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Doing Business in Oman

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“Our government will follow up progress in various sectors, including small and medium enterprises, and entrepreneurship, particularly those based on innovation, artificial intelligence, and advanced technology. This is in addition to training and enabling youth to benefit from the opportunities made available in this vital sector, so that it could form a cornerstone in the national economy.”

HIS MAJESTY
SULTAN HAITHAM BIN TARIK

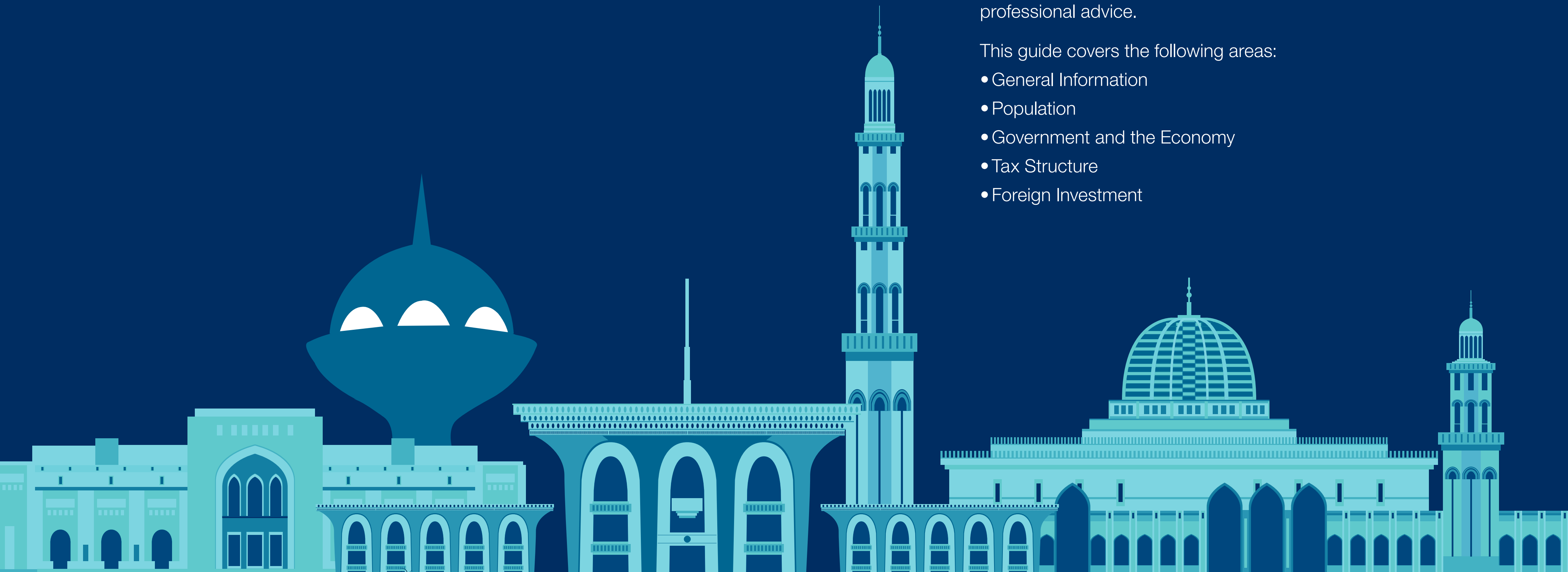
Welcome

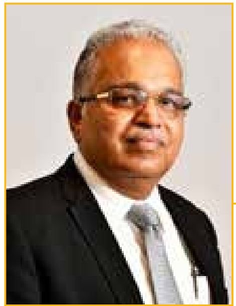
to 'Doing Business in Oman'

Welcome to Crowe Oman's "Doing Business in Oman" 2022 guide. This guide forms part of the "Doing Business in Oman" series and provides a quick reference for those interested to invest in Oman. While it is not exhaustive, this guide aims to answer some of the key questions that may arise. When specific issues arise in practice, it will often be necessary to consider the relevant rules and regulations, and to obtain appropriate professional advice.

This guide covers the following areas:

- General Information
- Population
- Government and the Economy
- Tax Structure
- Foreign Investment





Foreword from the
Founding and Managing Partner

Dear Friends,

The last two years have witnessed a great transformation in the history of the Sultanate. The way to the transformation had been drafted in golden letters by laying down a long-term sustainable strategy, Vision 2040 by His Majesty Sultan Haitham Bin Tarik Al Said. His Majesty have identified the true potential and hidden resources of the Sultanate to attract foreign investors and accelerate the economic diversification process through fast track. Towards this, all the free zones and special economic Zones were brought under one single body, The Oman Public Authority for Free Zone. To develop and foster the investment culture and further attract foreign investors, Muscat Stock Exchange Company has been formed. Manufacturing, Tourism, Transport & Logistics, Mining, and Agriculture & Fisheries have been identified as the five core industries to spearhead the acceleration of the economy. In response to these prudent measures announced and action taken, the World Bank, International Monetary fund, IIF and other rating agencies have already given a bright outlook to the Oman Economy.

The Government has announced the Medium-Term Fiscal Plan 2020-24 with the aim to achieve the above objectives on a fast track. The Fiscal balance plan includes initiatives across five pillars.

- Pillar I- Supporting economic growth through E transformation initiatives and stimulating Real Estate Market
- Pillar II- Revitalizing and diversifying government investment returns by stronger tax administration, implementation of value added tax and taxation of high earning Individuals
- Pillar III- Rationalizing and improving efficiency in government spending
- Pillar IV- Establishing and strengthening the social protection Plan
- Pillar V- Raising the efficiency of public financial management.

The financial framework of the tenth development plan 2021-2025 further emphasizes on

Strengthening the social protection system to protect low-income earners by maintaining the level of spending on basic services such as education, health, housing and social security and welfare.

Providing financial and investment incentives to the governorates of the Sultanate, to enable each governorate to exploit their respective constituents so as to achieve sustainable development, activate trade and generate employment opportunities for citizens.

Motivating economic diversification and development of economic sectors by creating means of additional financing for certain productive projects and raising the level of partnership between the public and private sectors

Ensuring the transfer of the proceeds of the sale of twenty thousand barrels per day of oil during the Plan years to use it to pay part of the loan installments.

Improving the credit rating of the Sultanate to enhance investor confidence through control on deficit rates and public debt.

It is logical to conclude that such a rapid visualization and conceptualization of achieving the noble objectives, requires deployment of tremendous amount of financial and human resources, self-Governance and regulatory measures enabled by total digital transformation. This has been addressed in the financial framework of the development plan. The plan also emphasizes on Strengthening of sustainable human development and safeguarding human capital to enhance the competitiveness of Omani youth in the local and global markets. Vision 2040 lays down in clear terms the direction and growth of the economy which is the vital indicator for the foreign investors planning to enter this market.

It's our constant endeavour to support businesses and investors to make the right investment decisions. This book provides a complete overview of the incorporation process of business entities across the various Governorates of Oman and in the free zones.

The Sultanate of Oman is politically the most stable country in the Arabian Peninsula. Omani culture had always welcomed co-operation from other countries. As a resident in Oman for more than three decades, I felt that this is one of the best business friendly countries in the Middle East. The state-of-the-art infrastructure and the steady Industrial and economic growth have attracted many foreign businesses to this Oil rich country. The diversified geography makes Oman a prominent tourist location too.

A member firm of Crowe Global, the top ten global accounting network, Crowe Oman serves a wide spectrum of clients in the Sultanate. The firm was established in Oman in 1995 and is the one stop shop for the business Community in Oman. We support various public and private sector organizations, to continuously face the risks and challenges to remain market leaders. As part of our commitment to society, we are involved in training and educating young Omani talents. We are one among the few firms accredited by the Capital Market Authority of Oman (CMA) to undertake Audit and Assurance services of CMA Regulated entities.

This book will give you a quick overview of the economic and business environment of Oman, which will help you in decision making process regarding investing in Oman. Let us join together to build a promising future for the Sultanate of Oman and its people.

With Best wishes,

Davis Kallukaran
Managing Partner
Muscat, Sultanate of Oman
1st March 2022

Message from

INMECC Chairman

INMECC
INDO GULF MIDDLE EAST CHAMBER OF COMMERCE

Doing Business in Oman

The world is changing, the opportunities too.

This book makes a sparkling change, offers the most relevant information to investors and business aspirants, right from the investment decision to statutory obligations and setup details. Explains the business-friendly approach of the state, vast opportunities, infrastructural and encouraging government supports.

I sincerely appreciate the very useful and timely work done by Crowe Oman and congratulating them in thoughts of promoting business through right knowledge and advice.

It’s also admirable that Crowe Oman is initiating the training and educating young Omani talents and becoming a part of building the nation with a promising future to the country.

From fishing and farming, Sultanate of Oman has grown to a dominating industrial force. Oman was the first Arab country to send a diplomatic envoy to USA in nineteenth century. From that long term vision, Oman now is the most fascinating country with a clear vision for the future.

Hope Crowe Oman will have more role to play to build a powerful nation. My salute to Davis Kallukaran and the team for this noble effort.

Dr. N M Sharafudeen
Chairman – INMECC - Indo Gulf and Middle East Chamber of Commerce

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Message from

OCCI Chairman

CHAIRMAN'S OFFICE | www.chamberoman.om | Oman Chamber of Commerce & Industry

Every economy need regulation. Businesses, as part of the economy are no exception. Without rules to regulate their establishment, functioning and dissolutions, modern businesses cannot exist. Well designed regulations can ensure outcomes that are socially justifiable and is likely to take care of every citizen.

The book Doing Business focusses on regulatory processes in Oman, its laws, rules and regulations affecting the business and banking environment. The book provides insight and guidance on what a foreign investor would consider for business development and the key factors that will drive emerging opportunities for growth. The book sheds light on various topics that would attract more investors to this beautiful country like market entry considerations, investment models, key taxes and incentives provided for investors

This is a comprehensive guide, ideal not only for businesses looking to enter the market but also for companies already existing in Oman to keep them up to date with the most recent and relevant policy changes.

I congratulate Crowe Oman for bringing out this publication Doing Business in Oman which will be a quick guide to business investors and budding entrepreneurs.

Eng. Redha Juma Al Saleh,
Chairman, Oman chamber of Commerce and Industry.
Sultanate of Oman

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Message from the Founding Partner

The Oman economy with its own resilient characteristics is impacted by the global health crisis developments in many unprecedented ways. The lockdown taught us how to survive not only for ourselves, but also for the society as a whole. It is only a matter of time when things will be different. It is irrelevant whether the pandemic period is taken as long or short, important is the learnings emerging out of the situation. The good news is that situation is improving to reach normalcy. We hope the year 2022 will usher a new beginning where we take the learnings from the past year to make the change.

Vision 2040 by his Majesty Sultan Haithem Bin Tarik lays down the way forward for Oman. We at Crowe indent to partner with the Government of Oman in augmenting the development process by bringing out the book on doing business in Oman to guide the investors to understand the rules and regulations in Oman and take advantage of the state of the art infrastructure of the country to set up their businesses. The book also elaborates on the various incentive schemes laid down by the Government to attract foreign investors.

We hope that the coming years will be characterised by good Governance, economic stability and growth rates higher than global average rates to propel the nation to the next level.

Muna Bint Abdullah Al Ghazali
Founding Partner
Crowe Oman

Message from the Founding Partner

Oman has a long history as a trading hub with its strategic geographic location. With the launch of Oman 2040, the nation will further aim to strengthen its economic and social development. Diversification of the economy will be the underlining objective to transition Oman from an oil-based nation into a diverse knowledge-based economy.

To achieve the objectives of Oman 2040, the country has embarked on the journey to streamline government services, develop economic zones for foreign investments, implementation of major projects and development of national expertise.

We have seen the new Commercial Companies Law and Foreign Capital Investment Law, that makes significant amendments at improving business environment and diversifying the economy.

With positive changes taking place in Oman, we heartily recommend that you seek the counsel of the appropriate professionals to make smart decisions that create lasting value for your business.

Dr Khalid Maniar
Founding Partner
Crowe Oman

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INTRODUCTION

History

Sumerian tablets refer to a country called "Magan" and in the Akkadian language "Makan", a name which links Oman's ancient copper resources. Mazoon, a Persian name used for the region, which was part of the Sasanian Empire. Over centuries tribes from Western Arabia settled in Oman, making a living by fishing, farming, herding or stock breeding, and many present day Omani families trace their ancestral roots to other parts of Arabia.

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.

Oman was exposed to Islam in 630, during the lifetime of the prophet Muhammad; consolidation took place in the Ridda Wars in 632.

In 751 Ibadi Muslims, a moderate branch of the Kharijites, established an imamate in Oman. Oman is currently the only country with a majority Ibadi population. Ibadhism has a reputation for its "moderate conservatism".

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

1960'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 went through rapid and far reaching economic and social development while maintaining its rich cultural heritage and natural environment.

Since his accession, Sultan Qaboos Bin Said had maintained good balance between tribal, regional, and ethnic interests in composing the national administration. The Council of Ministers, which functions as a cabinet, consists of 26 ministers, all directly appointed. The Majlis Al-Shura (Consultative Council) has the mandate of reviewing legislation pertaining to economic development and social services prior to its enactment as law. The Majlis Al-Shura may request ministers to appear before it.

