OMAN was presented the Alam Al-Iktisaad Award for '25 YEARS OF EXCELLENCE IN AUDIT, CONSULTING AND TAX ADVISORY', by His Excellency Qais Al Yousuf Minister for Commerce, Industry & Investment Promotion. The award was presented to Mr Davis Kallukaran, Managing and Founding Partner of Crowe Oman at the Alam Al-Iktisaad Awards 2020 event held at the Oman Sheraton Hotel on 24 November in the presence of His Excellency Mohammed Al Kindi, the Deputy Governor of Muscat and Hon. Lujaina Mohsin Darwish, Member, State Council. The event hosted by His Excellency Shaikh Salim bin Mustahail Al Mashani was attended by the select top business leaders, CEOs and senior government officials from across of industries, ministries and government bodies, under strict social distancing and safety norms. Mr. Abdul-Amir Al Ajmi, External Affairs & Value Creation Director, Petroleum Development Oman (PDO) delivered the Keynote address.

The citation of the award stated, "In recognition of your impressive track record over the decades, we are pleased to nominate Crowe Oman for the coveted Award for '25 YEARS OF EXCELLENCE IN AUDIT, CONSULTING AND TAX ADVISORY'. During the last 25 years, Crowe Oman has grown into a market leading multidisciplinary practice providing exemplary services in audit & assurance, risk advisory, tax, forensic technology, corporate finance and IFRS. The impressive list of clients comprising CMA regulated clients and major business groups is a testimony to the trust enjoyed by the firm in the market.

Incorporated 25 years ago in Oman, as a member firm of Crowe Global, the 8th largest accounting network headquartered in the United States, the firm derives its strength from over 800 offices of Crowe Global situated in 130+ countries. The firm commenced its operations in Oman from scratch with three equity partners Mr Davis Kallukaran, Mrs Muna Al Ghazali, and Dr Khalid Maniar and today stands tall with 6 partners and 60+ professional staff,

offering diversified services from its two offices in Muscat and Salalah.

Reflecting on the award, Davis said that the presentation of the award to Crowe reflects the recognition for our service quality, professionalism and integrity of our people and the award is an added responsibility to maintain and excel in our service offerings. Mr Tom Mathew, Senior Partner Audit and Assurance and celebrating 25 years with Crowe remarked that the award is the culmination of the team work of all our partners and colleagues and the extended support of our founding Partners Mr Davis Kallukaran, Mrs Muna Ghazali and Dr Khalid Maniar.

To recognize the top achievers in Oman's corporate world, Alam al-Iktisaad, Oman's leading Arabic business magazine, had instituted the annual Awards in 2011. Since then, for the past 10 years, these highly acclaimed and prestigious awards have been recognizing the best of the best within Oman's corporate world. This year marks the 10th edition of the Awards. Alam Al-Iktisaad is published by United Media Services.

# Winners and Losers from the COVID 19 Pandemic

Karl Jackson  
Associate Partner - Audit & Assurance  
karl.jackson@crowe.com



As the MSM listed SAOG companies have all now reported their 3Q20 results, we are able to take an early look at the financial impact the COVID 19 Pandemic is having on the Oman economy. Overall, the picture is much as expected, as we see almost all the sectors down when compared to the prior nine month period.

However, four sectors that are worthy of special mention are Banking, Construction, Telecoms (included within Diversified Services) and Insurance. In all economies, the Banking sector has exposure to all other sectors, so is the best universal barometer, as they book provisions in advance of expected credit losses (IFRS 9 ECL). This sector alone is down 30%.

Another sector that is central to the Oman economy is Construction, which has not only shown a reduction, it has gone from a profitable RO 9m to a RO 25m loss position. The large construction firms, as we all know, are just the tip of the iceberg,

as their activities are felt throughout the economic chain and particularly deep into the private family groups as well as the SME sectors.

