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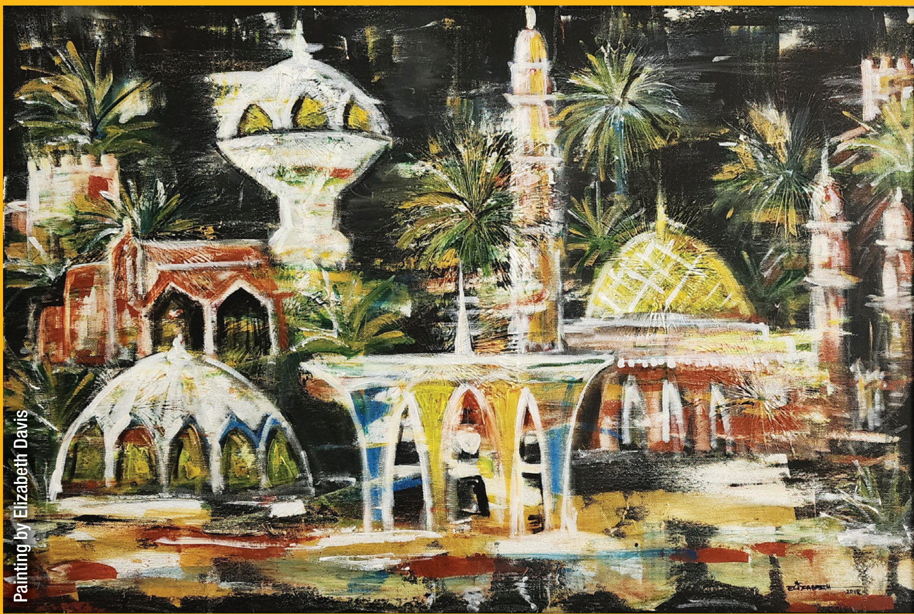

Painting by Elizabeth Davis

Doing Business in OMAN

Audit / Tax / Advisory / Risk / Technology

HIS MAJESTY
SULTAN HAITHAM BIN TARIK

Welcome

to 'Doing Business in Oman'

Welcome to Crowe Oman 's "Doing Business in Oman" 2024 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

His Majesty's Vision 2040 lays down in clear terms the direction and growth of the Oman economy, which is the vital indicator for the foreign investors planning to enter this market. The Government of Oman has identified true potential and hidden resources of the Sultanate to accelerate the economic diversification process through fast track. Manufacturing, Tourism, Transport & Logistics, Energy & Mining, and Agriculture & Fisheries have been identified as the five core industries to spearhead the acceleration of the economy. More recently the energy sector is gaining grounds as an investment opportunity especially in the green hydrogen. World Bank, IMF, IIF and other rating agencies continue to give a positive outlook to the Oman Economy.

The Sultanate of Oman is politically the most stable country in the Arabian Peninsula. Omani culture had always welcomed co-operation from other countries. 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.

Crowe Oman serves a wide spectrum of clients in the Sultanate. It's our constant endeavour to support businesses and investors to make the right investment decisions We support various public and private sector organizations, to continuously face the risks and challenges to remain market leaders. 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. As part of our commitment to society, we are involved in training and educating young Omani talents.

This book will give you a quick overview of the business environment of Oman, and the incorporation process of business entities, across the various Governorates including the free zones, to assist you in the 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
Founder and Managing Partner - Crowe Oman
Deputy Chairman - Foreign Investment Committee - OCCI
Director - Indo Gulf and Middle East Chamber of Commerce
Muscat, Sultanate of Oman
1 January 2024

Message from OCCI Chairman

OMAN CHAMBER OF COMMERCE & INDUSTRY

CHAIRMAN'S OFFICE مكتب رئيس مجلس الإدارة

Message from His Excellency the Chairman,
Oman chamber of Commerce and 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 the Sultanate of Oman 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.