Oman's extensive modernization program has opened the country to the outside world and has preserved a long-standing political and military relationship with the United Kingdom, the United States, and others. Oman's moderate, independent foreign policy has sought to maintain good relations with all Middle Eastern countries.

His Majesty Sultan Haitham bin Tarik Al Said ascension to the throne

His Majesty Sultan Haitham bin Tarik Al Said succeeded the late Sultan Qaboos bin Said in January 2020. Before ascending to the throne, His Majesty was the Minister of Culture and Heritage and the head of Oman Vision 2040, a project that aims to implement social and economic reforms in Oman. His Majesty has restructured his government through 28 royal decrees issued on August 18. The Royal Decrees issued in August reduced the number of his ministries from 26 to 19 while creating new ministries in line with the development of economy.

The changes implemented by His Majesty can be seen as an attempt to uphold the pledge that he made in February 2020, when he expressed his determination to "undertake necessary measures to restructure the state's administrative apparatus," promising to enhance the efficiency of government processes, ensure the reduction of national debt, and diversification of the economy.

Oman Vision 2040

The Royal Directives of His Majesty Sultan Qaboos bin Said – May his soul rest in eternal peace- stipulate that the future vision "Oman 2040" will be thoroughly developed and precisely formulated in the light of wide community consensus and participation of the different social groups so that the vision is fully integrated into the economic and social realities and objectively orientated towards the future foresight, as a key guide and reference for planning in the next two decades.

For the implementation of the aforesaid Royal Directives, the relevant committees were formed to prepare the future vision "Oman 2040", including the Main Committee, Technical Committee and the Sectoral committees. These Committees have been divided into the themes of the vision namely; "People and Society", "Economy and Development", "Governance and Institutional Performance", in addition to the committees of National Priorities Alignment of Strategies, Organization and Follow up, as well as the Preparation team for the National Conference. Members of these committees comprise more than 100 people from various stakeholders, representing all segments of Omani society. The main committee therefore founded Oman 2040 Office, run by an Omani work force to offer the necessary technical and administrative support to the project.

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.

Holding a strategically important position at the mouth of the Persian Gulf, the country shares land borders with the United Arab Emirates to the northwest, Saudi Arabia to the west, and Yemen to the southwest, and shares marine borders with Iran and Pakistan. The coast is formed by the Arabian Sea on the southeast and the Gulf of Oman on the northeast. The Madha and Musandam exclaves are surrounded by the UAE on their land borders, with the Strait of Hormuz (which it shares with Iran) and Gulf of Oman forming Musandam's coastal boundaries.

Oman with its capital at Muscat, is administratively divided into 5 regions – Al Dakhilayah, Al Sharqiyah, Al Batinah, Al Dhahirah, Al Wusta and 11 governorates – Muscat, Dhofar, Musandam, Buraimi, Al Wusta, Al Dhahirah, Al Dhakliya, Al Batinah North, Al Batinah South, Al Sharqiyah North, Al Sharqiyah South, 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 Farenheit) 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 (GMT).

Population and language

Oman's population has almost doubled over the past decade and has now finally passed the four million mark. As of October 2021, the total population of Oman had crossed 4.4 million. Citizens constitute around 63 per cent of the population, while expatriates make up the other 37 per cent.

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 provides 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 Sharia or Islamic law as embodied in the Holy Quran and Islamic tradition. The Basic Law which was promulgated in 1996 affirms that the Sharia 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
- For GCC Nationals free movement between member countries without visas and may engage in their professions in the other member countries without work permits
- Unrestricted Cross border ownership of shares
- Ownership of Real estate 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. The other domestic airports are at Duqm, Khasab and Marmul. Oman Air is the national airline of Oman and it won the Gold award for the "Airline of the Year" at France's Laurier d'Or du Voyage d'Affaires. Oman Air operates a network of 53 destinations in 30 countries out of its primary hub at Muscat.

Roads

Oman has a developed network of highways linking all parts of the country. Muscat, the capital, is connected to all the interior regions, and also to the UAE and Saudi Arabia. Due to the increasing population across the country, land transport is vital to the development of Oman and there is an ongoing programme of road construction and improvements. The total length of roads 5,649 kilometers, out of which 929

kilometres of new roads were constructed in 2019.

Ports

Oman has 5 Sea Ports viz., Port Sultan Qaboos, Port of Sohar, Salalah Port, Duqm port and Khasab port. Port Sultan Qaboos is considered the main maritime gateway to the Sultanate of Oman. Because of its prime location, it is one of the major ports in the region and receives cruise ships.

Sohar industrial port is located just before the Strait of Hormuz, within easy reach of Abu Dhabi, Dubai, Al Ain and Muscat. The port of Sohar has developed into a world-class port, capable of receiving ships with a draught of up to 18 metres. The Port of Sohar will be linked by the railway to the internal container depot being developed at Barka.

Salalah Port is one of the most distinguished ports regionally and internationally. Its strategic location on the Arabian Sea plays an important role in attaining this distinguished status.

Duqm Port enjoys a superior and open location. It is a multi-purpose port and its importance has increased after building a dry dock for ship repair to be added to the many facilities already present in the port.

Khasab port lies in the Wilayat of Khasab in Musandam Governorate and is used for traditional tourist ships.

Telecommunications

Oman Telecommunication Company (Omantel) has a monopoly in the landline telephone and internet access markets. The Telecomunication Regulatory Authority (TRA) regulates telecomunication 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 % 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 Ro'ya, Azzman, Oman Daily and 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 Authority for Public Services Regulation. 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

During the last three decades, the Oman health care system has demonstrated and reported great achievements in health care services and preventive and curative medicine. In 2001, Oman's health system was ranked number 8 by the World Health Organization.

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. 83 hospitals were operating in the Sultanate out of which around 33% are private hospitals as per the 2019 statistics.

Life expectancy at birth in Oman was estimated to be 76.1 years in 2010. However, 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. 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, Research and Innovation 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's first university, Sultan Qaboos University, opened in 1986. The University of Nizwa is one of the fastest growing universities in Oman. Other post-secondary institutions in Oman include the Higher College of Technology and its six branches, six colleges of applied sciences (including a teacher's training college), a college of banking and financial studies, an institute of Sharia sciences, and several nursing institutes. Some 200 scholarships are awarded each year for study abroad. Vocational training is provided to Omanis by the Ministry of Labour.

ECONOMIC ENVIRONMENT

Economic trends

Over last few 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.

The Omani economy is projected to achieve continous growth supported by economic diversification efforts on the part of the Government, a revitalized investment environment, rationalization of subsidies, focus on privatization and the progress made in the implementation of the Tanfeedh program for diversification. Given the high degree of interconnectedness between government spending and the domestic private sector, a prolonged lower oil price may have an impact on the financial performance of the local banks.

Oman performs well by MENA regional standards in terms of its operating environment. The country's clear strengths lie in its security and logistical environments. Despite being located in an unstable region, Oman is one of the most politically stable GCC states, with fewer concerns regarding domestic unrest or terrorist attacks. Additionally, with the various Omani road, port and airport projects which are being constructed or planned and low levels of trade bureaucracy for exporters and importers, the country's plans to become a logistics hub are starting to take shape.

The government is using enhanced oil recovery techniques to boost production as oil reserves dwindle and is focusing on economic diversification to reduce reliance on hydrocarbons. With businesses complaining frequently about bureaucracy and a cumbersome regulatory environment, the government is cutting red tape to attract investors.

Oman joined the World Trade Organization in 2000 and is heavily dependent on its dwindling oil resources, which generate about four-fifths of government revenue. Tourism, shipping, mining, manufacturing, and gas-based industries are key components of the government's diversification strategy.

Although the government maintains electricity subsidies, cuts in subsidies for petroleum products have led to fuel price increases and rising inflation.

Economic Developments and Plans

The International Monetary Fund has projected the growth of global economy at 4.9% in 2022 in their latest World Economic Outlook report (October, 2021), compared to 5.9% in 2021, which is relatively low due to the supply chain crises on account of Covid -19.

At MENA level, the real GDP as per the World Bank's report issued in October 2021, is expected to increase by 4.1% in 2022, after experiencing a sharp decline in the previous periods. The recovery is on a good phase despite the new outbreaks of Covid 19 due to the improvement in the oil prices and curtailment of production costs.

Oman's Credit Ratings

The key credit rating agencies have revised outlook and their reports assessed Oman's credit rating to be stable and positive from the negative rating in the earlier period. The agency also predicts that Oman's deficit will decline to 1.6% of GDP and the growth shall be 3.1% in 2022. This achievement is due to the robust policy responses to economic and health challenges, steps taken within the Medium Term Fiscal Policy towards fiscal sustainability, recovery in oil prices, and decline in the Covid – 19 pandemic impacts.

Oman's foreign trade and reserves

Oman's total exports amounted to RO 12.3 billion as on September 2021, which is 42.4% higher compared to the same period in 2020. The Oil exports recorded at RO 7 billion which is an increase of 33.3% compared to the previous period The non-oil exports recorded a significant increase of 91%, which is RO 4.2 billion compared to RO 2.2 billion in the same period in 2020.

The foreign reserves at the Central Bank of Oman (CBO) increased to US$ 18 billion in December 2021 from US$ 14 billion in December 2020, an increase of 31%.

Oman's Tenth Five-year Development Plan

The Tenth Five Year Development Plan is a national medium-term action plan, which is an integrated and comprehensive plan, developed by the Government to be implemented over the next five years 2021 – 2025, within the frame work of Oman Vision 2040. The Government is keen on engaging the private sector and the society towards achieving sustainable financial, economic and social development, economic diversification, with the aim to improve the financial indicators and reducing the deficit.

Government Revenue

The 2021 Budget witnessed significant changes in energy prices due to global oil price fluctuation, whereby oil prices increased to more than USD 80 per barrel in November, 2021. The total revenue reached nearly RO 10.9 billion by the end of 2021, up by 27% compared to the budgeted figures of RO 8.6 billion.

Government Expenditure

The public spending increased to about RO 12.2 billion as compared to the budgeted figure of RO 10.9 billion, which is an increase of 12%. The contributors for this increase in expenditure is due to the increase in current expenditure of civil ministries, defense and security units, continued support of the Government to cover expenses of the oil and gas sector, increase in contributions and other expenses by 7% as a result of settling water subsidy for previous years.

Trends in public revenue and expenditure

Particulars	2017	2018	2019	2020	2021	2022 (estimates)
Public revenue	8.5	10.9	10.6	8.5	10.9	10.58
Public expenditure	12.3	13.6	13.2	12.9	12.2	12.08
Deficit	3.8	2.7	2.6	4.4	1.2	1.5

Government Initiatives in 2021

The Government has launched a number of initiatives and measures in order to stimulate the national economy, maintain fiscal sustainability, promote social protection and as well as to mitigate the impacts of Covid -19 pandemic.

The measure includes – Economic Stimulus Plan – Social Protection Initiatives – Job Security System – Investor Residency Program – National Fund for Emergency – Digital Transformation program – Authority for Small & Medium Enterprises Development – Government Companies Performance Enhancement.

State's General Budget for Fiscal year 2022

The national economy experienced frequent fiscal challenges posed by sharp drop in oil prices, lower oil demand, high public debt, added with COVID – 19 pandemic impact and tropical cyclone "Shaheen".

Therefore, 2022 budget draft was prepared taking into consideration the existing challenges, in line with Tenth Five-Year Development Plan (2021 – 2025) which reflects the first plan of Oman Vision 2040 aiming to increase non-oil revenue and reduce public spending on government units, endeavoring to attract more investments thereby enabling the private sector to play a greater role in accelerating economic growth and creating more opportunities and achieving economic and social development objectives.

Budget Summary

Particulars	2021 (Actuals)	2022 (Estimates)
Average Oil Price ($)	61	50
Average of Daily Oil Production (000 bbl.)	957	1,055
		RO in millions
Public Revenue		
Oil Revenue	5,555	4,490
Gas Revenue	2,628	2,750
Current Revenue	2,761	3,340
Total Public Revenue	**10,944**	**10,580**
Public Expenditure		
Defense & Security Expenditure	2,885	2,965
Civil Ministries Expenditure	4,320	4,300
Oil & Gas Production Expenditure	1,767	1,600
Debt Service (Interests)	1,070	1,294
Development Expenditure	1,100	900
Electricity Subsidy	550	500
Allocation of Loans Repayment		200
Other Expenditure	475	371
Total Public Expenditure	12,167	12,130
Total Deficit	**1,223**	**1,550**

Expansion projects

While recent times mean a tough slump in the economy for all countries across the GCC, including Oman, the Sultanate edged out all of its GCC neighbours in the development of its construction sector – a feat that the nation will extend into 2022 as well.

According to the World Bank growth is expected to increase over 2020–21, driven in part by a large increase in gas production from the new Khazzan gas project, and infrastructure spending plans in both oil and non-oil sectors. Notably, with Khazzan phase-I becoming operational, the natural gas under the petroleum sector is also emerging as a significant contributor to the Omani economy, with BP committing to invest US$16 Billion developing the field. Meanwhile, the Special Economic Zone Authority of Duqm (SEZAD) attracted $14.2 billion worth of investments in the form of usufruct agreements signed till the end of 2018. With a land area of 2,000 km2 and 70 km of coastline along the Arabian Sea, the Duqm Special Economic Zone is the largest in the Middle East and North Africa region and ranks among the largest in the world. Duqm is an integrated economic development composed of zones: a sea port, industrial area, new town, fishing harbor, tourist zone, a logistics center and an education and training zone, all of which are supported by a multimodal transport system that connects it with nearby regions.