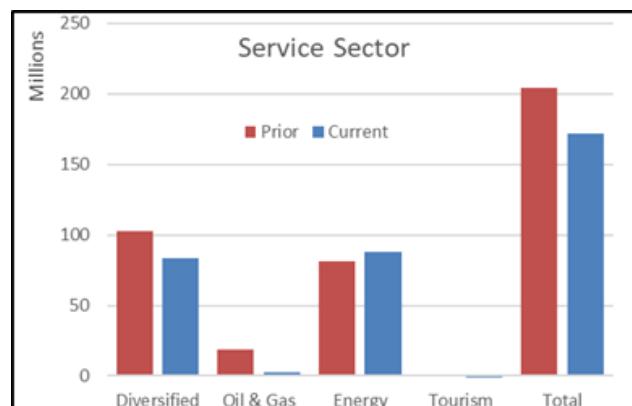
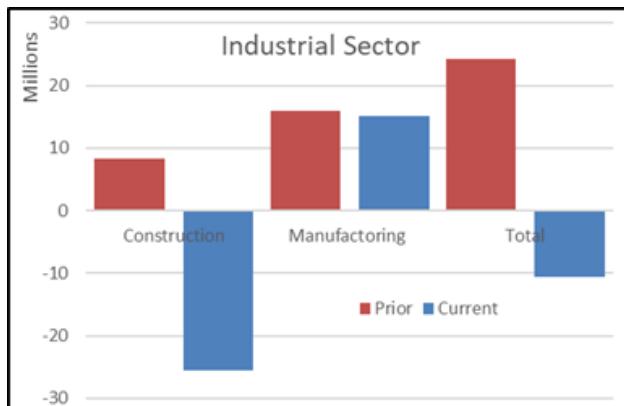
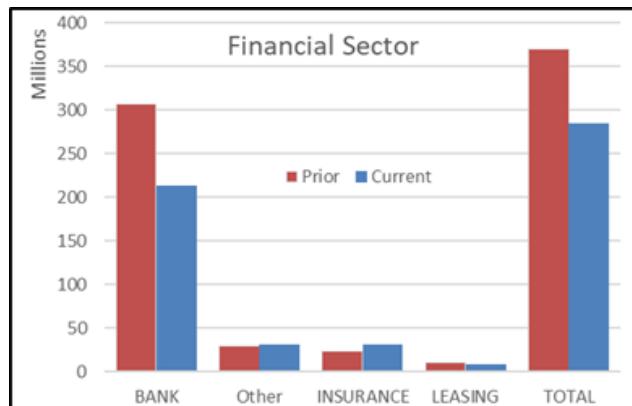
Telecoms (Omantel and Ooredoo) have surprisingly suffered with a drop in profitability of 23%. With the increase in working from home and general social usage of the internet, it would be intuitive to expect this sector to have benefitting from the pandemic. However, unfortunately their revenue base is largely fixed as it charges per month but their cost base is variable, as they must pay based on usage, which has skyrocketed.

The final sector worthy of special mention is Insurance, which has surprisingly bucked the trend and reported a 37% increase in profitability. If we look at all three quarters, we see a consistent 1st quarter before the pandemic effect took hold and annual premiums were collected. Then in the 2nd quarter, the performance improved

considerably as the lockdowns reduced activity and so there were significantly lower claims. However, the 3rd quarter showed a slow down as new business has dried up, with low economic activity and an exodus of expats impacting adversely on the renewal of motor insurance policies.

We have not mentioned the Tourism sector including Airlines and Hotels, which have seen their revenues evaporate completely, only because few of these are listed on the MSM in Oman.

With a COVID 19 vaccine hopefully just around the corner, 2021 promises to be a year of growth as the economy and companies within it make up for the lost year of 2020 where survival was the word on everyone's lips in Oman, where GDP is predicted to record a contraction of -10%. The Government and the wider business community will need to rise to the challenge ahead.



**“Success is not final; failure is not fatal: it is the courage to continue that counts.**

– Winston Churchill

# Impact of VAT

## Education Sector &

GCC VAT framework agreement has given GCC states the option to subject education sector to rate VAT at the zero rate or treat it as exempt. UAE opted to zero rate whereas Oman has exempted the provision of education, and associated goods and services.

If an organisation is supplying exempted goods or services it need not register for VAT. Aastha Rangan, Director VAT advisory, Crowe Oman, says if the educational institutions are relaxed and not bothered as they are granted exemption, then they need to wake-up and realise that VAT may apply, if the education service providers is supplying taxable services along-with exempt services.