Best Regards

His Excellency Sheikh Faisal Bin Abdullah Al Rawas

Chairman, Oman chamber of Commerce and Industry.

Sultanate of Oman

18 December 2023

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Message from INMECC Chairman

INDO GULF AND MIDDLE EAST CHAMBER OF COMMERCE

INMECC

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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 –Indo Gulf and Middle East Chamber of Commerce (INMECC)

18 December 2023

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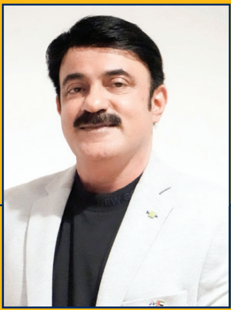

Message from

OCCI Board Member

المركز الرئيسي
Head Office
www.omanchamber.com
غرفة تجارة وصناعة عمان
Oman Chamber of Commerce & Industry

Doing Business In Oman

In an era marked by rapid transformation and innovation for the Sultanate of Oman, it is essential to recognize the evolving landscapes of business and investment. This book emerges as a beacon of knowledge, guiding both seasoned investors and budding entrepreneurs through the intricate pathways of economic ventures. It delves into the essentials of investment strategies, legal frameworks, and operational intricacies, providing a comprehensive overview for those eager to navigate the dynamic business environment.

Crowe Oman, through their expertise and in-depth research, has masterfully encapsulated the multifaceted aspects of doing business in Oman. Their contribution goes beyond mere analysis; it is a valuable roadmap for entrepreneurs, investors, and businesses looking to understand and leverage the unique opportunities that Oman offers in this era of globalization and technological advancement.

As we leaf through the pages, we realise it is not just a testament to Oman's economic achievements; it is a vital guide that provides readers with a comprehensive understanding of the market dynamics, regulatory environment, and cultural nuances essential for successful business ventures in Oman. The insights offered here are invaluable for anyone seeking to engage with one of the Middle East's most dynamic and promising economies.

In sum, "Doing Business in Oman" is a crucial companion for all who are intrigued by the prospects of growth and innovation in the Sultanate's flourishing economy. It stands as a fountain of insight and inspiration, reflecting the ambitious spirit and enduring potential of this great nation.

Abdul Latheef

OCCI Board Member & Chairman for OCCI - Foreign Investment Committee

18 December 2023

ص.ب: ١٤٠٠ روي، الرمز البريدي: ١١٢، سلطنة عمان، هاتف: ٢٤٧٦٣٧٠٠ ٩٦٨+، فاكس: ٢٤٧٠٨٤٩٧ ٩٦٨+، البريد الإلكتروني: occi@omanchamber.om
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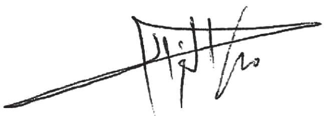
Message from the Founding Partner

The business models across the world are changing rapidly with innovation . The success stories of many businesses are no more relevant now. The key to success in this decade is digitisation. Technology is driving the businesses and Oman is not different.

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.

Warm Wishes



Muna Bint Abdullah Al Ghazali

Founding Partner - Crowe Oman

Muscat, Sultanate of Oman

18 December 2023

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.

Best Regards,

Dr Khalid Maniar

Founding Partner - Crowe Oman

Muscat, Sultanate of Oman

18 December 2023

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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 630AD, during the lifetime of the prophet Muhammad; consolidation took place in the Ridda Wars in 632AD.

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 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 63 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 in general is very hot, with temperatures reaching 50 degrees Celsius (122-degree Fahrenheit) in the summer months from May to September. Annual rainfall in Muscat averages 100 mm (3.9 in) falling mostly in January. The Dhofar region is subject to the southwest monsoon, and rainfall up to 640 mm (25.2) has been recorded in the period between late June to October.