Economic diversification

Oman's 10th five-year plan (2020–2025) is the first implementation plan of Vision 2040, and will focus its efforts towards achieving economic diversification. The plan for economic diversification aims to move Oman away from the oil-and-gas-based sources of income, and has earmarked five sectors that have high growth potential and economic returns. These are agriculture and fisheries, manufacturing, logistics and transport, energy and mining, and tourism.

Foreign Direct Investment

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 is 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.

Investment has been accelerating, in particular thanks to the development of the Duqm Special Economic Zone, which involves the construction of a port, an airport, a refinery and tourist facilities. According to data from the Special Economic Zone, the Duqm area alone has attracted USD 11 billion of investments.

According to figures by the National Centre for Statistics and Information (NCSI), the main investing countries were the UK, followed by the United Arab Emirates, Kuwait, Qatar, and Bahrain. The bulk of FDI were directed towards the oil & gas sector, with lower shares going to the financial services, manufacturing and real estate sectors. The Sultanate of Oman seeks to attract investors by offering tax incentives and customs duty exemptions. Oman has a stable political and macroeconomic situation. However, access to a limited

number of sectors and government pressure on foreign companies to recruit domestic workers are major obstacles to foreign investments.

The Key Economic Sectors

Oil

The Oil & Gas industry has evolved almost beyond recognition in recent years. The outlook for the global economy remains deeply uncertain and if economic conditions deteriorate, oil and gas companies have to scale back their spending commitments.

Oil production has substantial consequences on a country's macro-economy. Resource rich countries in general and oil-rich countries in particular reap substantial economic rents that are often much larger than the production costs. In Oman, income generated from oil and gas resources vastly exceeds the total costs of extraction and production.

Oil has been the driving force of the Omani economy since Oman began commercial production in 1967. Oman's national oil company Petroleum Development 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

Gas in Oman was discovered in 1978 in Yibal/Natih field. PDO discovered Saih Nihayda in 1989 and Saih Rawl in 1991. In order to meet the Gas demand emanating from power generation and water desalination, gas fields were put on production. Oman government understood the importance of Gas as a greener source of energy and aims to develop local industries for sustained balanced economic growth.

Oman also has natural gas reserves that may play a leading role in fuelling the Sultanate's industrial growth in the coming years. In 2017, BP announced the production of the first gas from its concession at Khazzan, a tight, sour field. In April 2018, BP and Oman Oil Company Exploration & Production approved the second phase of the onshore Khazzan gas project. In 2018, PDO announced the discovery of a tight gas field on its own concession. 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

Mining is one of the five sectors identified for driving growth in the long-term and helping the government in its economic diversification strategy. Mining and quarrying have been age-old practices in Oman. Oman's mining history dates back to pre-Islamic days when copper was mined

and sent all over the world. The country was then known as Majan or the land of copper. Cut back to the present days and you will realise that the Sultanate of Oman is still sitting on a "gold-mine" of minerals.

Although numerous quarrying and mining operations are underway in Oman, the Sultanate's mineral resources are still relatively untapped, with large deposits of metals and industrial minerals waiting to be unearthed. Oman's mountains host intact and exposed ophiolites, which could contain metal deposits such as chromite, cobalt, copper, gold, lead, magnesium, manganese, nickel, palladium, platinum, silver, vanadium, and zinc. Oman's mining industry has attracted increasing interest from both foreign and local operators, being the first GCC producer and exporter of ferrochrome.

Oman is a geological wonder as it is endowed with varieties of mineral resources - metallic minerals such as copper, gold, zinc, chromites, cobalt and iron ores and non-metallic minerals includes, dolomite, limestone, gypsum, clay, silica, ornamental stones and building materials. Its vibrant mining sector is being tapped to spur growth and add up billions of rials to the country's economy as well as generate jobs. Oman is home to scores of mining companies, where the total operating licenses are more than 375 distributed across the various governates of the Sultanate of Oman with different mining activities (building materials, marble, chromite, limestone, Ornamental stones, gypsum, laterite, Manganese, clay, kaolin, silica, sand dune and salt). The contribution of the export of minerals materials amounted to about 33% of the direct revenues of the Authority. Oman topped the list of countries as the world's largest exporter of gypsum. Ministry of Energy and Minerals is currently formulating a new mining exploration and development strategy, underpinned by a Single Window System for the issuance of new licenses, to help unleash the potential of the country's prodigious mineral resources.

Manufacturing

Earlier to 1975, oil sector was considered as the sole contributor to Oman's economy. Oman's industrial sector started in 1975 with an immediate target was to set up manufacturing units and to manufacture products resulting in import substitution. The industrial sector started off in small measures focusing on consumer products only. In order to attract private sector investments into the non-hydrocarbon sectors, Government aimed to provide infrastructure facilities such as electricity, transportation, communication, etc. and established Rusayl Industrial Estate in 1983 as the first Industrial Estate in Oman through The Public Establishment for Industrial Estates (PEIE), established with an aim of planning, operating, managing, and developing the industrial estates across the Sultanate.

The manufacturing sector of Oman has a crucial role to play in the structural transformation of the oil-dependent economy towards a sustainable economy that is competitive in productive activities. Forward-looking government policy envisages that the non-oil industrial sector will be one of the main pillars for continued prosperity.

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.

Oman's 3,165 km of coastline renders lucrative proposition for massive fishing fleets. The fisheries sector is one of the major contributors to non- oil/gas generated income and it is perceived as having an even greater potential with Omani fishing waters being regarded among the richest in the world.

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

Over past few years, the Sultanate of Oman has emerged as one of the most attractive markets in the region, offering good business opportunities for contractors, consultants and investors across a range of industries.

The sultanate has a substantial pipeline of projects needed to support Muscat's aims at diversification into logistics, tourism and manufacturing, as well as improving public services and infrastructure.

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.

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.

Hospitality and 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.

Tourism industry is the fastest growing industry of the country and with it comes growth and expansion of the hospitality industry. The number of international tourists is expected to reach 3.4 million by 2022. The hospitality industry of Oman is expected to be worth US$1 billion by 2022 according to latest reports. Vision 2040 aims to increase tourism's contribution to GDP to 10 %, and to create 535,000 jobs in the tourism sector.

Oman's tourism development strategy has focused primarily on enhancing the tourism infrastructure. The government is trying to ease visa regulations to promote tourism. The Ministry of Tourism of Oman issues tourist licenses to various kinds of hotels, resorts, casinos, convention centres and travel agencies to attract investment. According to the World Travel and Tourism Council, Oman is the third country in the world for investments in this sector.

A single-entry visa is issued at the point of entry and is valid for one month. There is 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), trecking 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.

Privatization

Oman has around 70 state owned enterprises spread over different sectors, some of which, over the years, have witnessed reduced profits, according to the Implementation Support & Follow-Up Unit (ISFU) tasked with overseeing timely execution of economic initiatives. In order to facilitate and supervise the privatisation of state owned enterprises, a privatisation committee was established in 2017.

According to ISFU, the Ministry of Finance had to develop a new privatisation plan through state owned enterprises holding companies. As part of the plan, all holding companies had to submit their five-year privatisation plan to the ministry for reviews. The plan outlaid an aspirational target of OMR 700 million for the value of GOEs transferred to private sector owners between 2017 and 2021.

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.

The government is now having 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.

Diversification being a key goal of the Oman Vision 2040, the privatisation of state assets is likely to continue to gather pace in Oman to deliver greater economic efficiency and free up capital for other investments by the Omani government.

The Sultanate outlined nine key sectors under the newly unveiled PPP regulatory framework identifying initially with several infrastructure projects distributed across Healthcare, Education, Research and Development, Environment, Transport, Ports, Renewable Energy, Information Technology.

COVID Impact

The economy is seen accelerating in 2019 compared to previous year, largely due to higher government consumption and fixed investment. However, the Sultanate, like other oil-exporting countries, was affected by two simultaneous shocks: the global pandemic, and the drop in oil prices; Covid-19 crisis has had a severe impact on all aspects of development in the Sultanate. Worldwide, consumer spending has declined, travel and tourism have been disrupted, and industry has slowed down due to movement restrictions. Economic activities and services such as transportation and shopping were also affected, which has led to a decrease in both consumption and demand.

However, the government has quickly responded to alleviate the economic consequences of the crisis through a series of measures to maintain financial stability, support the affected sectors and groups, and stimulate demand to prevent a prolonged economic recession.

COVID - Economic Stimulus Plan

The economic stimulus plan, approved by Council of Ministers, aims at supporting efforts to mitigate the implications of COVID-19 pandemic on the national economy. The plan provides a set of stimulus measures and initiatives with the aim to support economic recovery efforts, enhance economic activities performance, and attract more foreign investments. The plan comes to support Medium Term Fiscal Plan (2020-2024), which seeks to improve Oman's financial position and credit rating, and reduce public debt. The economic stimulus plan addresses five key areas, as follows:

1.Tax and fees

Tax

- All companies, registering their main activity in the economic diversification sectors during the period from 1st of January 2021 until the end of 2022, shall be exempted from income tax for five years, in accordance with the rules and regulations to be announced by Tax Authority, starting from the date of registering such activity in the commercial registration.
- Hotels shall be exempted from income tax due for 2020 and 2021.
- Allow the payment of due income tax by installments. The additional tax (for 2021) arising from paying the tax by installments shall be removed.
- Waive 1% of payable tax, with a maximum amount of RO 10000, of tax dues declared in tax return for the following year for those who submit tax return and make tax payment on time.
- Continue to suspend tax on dividends for five years, starting from 2020.
- Carry forward loss of companies and enterprises for 2020 to the following year, and deduct the same from the taxable income of 2021 and subsequent years until the loss is settled, without being restricted to the period of five years stipulated within Article 71 of Income Tax Law.
- Exemption of tourism tax and municipality tax, collected from tourist facilities, until end of 2021.
- Delay the collection of tourism tax and municipality tax from tourist facilities, until the end of December 2021.

Fees

- Reducing fees of environmental licenses, which to be renewed in 2021, by 50% for the entire licenses period.
- Waive the penalties resulting from the expired environmental licenses provided that such licenses be renewed within 3 months.
- Minimize the rents of lands located within Special Economic Zone at Duqm (SEZAD) and industrial areas of Public Establishment for Industrial Estates (Madayn) by 25%, with effect from January 2021 until the end of 2022.
- Applying fixed tariffs, depending on electrical loads, for higher electricity consumers (more than 100,000 kilowatt hour (kWh)).

2. Stimulating Business Environment and Investment Climate

- The permission to start businesses and investment activities after obtaining provisional license would allow the investor to carry business activity without waiting for the final license. The investor will have to undertake to adhere to the relevant rules and regulations, and the concerned authorities shall inspect and verify the adherence of the investor at later time. Therefore, the Ministry of Commerce, Industry & Investment Promotion shall set the regulations for such purpose within a month.
- The companies registered in accordance with the Foreign Capital Investment Law shall be treated as those owned by the citizens in terms of commercial registration fee, in the event that such companies invest in economic diversification sectors and the enabler sectors.
- Foreign investment companies will automatically be granted, upon establishment and after issuing the commercial registration, three permits for recruiting expat workforce as per the applicable rules and regulations.
- Granting residency to foreign investors as per the rules and regulation to be announced by the concerned authorities.
- The Ministry of Commerce, Industry & Investment Promotion shall sign a service agreement for every strategic investment project which its value exceeds RO 1 million. Such service agreement would outline the rights and duties of the parties (including applicable fee and Omanisation rate) during the investment period, with the aim to create trust among the investors.
- Allow the companies to own lands with 5,000 sqm and more, and real-estates for the purpose of practicing the authorized activity as per the applicable rules and regulations, with an exception to the lands which are not permitted to be owned by non-Omanis. This is in accordance with the following:
- The land or real-estate, which is to be owned, needed for practicing an authorized activity mentioned in the commercial registration.
- Space of the real-estate or land area, which is to be owned, shall be consistent with the requirement of the authorized activity.

- The ownership of lands or real-estates shall be limited to those categorized as residential, commercial, industrial, or tourism.
- A company shall utilize more than 50% of the purchased property for practicing the activity mentioned within the commercial registration. However, such company can rent or sell part of the property that exceeds its actual need, except for the real-estates purchased for tourism purposes or integrated commercial complexes.
- Approval to prepare a funding scheme by Oman Development Bank to boost exports of Omani products and services, in collaboration with the Ministry of Commerce, Industry & Investment Promotion and Credit Oman.
- Business activities related municipality fees shall be restructured, by the concerned authorities, to ensure the facilitation of procedures.

3. Small and Medium Enterprises (SMEs)

- Reducing income tax from 15% to 12% for SMEs, as per the classification of SMEs Development Authority, and similar enterprises which are not registered in the Authority but registered by the Ministry of Commerce, Industry & Investment Promotion. The reduction shall apply for the tax years of 2020 and 2021.
- To continue the postponement of loan installments, due to Al Raffd Fund, from SMEs until the end of December 2021.
- Government purchasing contracts, which worth less than RO 10,000, shall be confined to SMEs whose owners hold RIYADA card. This can be by passed by a justifiable decision from the head of the concerned unit.