In addition to education services, for which the education provider usually charges a school or tuition fee, the education provider may also provide other ancillary services like catering, sale of goods such as uniform, stationary, merchandising, books, computers, musical equipment and bags; transportation of students; provision of vocational courses, sports classes during the summer break or evening; and organising events, excursions and field trips, conferences, musicals, plays, shows. It is important to determine whether and to what extent such activities will fall to be treated as related and incidental to "education" services and

subject to exemption, or whether they will be considered as supplies of a different service and attract VAT.

As per Davis Kallukaran, Managing Partner, Crowe Oman, education provider should realise the need to study their business transactions and identify if supplies fall under exempt category or not. The institutions need to assess the implication on case to case basis. Let us try to understand the same under various scenarios; for example

- (1) An Institution sells curriculum books to enrolled student for the course. This will be exempt as it directly related to providing education.
- (2) Now, if the institution sells the curriculum books to an outsider, then this may attract VAT at standard rate.
- (3) Let's say if the institution sells story books which are not related to curriculum then this also will attract VAT at standard rate.

Another situation where determining VAT treatment will be challenging is when educational institutions receive grants or sponsorship. The tricky point here will be the benefit or service which the education institution provides to the donor or the sponsor. Where a benefit is provided, the supply might be taxable. Benefit can be naming an event after a sponsor,

giving free of charge tickets in return for the sponsorship, displaying the sponsors logo, etc. However, where there is no significant benefit received, the income will be treated as outside the scope of VAT. The Executive Regulation is likely to give more clarification on VAT treatment for the education sector.

Another key issue which should worry the education sector is the 'input VAT credit'. Falling under exempt category put the education sector under a disadvantage as they will not be able to recover any VAT incurred on their purchases and expenses directly attributable to that exempt supply. There is another challenge for education sector, when they make mix of taxable and exempt supplies. They will need to apportion the VAT in relation to certain shared overheads like marketing, utilities and rent, because the VAT attributable to exempt supplies will not be recoverable. These factors will increase the cost for education providers who may, in turn, wish to raise the school fees to compensate for the higher cost and maintain profit levels.

Crowe advises the educational institution in Oman to start evaluating the VAT implication on their organisational set-up as nuances in the VAT law and the upcoming Executive Regulation can lead to varying VAT outcomes, as described above.



“  
Every problem is a gift  
- without problems we  
would not grow.

– Anthony Robbins

# Shipping and Logistic Industry

Aastha Rangan  
Director - VAT Advisory Services  
aastha.rangan@crowe.com



The shipping and logistics industry in Oman plays a pivotal role in the development of the economy. According to Davis Kallukaran, Managing Partner, Crowe Oman, it's worthwhile to understand shipping and logistics industry and analyse the VAT implication on the same. He says the ports of Salalah and Duqm are the gateway to economic diversification and facilitate international transportation, and introduction of VAT is going to impact them. Various dynamics prevalent in the industry, mainly,

- (1) the mode of transport and
- (2) the place of supply of the goods needs to be evaluated to ascertain the application of VAT. He added

Mode of transport consist of transportation means by sea, air and road. The place of supply will be either within the Sultanate or international or intra-GCC. The interpretation of the Law gives three treatments for the transportation businesses namely;

- (1) zero-ratings to the international and intra-GCC transport of goods.
- (2) local transportation of goods will attract 5% VAT. However, local coastal runs for international transportation will be zero-rated.
- (3) vessels used for commercial purposes to transport goods are zero-rated. Any use of vessel for recreation, sports or leisure will be standard rated.

The rule in the law appear to be very simple but the logistic industry is too complex and will see practical VAT implementation challenges. There are many players participating in transporting goods from point of origin till the point of consumption like shipper, consignor, freight forwarder, agent, vessel operator, container operator, transport operator and ports. Each of these participant in the supply chain need to evaluate the impact of VAT on the value added by their services rendered during the movement of goods.

There can be situation where the transactions need to be analysed on case to case basis to ascertain VAT implication. For instance, washing & cleaning and repairs & maintenance services for containers may qualify as services relating to the goods and not transport-related. Such activities are not required to undertake transportation and hence will attract VAT. However, the place of supply rule will also need a check. If the place of supply of these services are in Oman, then VAT will apply. Another scenario can arise, whereby container repair is undertaken by the port as the vessel cannot move until the container is repaired. In such case, the repair is undertaken in order to initiate the voyage (necessary for undertaking transportation) and hence will be zero-rated.