Local time

The local time is four hours ahead of Greenwich Mean Time (GMT). [GMT + 4]

Population and language

Oman's population has almost doubled over the past decade and has now finally crossed five million mark. As of December 2022, the total population of Oman had crossed 4.9 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 a 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 the 6th of 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 an 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 50 destinations in 27 countries out of its primary hub at Muscat. Oman is also home to Salam air, another carrier based in Muscat operating a network of 44 destinations in 22 countries.

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 is approximately 15,000 kilometers, out of which 763 kilometres of new roads were constructed in 2022.

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 1864. Today, the number of post offices in Oman has risen to 215 with an additional 347 postal agencies. The total number of post boxes are 107530 around the country.

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

Press

There are Arabic and English newspapers available in the country. Arabic newspapers include Al Watan, Al Shabiba, Al Rro'ya, 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

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. 91 hospitals and 1,765 medical centres, dispensaries and clinics were operating in the Sultanate out of which around 10 are private hospitals as per the 2022 statistics.

Life expectancy at birth in Oman was estimated to be 72.54 years in 2021. 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. Other colleges and post-secondary institutions in Oman include University of Technology and Applied Sciences, Oman College of Health Sciences and Higher Institute of Health Specializations, College of Shari'a, Military Technological College, Vocational Colleges and Vocational College for Marine Sciences. Since 1994, the Sultanate has made way for the private sector to advance in the field of Education.

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 continuous 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. The National Program for Enhancing Economic Diversification (Tanfeedh), is a government initiative that aims to diversify the national income resources of the vital sectors of Oman, namely manufacturing, tourism, transport & logistics, mining and fisheries under the Vision 2040.

Oman performance improved 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 taking shape.

Economic Developments and Plans

The International Monetary Fund (IMF) during its country reporting conducted discussions in Muscat for the 2023 which stated that "Supported by favorable oil prices and sustained reform momentum, Oman's economic recovery continues. The economy grew by 4.3 percent in 2022, primarily driven by the hydrocarbon sector, before slowing down to 2.1 percent (year on year) in the first half of 2023 on the back of OPEC+-related oil production cuts. Non-hydrocarbon growth accelerated from 1.2 percent in 2022 to 2.7 percent in the first half of 2023, supported by recovering agricultural and construction activities and robust services sector.

IMF projected the global inflation rate to decline from 6.9% in 2023 to 5.8% in 2024. Inflation rate in Oman decreased to 0.6% by the end of November 2023 as compared with 2.87% over the same period in 2022. Prudent fiscal management and high oil prices helped turn fiscal and current account balances into surpluses in 2023 than the deficit that was estimated in the 2023 budget. Public sector debt was reduced markedly in 2023. Oman's sovereign credit rating has been upgraded to one notch below investment grade and sovereign spreads have become nearly at par with the average of Gulf Cooperation Council countries and well below that of emerging markets."

Oman Vision 2040

Oman Vision 2040 defines strategic goals and objectives, sets policies and five-year development plans, focusing on Oman's national priorities to be achieved with joint efforts of the government, individuals, private sector and the civil society together.

Sustained efforts to implement Vision 2040 are progressing. The new labor law is set to improve working conditions and the flexibility of the labor market as well as enhance female labor force participation. Efforts to create a more enabling business environment is ongoing, including from the reform of state-owned enterprises under Oman Investment Authority (OIA).

National Priorities and strategies

Education, Learning, Scientific Research and National Capabilities - Inclusive education, lifelong learning, and scientific research that will lead to a knowledge-based society and competitive national talents.

Health – Providing a leading healthcare system with international standards.

Citizenship, Identity and National Heritage and Culture – Being a society that is proud of its identity and culture, and committed to its citizenship along with adopting globalization and modernization.

Well-being and Social Protection – Aims to provide a decent and sustainable life for all.

Economic Leadership and Management - A dynamic economic leadership with renewed capabilities operating within an integrated institutional framework.

Economic Diversification and Fiscal Sustainability - A diversified and sustainable economy that is based on technology, knowledge and innovation, operates within integrated frameworks, ensures competitiveness, embraces industrial revolutions and achieves fiscal sustainability.