4. Labour Market and Employment Incentives

- Allocating RO 20 million in 2021 Fiscal Budget to train job-seekers.
- Reducing fees of expat workforce recruitment permits as specified in Article 2 of the Ministerial decision no. 12/2021, issued by the Ministry of Labour regarding high and middle level of positions and types of professions and occupations as set forth in sections 1 ,2, and 3 of Item One, and Section 3 of Item Two, as follows:
- 50% for enterprises and companies that achieved Omanisation rate
- 25% for enterprises and companies that have Omani workforces.

5. Banking Sector Incentives provided by Central Bank of Oman

- To continue the procedures of deferring loan installments of laid-off Omani employees until further notice and those whose salaries have been reduced until the end of September 2021.
- Urging banks to continue addressing the requests for postponing the installments and interests/profits of all borrowers affected by the current situation for a period of another six months, until the end of September 2021.
- To keep incentive packages related to the credit such as raising the ceiling of lending, facilitating lending to the affected and productive sectors, reducing capital buffers ratios and other measures. These aim at helping banks, finance companies to play greater role in supporting economic recovery efforts and improving the levels of liquidity available in the local market.
- The Central Bank of Oman (CBO) shall liaise closely with various banks and finance companies with regard to rescheduling of loans in order to match the new cash flows of borrowers so as to ensure their ability to fulfill their contractual obligations with finance institutions, without imposing fees on rescheduling of loans.

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 & 18/2019) 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 incorporation of a commercial company in Oman is governed by the Commercial Companies Law, Foreign Capital Investment Law & the Commercial Register Law. Depending on the capital of the business, objectives of the parties involved and the type of business, the most common forms of commercial companies used in Oman are: limited liability company (LLC), joint stock company (closed) (SAOC), joint stock company (public) (SAOG), joint venture and general partnership.

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, joint ventures and sole proprietorship.

On 18 April 2019, a new Commercial Companies Law (New CCL) entered into force in the Sultanate of Oman (Oman), and the previous Commercial Companies Law that had been in force since 1974 (Repealed CCL) was repealed.

Although the changes are unlikely to have a seismic impact, the New CCL attempts to create a stronger and more transparent corporate governance regime in Oman. It also takes some more measured modernising steps, which aim to make doing business in Oman easier. In this briefing, we provide an overview of the key changes in the New CCL, and highlight some actions that will need to be taken by companies in Oman to comply with its terms. Many of the new provisions have also not yet been applied in practice and will likely be given more meaning and substance by an Executive Regulation which we expect to be published within the coming months

Following the issuance of the New CCL, enacted by Royal Decree No 18/2019, the Capital Market Authority (CMA) announced that all the matters related to listed companies [other than registrations] will come under the CMA's jurisdiction as per the new law. The new CCL comes at a time when the sultanate is preparing for

2040 Vision, which focuses on enabling the private sector to take the lead in production processes and effectively contributing to the growth of the economy.

As per the new law, a holding company will take the form of a joint stock company unlike the previous situation where the holding company had the options to be a limited liability company or a joint stock company.

The New Commercial Companies Law

The new Law of Commercial Companies Law (New CCL) will create a more robust and transparent corporate governance regime in Oman. The new provisions would be applied in practice when an Executive Regulation will be published in the coming months.

On 18th April 2019, a New CCL entered into force in the Sultanate of Oman. Decision no. 27/2021, issued on 25 February 2021, issuing the Regulations for Public Joint Stock Companies

The New CCL has 312 articles split into 5 parts:

- General Provisions (Article 1 to 20)
- General Partnerships, Limited Partnerships and Joint Venture Companies (Article 21 to 87)
- Joint Stock Company (Article 88 to 233)
- Limited Liability Company (Article 234 to 297)
- Inspection, Penalties and Final Provisions. (Article 298 to 312)

Establishment

The founders of a public joint stock company may subscribe to no less than 30% of the shares of the company and no more than 60% of the shares. However, if a company is converted into a public joint stock company, the maximum is 75%. Some cases the authority may permit a higher percentage. Companies fully owned by the government and holding companies shall also be exempt from the prescribed percentage. The founders may not dispose their shares before the company has published financials for two consecutive years from its registration date. The period may be extended to additional one year by the relevant authority. As per the new law, a holding company will take the form of a joint stock company unlike the previous situation where the holding company had the options to be a limited liability company or a joint stock company.

Share Capital

The minimum issued share capital requirement

- General Joint Stock Company - OMR 2,000,000
- Closed Joint Stock Company - OMR 500,000

With the approval in the Annual General Meeting, a portion of net profits can now be converted into shares. Leading to the increase in issued share capital and enable companies to reinvest their profits.

Through the extraordinary general meeting the company may

- Increase the authorized share capital
- Increase the issued share capital

- During the increase the company may allot share capital to employees within a maximum of 5% of such issuance.

Joint Liability

The Board of directors and the auditors of a Joint Stock Company will be jointly liable for damages caused by their failure to take necessary measures to safeguard the company's capital. In case the company loses 25% of its capital, the Board of Directors need to take necessary measures to remove the reasons causing such loss and restore the company's profitability. If the company loses 50% of its capital, an extraordinary general meeting must be convened to take the necessary decision in this regard. The meeting must be convened within a maximum of 30 days from the date on which the Board has verified the loss in capital.

Board of Directors Structure

All the members of the Board of Directors should be non-executives. The number of members on the Board of Directors shall at least be according to the following table:

No. of Members	5	7	9	11
No. of Independent Members	2	3	3	4

The members of the Board of Directors shall not be less than:

- 5 for general joint stock companies, and less than 3 for closed joint stock companies.
- In closed and open Joint Stock Companies, the number of Board of Directors cannot exceed 11 members.

All directors shall be non-executive directors. They are prohibited from interfering in the daily routine and direct operational matters of the company. A director is deemed to have legally resigned if he or she fails to attend 3 consecutive meetings, unless there is an acceptable excuse provided to the Board.

Directors and management of Joint Stock Companies must now notify the company in writing of any interest they have in the company within a maximum of 5 days from the date of his/her acquisition of membership or appointment. A director may not participate in the management of another company engaged in identical business.

Board of Directors Remuneration

The general meeting to decide the remuneration of the BOD, in accordance with the following rules:

- The remunerations shall not exceed OMR 300,000 for a Company that has achieved net profits equal to or greater than the profits made during the preceding financial year. It shall have no accumulated losses and its capital shall not have suffered from losses.
- The remunerations shall not exceed OMR 150,000 for a Company that has achieved net profits below the profits made during the preceding financial year. The capital shall not have suffered from losses.
- The allowance for attending the meetings shall not exceed OMR 10,000 per member in one year.

Annual General Meeting

The Board shall send to the attendees at least 15 days before the AGM the following documents:

- Invitation for attending the meeting
- Board Reports
- Audited Financial Statements

Minority Shareholders

The Board shall send to the attendees at least 15 days before the AGM the following:

- Invitation for attending the meeting
- Board Reports
- Audited Financial Statements

Quorum for Meetings and Minutes of the meetings

Quorum of shareholder meetings:

- Annual General Meeting – 50% share capital represented
- Extraordinary General Meeting – 75% share capital represented

The minutes of the shareholders meeting now have to be filed within 7 days with competent authority. The minutes of the meetings shall be prepared by the secretary appointed by the general meeting. The minutes shall specify the number, percentage of shares capital represented, the deliberations of the meeting, the resolutions adopted, the number of votes supporting such resolutions and anything which the shareholders want to be endorsed in the minutes. The minutes shall be signed by the secretary, the auditor and the legal advisor of the company and approved by the Chairman of the meeting.

Regulator

The regulator now has the authority to take multiple actions:

- Give notice to the company about the risk and require remedial action to mitigate the risk.
- Appoint a board observer who would participate in Board meetings.
- Order the chairman to convene a general meeting to take necessary measures on the issue.
- Dissolve the board and appoint a temporary board.
- Prohibit the company from exercising certain or all of its activities till the risks or losses are mitigated.

Internal Auditor

A company shall appoint an internal auditor to fulfil its internal auditing function duties through an independent unit ('Unit') within the Company or contracting with an internal audit office, accredited with the CMA. A company with a capital of OMR 10,000,000 or above shall have an internal audit unit, through the appointment of two full-time employees.

The Secretary of the Board of Directors shall take all the measures related to the appointment of the internal auditor, under the supervision of the Board of Directors.

Limited Liability Companies (LLCs)

A limited liability company shall comprise of a number of natural or juristic persons not below two and not above fifty. Their accountability for the liabilities of the company shall be in proportion to their share in the capital. The title of a limited liability company shall comprise of the name of one or more partners, or of any word or expression, provided the title is not misleading as to its objects, identity or the identity of its partners.

The limited liability company shall have an auditor who shall be appointed by the partner's meeting for one financial year in any of the following cases:

- If the number of the company's partners exceeds seven.
- If the capital of the company exceeds OMR 50,000.

- If the Memorandum of Association provides for the appointment of an auditor.
- If the appointment of an auditor is demanded by one or more partners representing, at least, one-fifth of the capital of the company.

In the repleaded law there was a minimum share capital requirement of RO 20,000 for an LLC, this has been removed from the New CCL which merely provides that the capital amount invested should be stated in the incorporation documents. Note that as per the Foreign Investment Capital Law that states that LLCs with foreign shareholders require a capital of RO 150,000 remains unchanged.

The company shall set aside ten percent (10%) of the net profits of the company of each financial year, after deduction of taxes, as a legal reserve until such legal reserve amounts to one third of the company's share capital.

Single Shareholder Limited Liability Company

The New CCL has introduced a new corporate vehicle; the single shareholder limited liability company (LLC). All the shares to the company shall be held by a single natural or legal person. Procedures and rules related to this corporate vehicle will be further elaborated in the executive regulations. A natural person or a single shareholder llc may not incorporate more than one such corporate vehicle. It is likely that the Single Shareholder LLC can be incorporated by an Omani, GCC and US national persons only.

Implementation

It is vital for existing companies to review their governing policies and systems to ascertain whether they comply with the New CCL. The Memorandum of Association would have required to be amended to incorporate the new governance processes, meeting timelines and reporting procedures.

Capital Market Authority Law

The CMA regulates the capital market and insurance sectors. The CMA supervises and monitors institutions regulated by Capital Market Authority to upgrade the efficiency and the level of capital market and insurance sectors in general, and to protect investors and policyholders in particular.

The CMA is keen to upgrade the efficiency of investors and policyholders and to achieve this, the CMA spreads awareness in matters related to investment and rights of investors. Moreover, the CMA enhances awareness of directors and management, establishes saving concept and investment, enhances awareness of the public on the importance of capital markets and dealing therein and enhances awareness on insurance for all the segments of the community through conferences, workshops, and issuing booklets and awareness brochures.

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 CMA 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.

External Assessment of Internal Audit Activity

Capital Market Authority (CMA) has stipulated that all regulated entities have to conduct a comprehensive external assessment of the internal audit departments activities at least every four years.

Foreign Capital Investment Law

The new Foreign Capital Investment Law (the New FCIL), promulgated by Royal Decree 50/2019, came into force on 1 January 2020. In accordance with Article 15 of the New FCIL, the Executive Regulations of the New FCIL (Regulations) were issued by the Ministry of Commerce and Industry of Oman (MOCI) on 14 June 2020.

100% foreign ownership

The key structural highlight of the FCIL is the recognition that foreign investors may wholly own investment projects in Oman. An investment project is defined as “an economic activity established by a foreign investor, whether individually or together with an Omani partner”. The investment project must be conducted through a company in one of the categories of permitted activities and the share capital invested into the company can be wholly owned by the foreign investor.

The FCIL requires new foreign investors to provide a short economic feasibility study of the business that they expect to carry out in Oman. The requirement to prepare a feasibility study has been introduced to provide comfort to the Government that the business activity is considered viable and likely to be of benefit to both the investor and the Omani economy.

The requirement for Omani companies to have at least 30% Omani ownership (as was generally the case under the old 1994 Foreign Capital Investment Law), was removed and thus the New FCIL provides attractive investment environment that will encourage more investors to invest directly in Oman. The new law grants incentives and privileges to foreign investors as well as guarantees certain rights of foreigners who invest in the Sultanate.

Privileges and preferences

The FCIL further provides that the investment project has all of the incentives that ‘national projects’ enjoy under Omani law. This is a key development and suggests foreign companies will be placed on an equal footing with local/Omani companies; this could alter the way in which foreign companies are currently perceived, particularly with regard to public tendering and Omanisation requirements and new foreign investors may now be able to access favorable terms for debt finance from the domestic banking sector.

The FCIL also opens the door for the Cabinet of Ministers to issue a resolution to provide preferential treatment for foreign investors, in a manner that is similar to the way in which US investors are currently afforded reciprocal treatment under the US-Oman free trade agreement.