In international transportation, it is very common to witness multi-leg transaction wherein many players are involved in transporting goods. Hence, it is essential

to assess each leg as an independent transaction and ascertain if all legs are zero-rated. For instance, a freight forwarder in Oman has to transport goods from the supplier in Oman to the port for international transportation. However, the freight forwarder shifts goods from one warehouse to another warehouse in Oman and also pays storage charges and packaging charges, then these charges may be taxable unless it is established that these are essential for international transportation. The point to be examined is the 'necessity of the service' for the transportation of goods. For example, terminal handling charges, documentation charges and customs charges can be regarded as essential for undertaking transportation and are therefore zero-rated.

As per the Oman VAT law, the place of supply of the transportation service is the place where transportation begins. In the case of cross-border trade, where transportation originates and completes outside Oman for a customer in Oman, the place of supply would be regarded as outside Oman and hence regarded as out of scope for VAT.

According to Aastha Rangan, Director VAT advisory, Crowe Oman, companies in shipping and logistics industry should VAT impact assessment under the belief of transportation being zero-rated. She advises businesses to start reviewing their business transaction immediately from VAT viewpoint.

“ Technology now allows people to connect anytime, anywhere, to anyone in the world, from almost any device. This is dramatically changing the way people work, facilitating 24/7 collaboration with colleagues who are dispersed across time zones, countries, and continents. - Michael Dell ”

# ضريبة القيمة المضافة

Taysir Al Rawahi  
Director - Tax Services  
taysir.alrawahi@crowe.com



وشركات المحاسبة والمراجعة من فهم اللوائح ومعرفة ما يخصها لتنفيذ الضريبة إضافةً لوضع الحلول للكثير من التحديات التي تسبق عادةً البدء بآي تنظيم جديد.

أن الشفافية والوضوح بتفاصيل اللوائح المنظمة لضريبة القيمة المضافة التي ستتصدر لاحقاً ستساهم بدور أساسي لتطبيقها من خلال وعي ومعرفة المستهلك بالسلع والخدمات والأشخاص الخاضعين بهذه الضريبة إلى جانب ما يقوم به جهاز الضرائب من أعمال منوط بها كونه مسؤول عن تنفيذ ضريبة القيمة المضافة بالسلطنة.

يجب على الحكومة تبني برامج توعوية من خلال الإعلام وبرامج السوشيل ميديا الأخرى للتاكيد على جدوى هذه الضريبة في عملية الإصلاح الاقتصادي. فالأوضاع الاقتصادية الراهنة تتطلب تحولات مهمة في السياسات المالية. ولا شك في أن تطبيق ضريبة القيمة المضافة لن يشمل السلع الغذائية الأساسية وقطاعات الرعاية الصحية والتعليم وهناك حوالي ٩٤ سلعة معفية، وهناك خدمات أساسية مثل الكهرباء والمياه والسكن قد تستثنى من التطبيق لفئات سكانية محددة. لذلك فإن المصاعب التي ستواجه التطبيق من مشكلات فنية وإدارية ومواجهات اجتماعية وسياسية، يمكن التغلب عليها بحكمة التطبيق وبلاعنة التوعية الضريبية بمتطلبات القانون.

الموحدة لضريبة القيمة المضافة لدول مجلس التعاون لدول الخليج العربية في عام ٢٠١٦، ها هي التشريعات في السلطنة تعلن عن صدور المرسوم السلطاني رقم (٢٠٢٠/١٢١) المنظم لقانون ضريبة القيمة المضافة في ٢٠٢٠م، وبينما نقترب من دخول تطبيق ضريبة القيمة المضافة في السلطنة في العام المقبل حيز التنفيذ، لذا يجب على الأشخاص الخاضعين للستعداد المسبق لأكبر تغيرات ضريبة مفروضة في السلطنة بشكل خاص ومنطقة الخليج العربي بشكل عام لتطبيق ضريبة القيمة المضافة بنسبة ٥٪ والتي تعد نسبة منخفضة مقارنة مع معظم الدول الأخرى وتعتير الأدنى بين المعدلات في العالم، يجب أن لا يؤثر على نظرة الخاضعين إلى العبء الضريبي والبيئة الضريبية. فإن ضريبة القيمة المضافة تعتبر محادة، إذ يعمل الأشخاص الخاضعين للضريبة على تحصيل ضريبة القيمة المضافة المستحقة على مخرجاتهم أو مبيعاتهم عن الحكومة، ويسترجعون ضريبة القيمة المضافة المكتسبة على مدخلاتهم أو مشترياتهم. إدخال ضريبة القيمة المضافة يعني إدخال ثقافة جديدة على المجتمع والمستهلك النهائي.