Labour Market and Employment - A dynamic labour market that attracts talents and keeps up with demographic, economic, knowledge and technological changes.

The Private Sector, Investment, and International Cooperation - An empowered private sector driving a national economy that is competitive and aligned with the global economy.

Development of Governorates and Sustainable Cities - Comprehensive geographic development through decentralisation and the development of limited urban hubs; and the sustainable use of lands.

Environment and Natural Resources - Effective, balanced and resilient ecosystems to protect the environment and ensure sustainability of natural resources to support the national economy.

Legislative, Judicial and Oversight System - Participatory legislative system; independent, competent and swift judicial system; and effective and transparent oversight.

Governance of State's Administrative Bodies, Resources and Projects - Flexible, innovative and future-shaping administrative bodies operating with good governance.

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.

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.

Oman's State Budget

The 2024 budget is prepared in accordance with Oman Vision 2040 and the Tenth Five-Year Development Plan (2021-2025), which aims to ensure financial, economic and social stability. The budget has been prepared keeping in view the challenges faced by Oman on account of the recent geopolitical events, and economic and oil price uncertainties and aims to ensure financial efficiency and foster economic growth.

The budget aims at as economic growth of not less than 3% and targets to maintain inflation at rate of no more than 3%. Revenues and expenditures were estimated in line with Oman Vision 2040 taking into account the medium-term fiscal plan (the 10th Five-Year Development Plan (2021-2025). Oman's 2024 budget is prepared on the basis of $60 per barrel with average oil production projected to be 1,031 thousand barrels per day which is marginally lower that the actual average daily production of 1,058 thousand barrels in 2023.

Key highlights of the 2024 budget

- Projected revenue - OMR 11.01b (budget 2023: OMR 10.05b; 2023 estimated actual: OMR 12.21b), of which hydrocarbon revenue accounts for 68%.
- Projected expenditure – OMR 11.65b (budget 2023: OMR 11.35b; 2023 estimated actual: OMR 11.28b), which have been split between current (73%); subsidy and others (19%); and development expenditure (8%).
- Projected deficit – OMR 0.64b, i.e., 6% of the total revenue and 1.5% of the gross domestic product (GDP) (budget 2023: OMR 1.30b deficit; 2023 estimated actual: OMR 0.93b surplus).

Key allocation of the 2024 budget

- Oman Investment Authority ("OIA") - OMR 1.25b with planned investment in these sectors, namely, tourism, minerals logistics, technology, food, fisheries, energy, services and other sectors.
- Energy Development Oman ("EDO") - OMR 1.5b with planned investment in oil and gas production.
- Development budget projects – OMR 1.14b

2024 budget statistics

Particulars	Budget 2024 OMR (m)	Budget 2023 OMR (m)
Target oil prices at	$60/bbl	$55/bbl
Revenues		
A) Oil and Gas		
Oil	5,915	5,320
Gas	1,575	1,400
	7,490	**6,720**
B) Non-Oil and Gas		
Taxes, Fees and other revenues	3,520	3,330
Total (A) + (B)	**11,010**	**10,050**
Expenditures		
Defence and Security	3,070	3,000
Civil Ministries	4,453	4,420
Servicing public debt	1,050	1,200
Civil ministries development	900	900
Subsidies	1,497	1,220
Provision for debt repayment	400	400
Project development and other	280	210
	11,650	**11,350**
(Deficit)/surplus	(640)	(1,300)
Deficit funded by:		
Borrowings (foreign & local)	240	900
Reserves	400	400
	640	**1,300**

*Source of information: Royal Decree 1/2024 ratifying the State's General Budget 2024 and Royal Decree 1/2023 ratifying the State's General Budget 2023

Key points of budget 2024

- Oil and gas revenues represent 68% of total government revenues
- Non-oil and gas revenues represent 32% of total government revenues

Decrease in Deficit

The 2024 budget estimates the deficit at OMR 0.64 billion which is 6% of the total revenue and 1.5% of the GDP. The table below illustrates the results of Oman's efforts to gradually decrease its deficit since the 2016 peak.