- The Law provides foreign investors with additional incentives to invest in projects that are established in less developed regions of Oman.
- To provide exemptions from taxes and customs duties for projects established in, amongst others, the IT and logistics sectors.
- To encourage foreign investment, the law permits the use of long-term leases for land and real estate allocated for investment projects and grants foreign investors the right of usufruct. Furthermore, the law provides the General Authority for Investment Promotion and Export Development with the power to determine the sites that are allocated in each governorate for establishing foreign investment projects and to provide such projects with the right to usufruct and to general services in the project area, such as water, electricity, gas, sewage, roads, and communications.

- The investment project is authorized to import what it needs to fulfill production requirements, such as materials, machines, spare parts, and means of transportation appropriate to the nature of its activity, without the need to register the imports in the importers’ registry.

Guarantees and benefits

- The law prohibits the seizure, expropriation, and freezing of investment projects except by a court decision.
- The government may expropriate the investment project in accordance with expropriation law. In this case, fair compensation must be offered to the foreign investor without delay. Furthermore, the usufruct or lease contract of the investment project cannot be suspended unless there is a court verdict ordering the contract’s termination.
- The law prohibits the government from revoking the licenses granted to the investment project without justification and advance written warning that the project may be terminated unless violations are rectified. According to the law, investors who receive such a warning must respond in writing to the notification, informing the Omani authorities that the problem will be rectified within 30 days from the receipt date.

Notwithstanding the laws in force in the Sultanate, the foreign investor has the freedom to carry out all transfers relating to the investment project from/to outside the Sultanate at any time. Transfers shall include the following:

- Foreign investment returns
- Proceeds of sale or liquidation of the investment project, fully or partly
- Proceeds of the settlement of the investment project dispute.
- Compensation received as a result of expropriation of investment project in public interest.
- Value of premiums on loans or financing obtained by the investment project from abroad.
- Any remittances for import and export linked to the business of investment projects.
- Any external entitlements for renting machinery or contracts for provision of services within the framework of the project’s business.

By affirming above rights and protective clauses the new investment Law provides much needed comfort to foreign investors. It also shows that the compliance environment is moving further towards an investment friendly economy.

Muscat Securities Market (MSM)

The Muscat Securities Market (MSM) was established in 1988 and has been restructured in 1998. The MSM is an exchange house 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 overseas 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.

Tender Law

Since 1984 Oman has had a law requiring certain entities to go out to tender in respect of significant procurement projects. The objective of the law is to ensure that the State gets value for money in its procurement and the process is undertaken on a fair and open basis. The current law, which was drafted by SASLO lawyers, is Royal Decree 36/2008, as amended by Royal Decree 120/2011 and RD 60/2013. The implementing regulations contemplated by that law have been issued by Decision 29/2010.

Anti-money laundering law

Anti-money laundering and Combatting Financing of Terrorism (AML/CFT) law was enacted through Royal decree 30/2016. The Sultanate's Anti-Money Laundering Law (AML) together with Penal Code and other laws mandate extensive requirements and enable wide-ranging actions with National Committee for Combating Money Laundering, constituted with high-level representatives from relevant Ministries, Regulators and Law Enforcement Authorities.

National Centre for Financial Information (NCFI) is the legal entity established under the law to receive Suspicious Activity Reports. Various supervisory authorities are Central Bank of Oman, Capital Market Authority, Ministry of Commerce and Industry, Ministry of housing, Ministry of social development and Ministry of justice. National Committee can designate any other party as a supervisory authority for enforcing AML/CFT provisions. These authorities give constant guidelines and regulations to control money laundering and terrorism financing. The Central Bank of Oman is the supervisory authority for licensed Financial Institutions covering banks, finance and leasing companies, and money exchange business while the Capital Market Authority supervises the regulated entities like securities and insurance sector. All the supervisory authorities have the power to conduct onsite inspections and are generally thorough in covering the prudential health of the entities.

According to Article 4 of the Act, all non-financial institutions and professions are covered under Designated Non-Financial Business and Professions (DNFBPs) group and covers all the so called gate-keepers. Gatekeepers are deemed to have a particular role in identifying, preventing and reporting money laundering and terrorism financing.

Another category of entities covered under the law are Nonprofit Associations and Entities (NPOs) Any organized group established in accordance with the provisions of the law on non-governmental organizations for the purpose of raising or spending funds for charitable, religious cultural social educational cooperative or any other purpose including foreign branches of international nonprofit association and entities are covered under this group.

All obligations applicable to financial institutions under the AML/CFT Law are also applicable to DNFBPs and other not for profit organizations. Besides being subject to obligations under the AML/CFT Law, real estate brokers, dealers in precious metals and stones and accountants are subject to a decision by the Ministry of Commerce and Industry which partially covers the requirements of identification of clients, record keeping, reporting suspicious transactions, the use of modern technologies, training and other requirements.

Land Law

According to Land Law (Royal decree 5/80), only Omani nationals are permitted to own land freely. Other GCC national are also entitled to own land, subject to certain restrictions. Further, except in certain circumstances and in certain designated area, foreign companies and individuals are generally not permitted to own land in Oman as per the Land Law.

Intellectual property rights

Copyright

Copyright in Oman is regulated by the Law for the Protection of Copyright and Neighbouring Rights issued by Royal Decree No 65/2008 which was later amended by Royal Decree No 132/2008.

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.

Oman Insolvency and Bankruptcy Law

Bankruptcy law, promulgated by Royal Decree No. 53/2019, is effective from July 7 2020. To come into effect from July 2020. The Bankruptcy and Insolvency Law will help companies to get out of the financial turmoil after paying debts and reconciling with creditors as per a restructuring plan.

Oman's Bankruptcy Law ('the Law') will aim to rescue businesses in distress by creating a legislative and legal framework. This will be a major step forward for Oman and it would modernise the business landscape, destigmatise business failure and enable distressed business for early restructuring of their indebtedness. The Law would be applicable to traders, that is any person engaging in commercial activities, companies and branches of foreign companies.

Restructuring

Restructuring provision of the law would enable traders to overcome financial challenges in settling debts and avoid liquidation. This relief would be applicable to a trader who has been in business for a minimum of two years and has not committed fraud or gross negligence. A debtor needs to showcase it's 'financial and administrative disorder' prior to the non-payment of its debts.

Preventive composition (PC)

Preventive Composition provisions of the law enables a trader engaged in business for minimum two years and has not committed fraud or gross negligence may apply for this relief. A debtor may apply for PC if they are likely to be unable to repay their debts. Every Company, except joint ventures, are entitled to apply for PC after obtaining the approval from majority of its shareholders.

Bankruptcy

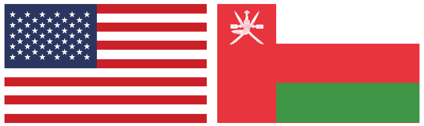
As per the updated provisions relating to Bankruptcy a trader may to submit for bankruptcy, with the approval of majority of its shareholders and within 15 days of cessation of payments. In addition, a creditor who can prove a debt and that they have not been paid may also apply for bankruptcy of a trader. The court may also on its own initiative, declare a trader bankrupt. The court may order precautionary measures against the funds and assets of the trader during the process of the bankruptcy. It will also appoint a liquidator and judge to oversee the insolvency proceedings. The liquidator would assume the role of the management and process of the assets during the liquidation process. The liquidator will also register the summary of the judgement in Commercial Register and publish in the official gazette including an invitation to creditors to submit details of their debts.

Judicial composition and Rehabilitation

A bankruptcy judge at the request of an interested party may commence a mediation process to reach a judicial composition (JC). Approval of a majority of creditors comprising two-thirds of total outstanding amount and whose debts have been approved in the bankruptcy is required. Once the creditors and the bankrupt person have agreed the terms of the JC, it will be ratified by the judge and all effects of the bankruptcy would cease to exist leading the bankrupt person to manage their assets. If all debts owed to the creditors have been repaid, all rights of the debtor would be restored after three years from the date of the termination of the bankruptcy proceedings.

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 OR 20,000 ($ 51,790).

Major Government departments facilitating businesses

Ministry of Commerce, Industry & Investment Promotion

The Ministry of Commerce, Industry & Investment Promotion 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 Investment Authority

As of 4 June 2020, the Oman Investment Authority (OIA) was established as an independent legal entity by Royal Decree 61/2020. Through this Royal Decree, all assets and employees of the State General Reserve Fund (SGRF) and the Oman Investment Fund (OIF) have been transferred to OIA. The merger has several benefits including avoiding the difficulties of having two similar investment funds with the same remit, economies of scale and avoiding each fund having duplicate functions.

The aim of the fund will be to make profitable investments and to encourage more inward investment into Oman, creating more jobs for Omanis and helping to diversify the economy away from its dependence on oil. OIA has a separate legal identity with financial and administrative independence and will report directly to the Cabinet of Ministers.

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)	• Permitted to Omani nationals only • GCC nationals can carry on proprietorship business in certain permissible activities only
General Partnership	• 2 or more natural persons • Jointly and severally liable to the full extent of their property • No partner can transfer the interest without the approval of other partners
Limited Partnership	The limited partnership company is a commercial company that comprises two categories of partners: • One or more general partners jointly and severally liable to the full extent of their property • One or more limited partners' liability limited to the amount of their contribution to the partnership's capital
Limited Liability Company	• Capital of the company shall be divided into shares of equal value • Minimum 2 and up to 50 natural/juristic persons • Liability is limited to the nominal value of their shares in the capital of the company. • Minimum capital is RO 20,000 without foreign participation and RO 150,000 with up to 70% foreign participation • 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
Joint Stock Company	• Capital is divided into equal negotiable shares • The liability of the shareholders shall be confined to the extent of his contribution in the capital • 3 or more natural/juristic persons • Minimum Capital for Limited Omani joint stock company (SAOC), where no shares offered to public should be RO 500,000 • Minimum Capital for General Omani Joint Stock 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 • Management of the joint stock company shall be entrusted to a Board of Directors • 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

Type of Entity	Description
Holding Company	• A Holding company is a joint stock company which financially and administratively controls one or more joint stock or limited liability companies, which become subsidiary to such company by means of its holding at least 51% of the shares of each such company • Minimum capital of RO 2,000,000
Joint Venture(s)	• Formed by two or more juristic or natural persons • Legal relationship between its members without affecting third parties • Joint Venture will have no name, not a separate entity and no registration required
One person Company	• A one person company is a limited liability company the capital of which is owned fully by one natural or juristic person • A juristic person may not establish more than one of such company • Owner of the company shall be accountable for its liabilities only to the extent of the capital
Branches of foreign companies	Branches of foreign companies may engage in certain activities such as: • carry out government contracts • conduct businesses declared by the Council of Ministers to be necessary to Oman
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 & Investment Promotion

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.

All the FTZ are now governed by the Public Authority for Special Economic Zones and Free Zones was established in August 2020 by the Royal Decree No 105/2020 to oversee the Special Economic Zone at Duqm, Al Mazunah Free Zone, Salalah Free Zone, Sohar Free Zone and any other special economic zone or free zone.

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 economic 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 unique features and facilities offering incentives like no paid up capital requirement, 100% ownership by foreign investors, exemption from customs duties on raw materials and finished products, flexible customs procedures, no income tax, no restrictions on the transfer and repatriation of income.

Oman free zones are suitable for foreign companies intending to use Oman as a regional manufacturing and distribution base. Free zones are mainly for import and export-oriented companies who only require an office in Oman.

Salalah Free zone

Salalah free zone was established in 2006 through the royal decree No. 62/2006 to take advantage of the strategic location of Salalah, located on the main sea trade routes between East and West. Salalah free zone is a member of the ASYAD group, one of Oman Investment Authority companies. Investors are allowed up to 100% ownership, 0% income tax, 0% VAT, no minimal capital requirements, no restriction of capital, and one stop shop services

Competitive advantage

Greater access with shorter transit times to major global destinations, leading to lower cost and higher efficiency

- Adjacent to one of the largest container ports in the world, the Port of Salalah, which connects Africa, the Middle East and Asia with the major global hubs.
- Direct Road networks to Yemen, Saudi Arabia and the UAE.
- Free trade agreement with major economies such as the United States, European Union countries and other for customs exemption.
- Availability of a range of products (Lands, Warehouses, Offices) designed to meet a variety of economic activities
- Near the agricultural area in the Najd region (150 km) of the Governorate of Dhofar, as well as regional and global agricultural production areas such as East Africa and India.
- Near gypsum and limestone areas (less than 100 km away).

- Existence of petrochemical projects in Salalah Free Zone.

Managed/Operated by

- Managed by Salalah Free Zone Company

Location

- Reach USA market in 18 days from Salalah port.
- Reach East Africa in less than a week from port of Salalah.
- Access to Yemeni market in 3 hours by road.
- Reach China in 16 days from Salalah port.
- Reach India in 6 days from Salalah port.
- Reach Turkey in 12 days.

Facilities

- Lands for rent for Sub-usufruct.
- Warehouses and Light industrial units ready for rent.
- Offices and business support units for rent.
- Customized solutions according to the investor's need.

Benefits

- 30-year tax exemption.
- Customs duties exemption.
- Work Permits for 80% of Foreign Work Force.
- No minimum capital Requirement.
- 100% Foreign ownership.
- One Stop Shop services.

Industries

- Industrial License for Manufacturing.
- Logistics\service.
- Commercial license.
- Tourism license.
- Real estate license.