حيث يتطلب التجهيز لتنفيذ برنامج توعوية وتقنية وأنظمة ولوائح تشريعية وتنفيذية واستقطاب كوادر بشرية متخصصة وتدريبها بخلاف التأكد من معرفة المنشآت الخاصة

بعد تأكيد كل التقارير الأقليمية والدولية الصادرة خلال الأعوام الماضية منذ ٢٠١٥ أن الاقتصاد العالمي سيواجه انكمشاً حاداً، وهذا الانكماش قد ينفصم في دول مجلس التعاون الخليجي وانخفاضها بنسبة تزيد عن ٥٪ في المائة، وهذا هي تزيد المشكلات في هذا العام وتفضي جائحة كورونا (كوفيد ١٩) التي طالت العام أجمع. ارتفعت وتيرة توصيات الخبراء والاستشاريين بضرورة دراسة البديل المتاحة لتنويع مصادر الدخل ولزيادة الإيرادات المالية المستدامة.

أن فرض ضرائب جديدة وعلى وجه التحديد ضريبة القيمة المضافة في السلطنة سيختلف من اعتماد الحكومة على عائدات النفط والغاز، وسيوفر لها مصدراً من مصادر الإيرادات المستدامة. وهي تعد من الإصلاحات الاقتصادية التي تصب في إصلاح المالية العامة للسلطنة لتنويع إيرادات الموازنة العامة للدولة وتحفيض أثر تغيرات سعر النفط كونه الإبراد الأساسي للسلطنة، بما يسهم في تحقيق توجهات الحكومة نحو تنويع مصادر الدخل في ظل التحديات الراهنة المتمثلة في الإنخفاض الحاد في الإيرادات النفطية. وهذه الضريبة يتم تطبيقها في أكثر من ١٦ دولة وتعد من أحدث أنواع الضرائب خليجياً.

بعد ان صادقت سلطنة عمان على الاتفاقية

## AWARDS



الحصول على جائزة  
الاعمال التجارية  
ALAM AL-IKTISADI AWARDS  
2020 | 25 Years of Excellence in Audit & Tax Services



WINNER OF  
25 YEARS OF EXCELLENCE IN  
AUDIT, CONSULTING AND TAX ADVISORY  
AWARD



# Our New Resources

## Taysir Nasib Al Rawahi

Director Tax Services



### Experience

Taysir has more than 20 years of working experience in the field of audit, tax, finance and accounting. Before joining Crowe, he was heading as In-charge Director of Department of Tax Compliance for Tax Authorities of Oman. He has also worked there as tax inspector and survey & return specialist.

He was involved in drafting and recommending on the Income Tax, Excise and VAT Law for the Tax Authorities.

He was deeply involved with the business and system development for the Tax Authorities, mainly with respect to the new Excise and VAT systems in Oman.

## Sharifa Al Kindi

Auditor – Assurance



### Experience

Graduate from Sultan Qaboos University. Sharifa was previously working with BIG4 in Risk Assurance line of service with expertise in supply chain & procurement, internal audit, HR and anti-Bribery and Corruption. She is currently pursuing CIA (level 2).

Engaged in Anti Bribery and Corruption Controls review. The scope included identifying controls in place to mitigate the risk of bribery and corruption, Identifying gaps and loopholes within the audited companies as well as providing recommendations and action plans for the management, and identifying the possibility of bribery and corruption occurrence in the audited companies.