All amounts in OMR (m)

Particulars	2016	2017	2018	2019	2020	2021	2022	2023	2024
	Actuals							Budgets	
Revenues	7,600	8,500	10,900	11,100	8,464	10,944	14,234	10,050	11,010
Expenditures	12,900	12,300	13,600	13,700	12,660	12,167	13,088	11,350	11,650
Deficit	(5,300)	(3,800)	(2,700)	(2,600)	(4,196)	(1,223)	1,146	(1,300)	(640)

Oman's Credit Ratings

In 2023, the key credit ratings agencies issued their assessment reports on Oman's credit rating as "Stable" considering its fiscal performance and measures relating to reduce public debt and improvement in its financial position.

Credit Rating Agencies	2022	2023
Standard & Poor's	BB	BB+
Fitch	BB	BB+
Moody's	Ba2	Ba1

The key factors which impact Oman's credit rating are improvement in the financial position, decrease in public debt risks, increase in oil prices, improvement in non-oil sectoral growth and decrease in the public debt-to-GDP ratio.

Oman has further strengthened its bilateral relations in the region, wherein several agreements have been signed, paving the way for various economic investments in Oman. Oman signed double tax treaties (DTT) with Egypt and Russia during 2023. Also, the Free Trade Agreement (FTA) with India is under active discussions and likely to be signed during early 2024 as per recent announcements.

Oman's Foreign Trade and Reserves

Oman Foreign Exchange Reserves was measured at 14.8 USD bn in Sep 2023, compared with 16.0 USD bn in the previous month as per CEIC's economic databases cover over 200 global markets. Oman Foreign Exchange Reserves equaled 6.1 Months of Import in June 2023. Oman Domestic Credit reached 67.8 USD bn in Sep 2023, representing an increase of 3.2% YoY and the Non-Performing Loans Ratio stood at 4.4 % in June 2023, compared with the ratio of 4.5 % in the previous quarter.

Government Initiatives in 2024

The Government has launched a number of initiatives and measures in order to stimulate the national economy, maintain fiscal sustainability and promote social protection. The government foresees potential fiscal and economic risks such as oil price volatility, higher interest rates, geopolitical tensions, global inflationary pressures, climate changes and natural disasters. In order to address these risks and achieve the objectives set out in the Tenth Five-Year Development Plan and Oman Vision 2040, the government has planned various measures in addition to implementing the national programs. The government has allocated approximately OMR 900m for development projects with an aim to implement projects that contribute to improving the economic and investment ecosystem for various sectors.

The measure includes – Public Private Partnership Programme (PPP), issuance of the Social Protection Law, revision/drafting of laws such as Public Debt Law, Financial Law and Executive By laws, development of Tafakur platform, implementation of Maliyah- a modern IT system for managing the public finance of Oman and a Debt Management System.

Key sector-wise projects intended to be implemented in 2024 are mainly focusing on;

- Education sector where government plans to construct schools and universities, improve the infrastructural amenities and intends to implement scholarship programs for students.
- Health sector where government intends to construct and renovate hospitals in several regions in Oman.
- Construction of Oman cultural complex to encourage cultural sports among the youth.
- Construction of first phase of Sultan Haitham city for infrastructure and housing development.

- Developing governates by maintaining public parks, waterfront development and implementation new projects.
- Transport sector will see a major development with construction of asphalt roads, dual-carriage roads, costal road and tunnels at various location in Oman.
- Agriculture, fisheries and water resources at several location is to be developed.

National Program for Fiscal Sustainability and Development - Financial Sector "Estidamah"

"Estidamah" is a program undertaken by the MoF with the objective of enhancing the State's public finances and positioning the financial sector as a pivotal enabler to achieve the goals of Oman Vision 2040. The program aims to improve the competitiveness within the sector, furnish suitable financing options for diverse groups, and enlarge the size of the financing market to accommodate forthcoming transformations in the investment and economic sectors.