Current key investors

- Octal for the manufacture of raw material for plastic granules (PET).
- OQ plant for the production of methanol and ammonia.
- Dunes Oman Vehicle Spare Parts Manufacturing (Brake).
- Philex Pharmaceutical Industries. Production of more than 100 medicinal products.
- LPG for extraction of Liquid Petroleum Gas.
- Oman Milk Products Factory for the manufacture of milk and dairy products (Al-Mudhish).
- Carmeuse Majan for the manufacture of lime.
- Global gypsum board for gypsum board manufacturing.
- SAGA for setting up and leasing of buildings for
- Trading, Logistics and Services purposes Including the business of apparel and garment

Salalah Office:

P.O. Box 87, PC 217, Al Awqadain, Sultanate of Oman, Tel: +968 23132500

Muscat Office: P.O. Box 258, PC 134, Jawharat Al' Shatti, Sultanate of Oman

Tel: +968 24694555

E-mail: info@sfzco.com

Web: www.sfzco.com

Sohar Free Trade Zone

This Free Zone is near the Port of Sohar and the Sohar Industrial Estate. It has been established to encourage investors in steel and metal, logistics and food sectors mainly. However, it also allows investors interested in incorporating companies with other trade activities to set up their business. Companies incorporated under the Solar Free Zone are able to benefit from full exemptions from custom duties on imports and also are not subject to minimum share capital requirements. However, the share capital declared to the Sohar Free Zone in the investors' application must be deposited to the company's bank statement. The Omanisation requirement is reduced to 15% for the first 10 years from the date of incorporation, and Sohar Free Zone companies can enjoy a 25-year tax holiday.

Potentials of Sohar Free Zone to attract investments

- It is directly linked to the port under one administration, which is positively reflected in facilitating import and export operations.
- Designing the zone according to the system of specialized and integrated industrial complexes, where factories are distributed among these complexes in a way that ensures the highest level of smoothness in their business.
- Availability of energy and water resources at competitive rates regionally.
- Competitive rates for logistics and construction costs.
- Flexible and high-quality office space for rent at reduced rates.
- Providing ready-made warehouses and refrigerated warehouses to serve various industries.
- Digital transformation allows investors, suppliers and service providers to submit their applications through the "Tas'heel" platform and obtain their permits at record time. They can also submit land lease applications or register companies through digital platforms.
- Handling and warehousing solutions make the zone an important logistic gateway for the transportation of goods in the GCC region.
- Providing easy access to raw materials.

Managed/Operated by

- Managed by Sohar Industrial Port Company SAOC
- Operated by its subsidiary, Sohar Free Zone Company LLC

Location

- Near Sohar Industrial Port
- 220 Kilometres northwest of Muscat
- 180 kilometers away from Dubai

Facilities

- Easy access to East African Coast and Indian sub-continent
- Offers plentiful land on which to build units
- First 500 hectare phase of the Zone has already been developed with further 4,500 hectares planned
- Equipped with deep-water jetties capable of handling the world's largest vessels, the Valemax class of dry bulk carriers

Benefits

- 100% foreign ownership (minimum two shareholders)
- 10 years exemption from corporate tax extendable to maximum of 25 years
- No customs duties

- No restrictions on sales within the GCC, a standard 5% GCC customs duty applies
- Minimum Omanisation levels of 15%
- Single window licensing procedure

Industries

- Metals and steel
- Logistics and trade
- Light manufacturing and assembly
- Food (cold storage and warehouse facilities available)
- Petrochemicals
- Minerals and aggregates
- Education and services

Current investors

- Oman Petrochemical Industries Company LLC (ORPIC)
- Larsen & Toubro
- Oman Methanol Company LLC
- Oman Poly Propylene LLC
- Jindal Shadeed Iron & Steel LLC
- Sohar Aluminum SA
- Sohar International Urea & Chemical Industries S.A.O.C
- Sohar Power Company S.A.O.G
- Port of Rotterdam in the Netherlands
- VALE International SA
- Majan Electricity Company S.A.O.C
- Omani Qatari Telecommunication Company (Nawras) S.A.O.C
- Oman Oil Marketing Company S.A.O.C
- Shell Oman Marketing S.A.O.G
- Al-Batina Power Company S.A.O.G

Contacts

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Muscat Office: PO Box 777, Postal Code 116, Mina Al-Fahal, Sultanate of Oman, Tel: 00968 24697830, Fax: 00968 24697831

E-mail: info@soharportandfreezone.com

Website: www.soharportandfreezone.com

Duqm Special Economic Zone:

Duqm is an internationally renowned key hub and a gateway for the Middle East, South Asia, and North and East Africa. It has a port and dry dock as well as a fishing port, fisheries industries, industrial estates, logistics, tourism and other mixed-used developments. Investors can enjoy relaxed Omanisation rate of 25%. Additionally, there are no minimum share capital requirements or custom duties, and investors can enjoy a 30-year income tax exemption. Investors are also offered competitive land lease rates in the Duqm Special Economic Zone.

Saudi Investment Minister: Duqm is an attractive destination for investment

HE Eng. Khalid bin Abdulaziz Al Falih, Saudi Arabia's Investment Minister, commended the standard of infrastructure and the existing projects in the Special Economic Zone at Duqm (SEZAD). In a press statement released upon his visit to SEZAD with a high-level economic and investment delegation, he affirmed that the Zone is very attractive for investment. "I'm very pleased with this visit, during which we were briefed on the volume of investment in the Zone. Duqm marks an ambitious project that bodes well and confirms the ability of Omanis to work on the most difficult projects", the Minister commented.

Managed/Operated by

- Special Economic Zone Authority Duqm (SEZAD)

Location

- Located in Central Eastern Oman – 400 Km from Salalah and 450 Km from Muscat
- Near the future Al Duqum International Airport

Facilities

- Has land area of 1,777Sq. kms and 80 km of coastline
- Comprise of sea port, airport, industrial area, town, fishing harbor, tourist zone, logistics centre and education and training zone.

Benefits

- No personal income tax
- Long-term leases and reduced rates
- No restrictions on foreign ownership
- No minimum investment capital
- Waivers and reduction of corporate tax and customs duties
- 100% repatriation of capital and profits

Industries

- Industrial estates
- Warehousing and logistics villages
- Tourist villages and resorts
- Commercial, office and residential complexes

Contacts

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Al Mazunah Free Trade Zone:

Al Mazunah Free Zone is in the south of Oman, next to Yemen. It seeks to encourage investors in the warehousing, food processing and industrial sectors. Similarly, to the Sohar Free Zone, companies incorporated in Al Mazunah Free Zone are exempt from custom duties on imports and no minimum capital requirements. Investors may also enjoy a 30-year tax holiday and relaxed Omanisation rates of 20%. Yemeni nationals are able to work in this Free Zone without having to obtain a visa or work permit.

Managed/operated by

- Management assigned to Public Establishment for Industrial Estates
- Golden Hala Company also operates the lease of the Al Mazuna Free Trade Zone

Location

- 4 km from the border with Yeman and 14 Km from the Yemeni city Shahn.

Facilities

- Offers trade and storage of vehicles, automotive spares, fruits and vegetables, livestock, fresh and frozen meat, machinery and equipment and other merchandise.
- Plots range from 2,000 – 16,000 sq. m across 100 sectioned areas
- PEIE operates an industrial estate within this zone

Benefits

- Omanisation rates of 10%
- Customs duty exemption
- Exemption from commercial agency law
- 30 year income tax holiday
- 100% capital ownership
- Yemeni employees can work without visas
- No minimum investment required
- Imported goods can be sold into the larger Omani market

Industries

- Industrial: factories, food, plastics, textiles and maintenance
- Commercial: trading and storage of goods, cars and spare parts, livestock, food, machinery and equipment
- Supporting services: transport and logistics, distribution and clearing, handling and commercial correspondence

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Financial reporting and auditing requirements

All business entities are required to maintain accounting books under accrual method following International Financial Reporting Standards (IFRS).

All business entities shall, at the end of each financial year, prepare financial statements reflecting the true financial position and the financial performance.

Preparation and submission of financial statements

Type of Entity	Requirements
Joint stock companies	• Must prepare and get financial statements audited within 2 months subsequent to the year-end. • Provide audited financial statements to shareholders 14 days prior to the AGM. • AGM must be held within 3 months subsequent to the year-end. • SAOG companies are required to publish condensed financial statements on a quarterly basis and the same has to be filed with CMA.
Limited liability companies	Must submit audited financial statements to the tax authorities along with annual tax return within 4 months after the year-end.
Banks	File audited financial statements with CBO within 1 month from the year-end.
Insurance companies	File audited financial statements with CMA within 2 months from the year-end.
All taxpayers	File audited financial statements along with the final return of income with the Tax Authority within 4 months from the end of the accounting period.

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, BANKING AND INSURANCE 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 0.3854. 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

Oman's financial system consists, mainly, of conventional and Islamic banks, finance and leasing companies, money exchange establishments, investment/brokerage companies, insurance companies and agencies and pension funds.

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 includes several insurance firms, public and private sector pension funds, mutual funds, primary capital markets, brokerage firms and the stock exchange (i.e. the Muscat Securities Exchange).

The Omani banking sector comprises of 20 banks which includes 16 commercial banks (7 fully listed local banks and 9 foreign branches), 2 Government owned specialized banks, 2 Islamic banks with a total of around 500 branches throughout Oman. Official data reveals that the top three commercial banks contribute around 70% of total sector assets, while the leading player Bank Muscat (the only bank in Oman to be designated as a D-SIB) alone accounts for approximately 35%. The two specialized banks, 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. In addition to the two full-fledged sharia-compliant banks Islamic banks there are also six banks offering Islamic windows.

Licensed banks and leasing companies need to adopt international standards as regards customer due diligence, internal audit, risk management, compliance, corporate governance etc., though there are specific requirements too. Consistent with international best practice, IFRS 9 was adopted effective from 2018 and Insurance Companies are in currently in the process of converting their accounting to IFRS 17 under the guidance of the CMA.

Banks need to be in compliance with other laws of the Sultanate, as applicable. For instance, in addition to norms set by CBO, the Code of Governance set by Capital Market Authority, shall apply to licensed banks, which are joint stock companies.

Oman's banking sector has continued to perform well despite economic headwinds. Falling oil prices have increased the demand for credit and, as a result, banks' lending and assets have continued to expand, although liquidity has tightened. Meanwhile, the vibrant Islamic banking and financial services segments have supported the sector's growth.

With regard to non-banking financial intermediaries in Oman, at the end of the year 2021, 5 finance and leasing companies are engaged in leasing, hire purchase, debt factoring and similar assets-based financing facilities. There are 21 money exchanges operating under the license of money exchange and remittance business. There are 19 insurance companies, out of these 10 (including 2 Takaful companies) were national companies and 9 were foreign insurance companies. In addition to the insurance companies, there are 31 licensed brokerages.

Insurance

The Capital Market Authority regulates and supervises the insurance sector in the Sultanate of Oman which consists of General and Takaful insurance companies, reinsurance companies, insurance brokers, insurance agents, the Oman Insurance Society and the Unified Office of the Orange Card.

The Insurance Companies Law Article 1 applies to companies which carry on, within the Sultanate of Oman, insurance business of all or any of the following classes:

a) Ordinary life business;
b) Industrial assurance;
c) Liability assurance;
d) Marine, aviation and transport insurance;
e) Motor vehicle insurance;
f) Pecuniary loss insurance;
g) Personal accident insurance;
h) Property insurance; and
i) Other types of insurance not included in any of the above categories.

Classes of insurance business in paragraph (a) to (b) are known as "Life Insurance Group" and classes of insurance business listed in paragraph (c) to (i) are known as "General Insurance Group".

As per Article 51 of the Law, an external insurance company may operate in the Sultanate through authorised agents, its branch office or through other service units pursuant to the terms and conditions and requirements set out in the Regulation.

General Insurance

The Insurance Companies Law issued by Royal Decree No. 12/79 governs the legislations regulating to the insurance sector in Oman and these are closely monitored by the Capital Market Authority. Subject to the provisions of Article 51 of this law, in respect of foreign companies, no company shall have the right to conduct the insurance business in the Sultanate of Oman unless it fulfils the following requirements:

1) It shall be a public joint stock company established in accordance with Commercial Companies Law to carry out insurance business.

2) It is licensed by the Capital Market Authority in charge of insurance business to carry out all classes of insurance business or any of the classes specified in Article 1.

3) It is a joint stock company possessing minimum capital of not less than RO 10,000,000 (Ten million Rial Omani) as required by this law, and has lodged the required guarantee and maintains margin of solvency during its activity.

Insurance company also means the branch office or agency or any other set-up belonging to the insurance company set-up in Oman or abroad and carrying out insurance activities in the Sultanate of Oman.

Insurance brokers and agents

Brokerage operations may only be carried out by a company registered in the register of insurance companies in Oman. A broker business must to submit an application for the license and registration in the insurance brokers register to the CMA along with conditions:

a) That he is having an experience in the field of insurance brokers for ten years at least or having a certificate of education from an approved professional institute plus five years' experience in the field of insurance.;

b) That he has paid the registration or renewal fees amounting to sixty-five (RO 65) Omani Rials to the Authority by enclosing supporting receipts; and

c) Submit to the CMA a bank guarantee amounting to RO 50,000 for one year subject to renewal and to be valid all through the period of currency of the license.