## Muhammad Waqas Saleem

Senior Auditor



### Experience

Waqas has around 12 years of experience in the field of audit and accounting with BIG4. In addition to managing the audits of many commercial entities, he has been involved in banking sector audits.

## Parth Das

Business Development Coordinator



### Experience

A Business Development Coordinator at Crowe with more than 2 years of experience in accounting field. This gave him an extensive knowledge of Oman's tax framework and accounting practices. Successful track record of fully evaluating information, structures and procedures and initiating corrective actions.

Earlier he worked in marketing which gained him exemplary planning and implementing capabilities. Highly experienced in market intelligence analytics with an in-depth understanding of client requirements gathering and market categorization.

## Kashif Zafar

Assistant Manager Cyber Security



### Experience

With more than 25+ years of experience Kashif is responsible for the development of the ITAS Crowe in the areas of IS Assurance, Governance & Performance, IS Security, Privacy & Continuity, Business System Controls and Cyber Security.

Kashif had worked with big 4 accounting firm. He was involved in projects related to IT Internal Audit co-sourcing including performance of IT Risk Assessment to develop risk based IT Internal Audit plans, IT General Controls and IT Management Process Reviews, Implementation of Business Continuity Management Systems, IT control design and risk identification / mitigation reviews, IT Infrastructure reviews for various organizations, Designing an Enterprise Security Framework.

**“** To successfully work with other people, you have to trust each other. A big part of this is trusting people to get their work done wherever they are, without supervision.

- Sir Richard Branson **”**

# About us

Crowe Global is ranked among the top 8 global accounting networks with more than 700 offices with over 41,000 professionals and people in over 130 countries around the world. Crowe Global's member firms are committed to impeccable quality service, highly integrated service delivery processes and a common set of core values that guide decisions daily. Each firm is well established as a leader in its national business community and is staffed by nationals, thereby providing a knowledge of local laws and customs which is important to clients undertaking new ventures or expanding into other countries. Crowe member firms are known for their personal service to privately and publicly held businesses in all sectors and have built an international reputation in the areas of audit, tax and advisory services.

# Our Services

- Audit & Assurance
- Tax Advisory
- Internal Audit
- Forensic Accounting
- Due Diligence
- Business Valuation
- Accounting Services
- Company Incorporation
- ISO Consulting
- Strategy Consulting
- Policies & Procedures
- Market Research
- Feasibility Studies
- HR Consulting
- Corporate Training
- Corporate Advisory



## Crowe Mak Ghazali LLC

Auditors & Business Advisors

### Main Office :

Level 5, "The Office"  
Opp. Muscat Grand Mall, Al Khuwair  
P.O. Box 971, P.C. 131, Muscat  
Sultanate of Oman  
Tel: 24036300, Fax: 24587588  
contactus@crowe.om

### Branch Office:

104, Al Baz, (Bank Sohar Building)  
23 July Street, P.O. Box 2987  
Postal Code 211, Salalah,  
Sultanate of Oman  
Tel: 23291341, Fax: 23292150  
www.crowe.om

## Office Directory

**Davis Kallukaran** FCA, CFE  
Founding and Managing Partner

**Muna Al Ghazali**  
Founding Partner

**Dr. Khalid Maniar** FCCA  
Founding Partner

**Tom C Mathew** FCA  
Partner Audit & Assurance Services

**Jose Chacko** FCA, CIA, CFE, ACDA, CFAP, CFIP,  
ISO 37001 LA & LI  
Partner - Forensic Technology Services

**Jim Joseph Itty** FCA  
Associate Partner - Corporate Finance & Assurance

**Karl Jackson** FCA  
Associate Partner - Audit & Assurance

**Gibu Chacko** FCA  
Associate Partner, Salalah Office

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

**Aastha Rangan**, FCA  
Director VAT Advisory Services

**Antony Kallukaran**, ACCA  
Director Business Advisory Services

**Ramya K** FCA  
Director Tax Advisory Services

**Yasser El Gbaily** CA  
Director Audit & Assurance Services

**Adel Maniar** BBA (US), ACCA (UK)  
Director Compliance

**James Ravi** FCA, CPA  
Director - Audit & Assurance

**Jojie T. Sunga** CPA  
Director - Finance & Admin

**Taysir Nasib AL Rawahi**  
Director Tax Services