Any person desirous of carrying out insurance agency business shall be a juristic person and shall apply for license on the form prepared by CMA together with following requirements:

1) Proposed name of the insurance agent, legal form and address;
2) Name of founders who shall be Omani Nationals;
3) Payment receipt pf application consideration fees;
4) Evidence that founders and senior management have not been declared, in the five years preceding the application as bankruptcy or convicted in a felony or dishonorable crime or an offense provided for in the Commercial Companies Law, Commercial Law, Capital Market Law or insurance companies Law unless rehabilitated; and
5) Copy of registration certificate in the Commercial Register, signatories form and copy of the membership in the Oman Chamber of Commerce and Industry.

Health Insurance Law

The Capital Markets Authority (CMA) in Oman, the financial regulator, released the mandated medical insurance Law, Unified Health Insurance Policy and the Health Insurance Rules under Decision No.78/2019 through Resolution No 34/2019.

These amendments separate Health Insurance from other insurance activities, making it independent after previously being considered as part of the General Insurance business. Such independence for the sector takes into consideration the uniqueness of the health insurance activity and the nature of the insurance service as it is about the health care and the lives of individuals. This requires the provision of legislative and technological systems that commensurate with such distinctiveness

and at the same time cope with the international developments and standards of regulation, ensuring the soundness and quality of the services provided to health insurance policyholders.

The application of the Law is relevant to the employer market and the beneficiaries arising from those relationships including employer, employee and dependents. The Law applies and has adopted a "Basic Benefits" and "Optional Benefits" coverage, standard form "Policy Schedule" for parties' signature and a standard "Insurance Application" for pre-contractual disclosure requirements.

As a result, it is expected that the health insurance sector will contribute to economic growth and in providing quality insurance and health services in the Sultanate's various governorates, as well as creating job opportunities for the youth in both the public and private sectors.

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 Laws

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

Omani labour laws 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.

Employment of expatriates

Foreign nationals coming to Oman for the purpose of employment must obtain an employment visa (prior to departure from home country/territory) sponsored by the entity that will act as their employer. Prior to recruitment of expatriate, employers are required to obtain necessary labour clearance from the Ministry of Manpower. For certain nationalities, the foreign nationals seeking employment have to undergo medical tests and obtain a medical report from their home country/territory prior to employment visas being issued.

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.

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 8 % of the gross salary from the employee and 12.5% 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 at present, and the Sultanate has proposals for personal income tax in the near future.

Trade unions

The workers may form labour 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.

DIRECT 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 regime 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 and in February 2020.

Personal Income Tax

Oman Income Tax Law does not impose tax on income earned by individuals irrespective of nationality. However, ushering in a Personal Income Tax (PIT) regime is being evaluated by the Government following its inclusion in the 2020-2024 Medium Term Fiscal Plan. This Fiscal Plan indicates the government's intention to apply PIT from 2022.

Taxable business entities

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

- Establishment (sole proprietorship business);
- Enterprise (small Omani proprietorships and small Omani companies fulfilling certain conditions)
- 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

- For Omani Enterprise - 3% on the taxable income
- For Other Taxpayers - 15% on the taxable income
- Companies engaged in the field of oil exploration and deriving income from sale of petroleum - 55% on the taxable income.

Permanent establishment ("PE")

PE means, a fixed place of business through which a business is wholly or partly carried out in Oman by a non - resident either directly or indirectly through a dependant agent or otherwise.

PE especially includes

- a place of sale, place of management, branch, office, factory or workshop;

- a mine, quarry or other place of extraction of natural resources.

PE also includes

- a building site, place of construction or an assembly project if it lasts for a period exceeding 90 days.
- any non - resident 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 non - resident uses a fixed place of business solely for the following purposes:

- Storage, display or delivery of goods or merchandise belonging to that person;
- The maintenance of a stock of goods belonging to that person for the purpose of storage, display or delivery or processing by another person;
- Purchase of goods, merchandise, or collection of information for the business;
- Carrying on any other activity of a preparatory or auxiliary character for the purposes of the business; and
- 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 non - resident who do not have a PE, or the income do not constitute a part of the gross income of a PE.

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

The Economic Stimulus plan has given temporary suspension from withholding tax for Dividends and Interest payments up to 2024.

Exclusions from withholding tax

Clarification has been issued in respect of Performing services wherein the following categories of payments are excluded for withholding tax purposes:

- conferences, seminars or exhibitions
- training
- transport and shipping of goods and insurance thereupon
- airline tickets and cost of staying abroad
- board meetings
- payments for re-insurance
- services rendered in relation to any activity or property located outside Oman.

Withholding tax remittance

Any taxpayer who pays or credits any of the amounts specified above to a non - resident, shall be liable to deduct 10% as withholding taxes from the gross amount paid or credited, and shall remit the same to the Tax Authority, 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 Tax Authority 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 of the loss and /or excluding any income exempt 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 or performing services.

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 in cash or kind may be deducted, up to 5% of gross income, only if made to organizations approved by the Council for Financial Affairs and Energy Resources, and on fulfilment of the provisions in the Executive regulations.

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 the tax payer has taken legal steps to recover the debt including obtaining a 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 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 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 proprietor of an Omani establishment or partner/members of an Omani Company 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.

- Actual remuneration or RO 1,500 per month per person/partner, or 25% of the taxable income of any entity, whichever is less (In general)

- Actual amount of remuneration or RO 3,500 per month per person, or 35% of the taxable income of any entity, whichever is less (In case of professionals)

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 in respect of premise/ buildings used for the purpose of business or as residential accommodation of its employees 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%
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 software	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 Tax Authority.

Loan losses

The loan loss provisions are allowed as deductible expenses in the case of all banking companies and leasing companies as defined in the banking law to the extent specified under the 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 related 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 at 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 Tax Authority considers unreasonable/excessive.

Tax exempt income

The following types of income is fully exempt from tax:

- Dividends received by the establishment, Omani company or permanent establishment from shares, allotments or shareholding it owns in the capital of any Omani company.
- 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 Avoidance Agreements (DTAA)

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 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 DTAA.

Related party transactions

The Income Tax 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 authority 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 Tax Authority is authority responsible for the administration, assessment and collection of income tax.

Registration

Business entities must register with the Tax Authority 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 with effect from 01 July 2020 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.

Principal officer

Business entities have to designate a principal officer who would be the focal person in respect of Income Tax Law. Otherwise, The Chairman of the Tax Authority 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 Tax Authority.

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 the Annual Return of Income for each tax year to the Tax Authority in the forms prescribed for this purpose within the period mentioned below and pay the taxes due as per the returns.

- The Annual Return of Income (ARI) should be furnished within four 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.

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

Relief for Enterprise (lower tax rate)

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

- Capital is RO 60,000 or less, the income is RO 150,000 or less and number of staff is 25 or less.
- Not carrying out activities like banking, insurance, mining, public utility projects, air/sea transport and other activities to be included.

Tax shall be charged at Zero %, if the above referred entities are fully owned and managed by Omanis or Omani establishments and they employ at least two Omani citizens.

Such small Omani establishments and Omani companies taking advantage of this provision must submit their Income tax returns within 3 months from the end of the accounting period, and they are permitted to follow 'Cash basis' of accounting.

Eligible tax payers shall submit a request to the tax authorities along with the tax return. After granting a lower tax rate, any conditions specified under the law subject to which relief/benefit was granted are not met, then the benefit/relief of the lower tax rate will be withdrawn and will be brought under the general tax bracket.

Tax assessment

Income Tax assessments may be made within three years from the end of the year which the tax return is filed on an application made by a Tax payer. The basis for assessment is the income tax returns filed, audited financial statements, details furnished, documentary evidences, supporting, tax hearings and representations. Self-assessment procedure has been introduced in 2017, with provision for investigation on sample basis. Tax assessments would be done on sampling basis for any tax year on any tax payer that is liable to file a return. A specific provision has been included in the tax law to allow inspection of documents and records at the tax payer's premises.

In cases where income tax returns are not submitted, the assessment shall be made within 5 years from the end of the tax year for which the return of income is required to be submitted. The Tax Authority may rectify/ revise/make additional assessments within a period of 3 to 5 years from the original assessments, if there is any mistake or an under assessment.

The Tax Authority serves the notice of assessment on a tax payer, normally by post to its last address known to the Secretariat General. The delivery of a notice/ decision through portal to the taxpayer are considered valid. The assessment is made in writing and includes, in particular, the amount of taxable income or loss, along

with the date of assessment, the amount of the tax payable and the due date of payment.

Tax disputes

The taxpayer has the right to object to an assessment, if there is any dispute in the assessment completed by the Tax Authority. The objection shall be filed in writing to the Chairman of the Tax Authority 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 disputed/objected tax. The Chairman of the Tax Authority 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 Grievance 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 Grievance Committee within 45 days from the date of serving the notification of the committee's decision. Either the Tax Authority 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, as per the Annual 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 Annual 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.

INDIRECT TAXATION

Customs Duty

Import into and export out of Oman is governed by the Unified Customs Law (UCL), and implemented by the Royal Oman Police through the Directorate General of Customs. The UCL and the unified customs system provides for a single point of entry and exit to the GCC, allowing the free movement of GCC-manufactured goods without a levy of customs tariff and subjecting most foreign imports to a one-time External Common Custom Tariff at the rate of 5%, under the GCC common customs duty regime.

Personal effects and used household items brought into the country/jurisdictions by the nationals residing abroad or the foreigners coming for the first time for residence in the country/jurisdictions are exempt from customs duties, subject to the prescribed conditions and controls.

Excise tax

Oman has followed in the footsteps of Saudi Arabia, UAE, Bahrain and Qatar in imposing a selective tax, dubbed as ‘sin tax’ on goods and beverages, seen to have a level of harm associated with their consumption.

On 13 March 2019, His Majesty Sultan Qaboos bin Said issued Royal Decree No. 23/2019, approving Oman’s Excise Tax Law. The Royal Decree will take effect on 15 June 2019 i.e. 90 days from its publication in the Official Gazette, released on 17 March 2019. Excise tax is being introduced as an initiative to control the consumption of products that are considered harmful to health and wellbeing.

The legal framework governing the implementation of excise tax in Oman is the Common Excise Tax Agreement of the States of the Gulf Cooperation Council (GCC) that was agreed by the GCC Member States in November 2016.

The Selective Tax Law levies a tax on tobacco and its derivatives (100 per cent), carbonated beverages (50 per cent), alcohol (100 per cent), energy drinks (100 per cent) and pork products (100 per cent). While these categories are relatively well-defined, a comprehensive listing of beverages and energy drinks subject to the new tax will go a long way in removing any scope for doubt or confusion.

The Tax Authority has extended the levy of excise tax to sweetened drinks with effect from 1 October 2020. The Tax Authority has issued a Decision on 16 June 2020 to make the necessary legislative amendments to enable the implementation of excise tax on sweetened drinks.

The scope of sugary or sweetened beverages/drinks is likely to be very wide and is expected to cover - All types of juices, sports drinks, fruit/malt syrups, pre-mixed ready to serve coffee and tea drinks, which “contains sugar or any of its derivatives” (regardless of the percentage of sugar contained) and also Concentrates, powders, gels, extracts or “any other forms” that can be converted into sweetened drinks.

Excise Registration

Any business that:

1. Imports excise goods into Oman.
2. Produces excise goods released for consumption in Oman.
3. Stockpiles excise goods in Oman (when excise tax is made effective, i.e.1 October 2020).

Excise Tax computation

Excise tax will be computed on the higher value of either of the following prices:

1. Price published by the Oman Tax Authority for the excise good in a standard price list
2. Retail sales price for the excise good

License to operate an Excise warehouse

The Oman Excise Tax legislation allows businesses to apply for a license to operate an excise tax warehouse in the prescribed form upon fulfilment of the below conditions:

- The applicant is registered with the Tax Authority for the purposes of excise tax.
- The applicant has sound financial position to establish an excise warehouse.
- The applicant has not been convicted by a court for certain specified crimes.
- The applicant submits a bank guarantee for the value and period specified by the Tax Authority.
- The location of the excise warehouse satisfies technical specifications specified by the Tax Authority.
- The applicant complies with all other conditions specified by the Tax Authority in relation to operating of an excise warehouse.

The Oman Tax Authority issued Ministerial Decision 339/2021for the determination of license fee on application for a license to operate an excise warehouse.

According to this Decision, the license fee which ranges from RO 500 to RO 5,000 is based on the value of the bank guarantee submitted by the applicant at the time of applying for establishment or renewal of an excise warehouse.

Value Added Tax (VAT)

Value Added Tax (VAT) is an indirect tax based on consumption. VAT applies to all goods and services that are bought and sold for furtherance of business activity or consumption. Goods which are sold for export or services which are provided to customers abroad are normally subject to 0% VAT and imports are taxed.

According to Organization for Economic Co-operation and Development (OECD), VAT is operational in 166 countries throughout the world in the form of VAT, GST, SST, Consumption Tax, Indirect Tax.

VAT was being introduced in the GCC region under the GCC VAT agreement approved by the six GCC member states. UAE and KSA were the first two GCC member states to implement 5% VAT on January 1, 2018. Kingdom of Saudi Arabia implemented VAT in a staggered manner later followed by the Bahrain and Oman. Further the VAT rate in Kingdom of Saudi Arabia increased from 5% to 15% with effect from July 1, 2020. Also, the cabinet of Kingdom of Bahrain approved the increase in VAT rate for 5% to 10% from January 1,2022.

Key features of the GCC VAT framework

▪ The standard rate of tax is 5% on the supply of goods and services; exports subject to 0%; certain sectors are zero rate and a few are exempted from VAT.

▪ Businesses with an annual revenue of not less than USD 100,000 are required to register for VAT purposes; but companies can register under voluntary registration scheme.

▪ GCC VAT framework allows the member state to have the discretion to zero rate or exempt the different sectors from VAT.

VAT in Oman

Oman introduced Value Added Tax from 16 April 2021.

VAT registration

Businesses are able to apply for a VAT registration threshold from 1 February 2021. The mandatory VAT registration threshold is OMR 38,500. However, it is possible to apply for a voluntary registration above OMR 19,250. The threshold is based on annual sales for the rolling preceding 12 months. Non-resident businesses making taxable supplies in Oman must VAT register.

Responsible person

The VAT Law requires the appointment of a responsible person from the company to fulfil the obligations imposed by the VAT Law. The position of this individual may vary depending on the type of company. The company must inform the Tax Authority of such appointment.

VAT Rate in Oman

While most of the supplies are expected to attract a standard rate of 5% VAT, the Oman VAT law is also provisioned to allow certain exceptions to levy 5% VAT. Certain type of notified supplies will be either exempted or zero-rated.

Standard Rate 5%

All goods and services bought or sold or imported into the Sultanate of Oman are subject to VAT and a standard rate of 5% VAT will be levied on all such supplies. The businesses registered under Oman VAT are responsible to levy VAT @ 5% on such supplies, collect it from their customers and remit it to the government.

Zero-Rated supplies 0%

Zero-rated supplies are taxable supplies but are taxed at a 0% VAT. In other words, certain notified supplies, mostly exports, are treated as zero-rated meaning a nil rate of tax will be levied. Though they are taxed at 0% VAT, registered businesses can still claim input VAT on purchases and receive VAT refunds.

Exempt supplies

Exempt supplies are those that do not attract VAT. In simple words, a supplier of exempt supplies does not collect or charge VAT on its sales and also not allowed to claim the input VAT paid on its purchases

VAT Return Filling

On a quarterly basis, each company that has registered for VAT needs to calculate/ compile the VAT it has charged on the goods and services it has supplied (output VAT) and the amount of VAT it has paid on the goods and services it has received (input VAT). If the output VAT is higher than the input VAT, it is required to pay the balance to the Tax Authority. If the input VAT is higher than the output VAT, it is entitled to request for returning the balance from the Tax Authority.

Input tax recovery in a tax period, the taxable person can deduct and adjust recoverable input tax from the value of the output tax liability. ○ Subject to conditions mentioned in the Oman VAT Law and the Executive Regulations (yet to be published) eligible input tax credit (/)

Special Economic Zone (SEZ) - The Oman VAT Law recognizes the transactions undertaken by the business based in the SEZ. However, there is no indication in the Oman VAT Law the VAT treatment for the transactions in the SEZ to be determined in the Executive Regulations.

Record Keeping

Companies must keep any documents related to VAT, such as records and

documents related to imports and exports of goods, for a period of ten years from the date of the end of the previous tax period in which the relevant tax return has been submitted. This period is extended to fifteen years for capital assets relating to real estate.

Penalties

As per the provisions of the Oman VAT Law, significant penalties, both monetary and/or in the form of imprisonment can be levied for the breach of specific conditions. Late payment penalty is also levied at 1% of the unpaid amount.

How VAT will impact the business in Oman

Business impact

- Potential effects on margins and pricing
- Impact from VAT leakage
- Working capital funding of timing differences between paying and collecting/receiving VAT
- Impact of long-term contracts on hand

Reflecting the VAT law

- Identify correct VAT treatment of every business transaction
- Industry sector specific issues
- Inter-company transactions
- Intra GCC transactions
- Apply any exemptions/Zero rate

Compliance – throughout the value chain

- Establish VAT management framework covering governance, controls, roles and responsibilities
- Tax knowledge and training
- Tax registrations and filing requirements
- Process and procedure guides

Technology and Systems

- Systems changes for VAT compliance and reporting (e.g. financial and point of sale systems)
- VAT coding of accounts payable and receivable
- Process and compliance automation
- Electronic documentation
- Data and analytics to enhance compliance

Sales and Marketing

- VAT treatment of sales and exports
- Effect on demand
- Pricing strategy and payment terms
- Customer management
- Impact on current contracts and commercial arrangements

Procurement

- VAT treatment of purchases and imports
- Procurement strategy
- Vendor management
- Contracts and arrangements

INTERNATIONAL TAXATION

In order to align with international best practices regarding the fight of cross-border tax evasion and meet the standards set by the European Union (EU) and the Organization for Economic Co-operation and Development (OECD), Oman tax regime is moving towards global requirements, in light of OECD and global initiatives related to Base Erosion and Profit Shifting (BEPS).

On 07 July, 2020 Oman deposited its instrument of ratification for the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (Multilateral Convention or MLI) with the OECD's Secretary-General, underlining its strong commitment to prevent the abuse of tax treaties and base erosion and profit shifting (BEPS) by multinational enterprises. Oman has ratified, accepted or approved the MLI and entered into force on 01 November, 2020. Oman listed 35 treaties that it wishes to be covered by the MLI, 16 of which are currently covered tax agreements.

Oman took another step towards BEPS implementation by signing the Multilateral Competent Authority Agreement on the Exchange of Country-by-Country Reports — becoming the 86th jurisdiction to do so.

The Central Bank of Oman (CBO) recently issued a circular implementing the Common Reporting Standard (CRS) regime. This circular sets the rules for the automatic exchange of information (AEOI) through CRS.

Country by Country Reporting (CbCR)

As part of Oman's commitment to implement four minimum standards under the Base Erosion and Profit Shifting ("BEPS") Inclusive Framework, it has now introduced rules for CbC reporting (Action Point 13 of BEPS Action Plan) vide Tax Authority's Decision No. 79 /2020 published in the Official Gazette on 27 September 2020.

In reference to the Tax Authority Chairman Decision No. 79/2020 regarding reporting rules on Country-by-Country Reporting, the Tax Authority announces that MNEs group having total consolidated revenue of more than (RO 300 million) Three Hundred Million Rial Omani during the Fiscal Year immediately preceding the Reporting Fiscal Year as reflected in its Consolidated Financial Statements for such preceding Fiscal Year has to register and submit a notification in accordance with Article (3) of Action (13) of the Inclusive Framework of the Base Erosion and Profit Shifting (BEPS) through the Oman Tax Authority AEOI Portal (aeoi.taxoman.gov.om) before the end of the year.

These provisions have been made effective for Reporting Fiscal Years (based on the accounting period followed by the Ultimate Parent Entity of Multinational Enterprises Group) starting on or after 01 January 2020, as per the following rules:

CbCR threshold - Omani Riyal (OMR) 300 million (approx. EUR 670 million / USD

780 million) of consolidated revenue of the Multinational Group (MNE Group) in the preceding year.

CbCR filing obligation – (i) Ultimate parent entities (UPE) of MNE Groups in Oman; (ii) Option to file under Surrogate Parent Entity (SPE) filing mechanism, in case certain conditions are fulfilled; and (iii) Requirement for entities other than UPE / SPE to file, in case certain conditions are fulfilled (i.e. secondary filing). Notification filing obligation – UPE/ SPE/ Other constituent entities, which are tax residents in Oman.

Due dates – CbCR notification to be filed on or before the last day of the reporting year (i.e. 31 December 2020 for the year ended 31 December 2020) and CbCR to be filed within 12 months from the last day of the reporting year (i.e. 31 December 2021 for the year ended 31 December 2020).

Suspension Alert by Oman Tax Authority

In reference to the recent announcement on suspension of local filing submissions in the context of CbCR requirements applicable vide Tax Authority Chairman Decision No. 7912020, Oman Tax Authority wishes to clarify that the suspension on local filing applies only to those CbCR reports whereby MNE Group with UPE resident outside of Oman who meet the conditions in Article 3 may otherwise be required to file the report locally pursuant to Article 3.

The suspension does not applv to the requirement set out under Article 2 of the aforementioned Decision, applicable to MNE Group with UPE resident in Oman. Furthermore, the suspension is applicable only to the local filing requirements (i.e. the filing of CbCR Reports) as mentioned above. The requirement of submitting CbCR Notifications shall continue to apply in accordance with the provisions of Article 5 of the aforementioned Decision.

Common Reporting Standards (CRS)

The CRS was established after the implementation of the Foreign Account Tax Compliance Act (FATCA) regulations that compels non-US Financial Institutions to provide the IRS with information about their US customers. The CRS has a similar goal but with a broader vision that would not only include US citizens and requires Financial Institutions to report information on accounts held by tax residents of reportable jurisdictions and certain entities controlled by such tax residents.

In reference to the Tax Authority Chairman Decision No. 28/2009, on Standards for Automatic Exchange of Financial Account Information, the Tax Authority alerts the importance to fulfil the obligations stipulated in the Standards. Designated persons may register and report financial account information through the Oman Tax Authority AEOI Portal (aeoi.taxoman.gov.om), and in case of no account is identified as a Reportable Account, the Financial Institution shall file a report to the Tax Authority stating that the Institution maintains no Reportable Accounts for that year.

Entities and branches of foreign entities based in Oman will need to assess their classification under the CRS requirements to determine whether they are classified as RFIs and have reporting obligations under the CRS rules.

Individuals and entities not classified as Reporting Financial Institutions should be prepared to provide the relevant documentation and self-certifications to Reporting Financial Institutions to support their tax residency status.

CRS contain reporting standards and due diligence standards. The standards

- Sets jurisdiction to obtain information from financial institutions
- Exchange such information to other jurisdictions annually
- Sets out the financial information to be collected/reported
- Contains due diligence procedures/rules
- sets out the financial institutions to report

- prescribes the account holders and the type of accounts

Reporting standard require the financial institutions to adopt Anti Money Laundering/ Know Your Customer procedures to be followed irrespective of pre-existing account holders or new account holders, low value and high value accounts, accounts of resident holders and non-resident holders without any de minimis threshold

Due diligence standard requires the financial institutions to conduct review procedures and hence there is a threshold limit.

CRS Jurisdiction - Financial institutions which is located in the country and excludes its branches of it in another country and includes the branches of financial institutions the main office of which is outside the country.

Financial institution means - Depositories – banks, Custodians – Mutual funds, Investment entities – which does the business of trading investments, Specified Insurance companies – which deals in life insurance policies.

Reporting requirements - The account holder name, place of birth - The account value, type of investment income, sale proceeds from financial instruments.

Implementation - The legal implementation depends on each participating jurisdiction signing the bilateral or multilateral competent authority agreement between two jurisdictions. If there is no multilateral Agreement, then there is a memorandum of understanding agreement is required.

Implications - Entities and branches of foreign entities based in Oman will need to assess their classification under the CRS requirements to determine whether they are classified as RFIs and have reporting obligations under the CRS rules. Individuals and entities not classified as RFIs should be prepared to provide the relevant documentation and self-certifications to RFIs to support their tax residency status.

Foreign financial assets

Individuals, while opening a bank account in Oman shall inter alia be required to declare their tax residency as part of Common Reporting Standards ('CRS') rules effective from 1 July 2019 (apart from existing FATCA rules which apply to US residents). The banks may further, depending upon their obligations under CRS regime, disclose appropriate information pertaining to the financial assets of the account holder to the tax authorities.

Foreign Account Tax Compliance Act (FATCA)

FATCA requires most financial service institutions to disclose and report certain information on US account holders to the US internal Revenue Service (IRS.)

Under FATCA, to avoid being withheld upon, foreign financial institutions (FFIs) may register with the IRS and agree to report to the IRS certain information about their U.S. accounts, including accounts of certain foreign entities with substantial U.S. owners.

Financial institution means - Depositories – banks, Custodians – Mutual funds, Investment entities – which does the business of trading investments, Specified Insurance companies – which deals in life insurance policies.

If not exempted, FFIs that do not both register and agree to report face a 30% withholding tax on certain U.S.-source payments made to them.

FATCA Implication in Oman

However, to this effect Oman government has issued a circular dated 05 February 2014 advising financial institutions to take necessary steps to comply with the FATCA requirements. and to perform due diligence on the risks of noncompliance with FATCA and to start reviewing the Company's internal arrangements and procedures, especially those related to accounts that are

likely to be subject to FATCA regulations to avoid withholding tax provisions imposed by US tax authorities.

Residential status

Oman's Income Tax law has been amended to define the residential status of a natural person and legal person for the purpose of international taxation obligations.

Residential status of a natural person

A natural person becomes tax resident of Oman if he stays in Oman for 183 days or more either continuously or intermittently during the tax year.

Residential status of a legal person

A legal/juristic person becomes tax resident of Oman if it has been incorporated in Oman in accordance with the applicable laws and regulations in force in Oman or the place of effective management/head office is in Oman.

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- Cyber Security Consultation & Audit
- Technology Advisory
- IT Compatibility Reviews

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