The relevant authorities that shall implement Estidamah are Oman Vision 2040 Implementation Authority / Unit, Capital Market Authority, Muscat Stock Exchange, OIA, Central Bank of Oman and the MoF. Further, the program encompasses several initiatives and projects aims at empowering the two pillars of the financial sector, banking and capital markets, to achieve the economic and investment goals as per Oman Vision 2040. The pillars of the programs are SME financing, supporting target sectors, green/sustainable finance, boosting domestic capital, foreign investment flow and insurance.

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 2024 as well.

According to the World Bank growth is expected to increase, 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, 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.

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 focusing 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.

Under the vision 2040's national priorities, the Sultanate seeks to foster investment partnerships between the Omani private sector and the international business community by attracting foreign direct investments of high quality to meet the new global demand and support the Sultanate in becoming an international trade hub. Those global partnerships will expand the production base of various sectors and increase the contribution of exports to the Sultanate's GDP

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.

9.6% is the increase in Oman's total production of crude oil in 2022 reaching 388.4 million barrels, compared to 354.5 million barrels in the previous year. 10% was the increase in total exports of crude oil in 2022 reaching 318 million barrels compared to 289 million barrels in the previous year. 65.4% was country's total sales from the total production of refineries and petroleum industries in 2022.

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.

3.7% was the increase in the total production of natural gas in Oman in 2022 totaling 1.842 billion cubic feet compared to 1.776 billion cubic feet in the previous year. 60.3% of the total users of natural gas in 2022 was used in industrial projects.

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.

Mineral products accounted for 27.1% of the total value of non-oil exports and re-exports in the Sultanate in 2022. Mineral fuels lubricants and related materials accounted 24.2% of the total value of commodity import in 2022.

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. 276 thousand acres in the total cultivated area in the Sultanate with an increase of 3.9% in 2022 compared it previous year. The number of extension fields set up in private farms increase by 127.2% in 2022, reaching nearly 618, compared to 272 fields in the previous years.

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 activity of wholesale and retail trade, repair of motor vehicles and motorcycles come the first rank by 61,000 enterprises, followed by the construction activities in the second rank with 55,000 enterprises in 2022.

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. Tourism contributed 2.4% in the GDP of the Sultanate of Oman in 2022. 33% was the increase in the direct value added of the tourism sector in the Sultanate of Oman in 2022, reaching RO 1.1 billion compared to about 805 million in 2021. The number of inbound visitors reached to 2.9 million in 2022 compared to 652 thousand in the previous year. 672 hotels recorded in Oman during 2022, with an increase of 62 hotels compared to previous years. 37% was the increase in the total workers in the hotel sector in 2022 reaching 20.3 thousand compared to the previous year which was 14.8 thousand workers. 82.7% was the increase in the total hotel's revenue in 2022 compared to the previous years, reaching 224 million.

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 has developed a new privatisation plan through state owned enterprises holding companies. The Ministry of Finance, with other government units, seeks to engage the private sector in implementing Public Private Partnership Programme (PPP) projects to encourage the private sector to invest in infrastructure projects and public services. There are various ongoing projects as well as those planned to be implemented in 2023 in sectors such as education, health, transport and logistic, communication and information technology, agriculture, fisheries, etc.

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.

Net zero emissions - Environmental, Social & Governance (ESG)

In 2020, Oman released its second Nationally Determined Contributions (NDCs) aiming to reduce greenhouse gas emissions by 7% by 2030. In 2021, Oman's carbon emissions were assessed at 90 Mt CO2e, with industry, oil and gas, power, transport, and buildings contributing significantly. Oman aims to achieve net zero emissions by 2050 and is evaluating three transition pathways: delayed, orderly, and accelerated.

The report suggests that an orderly transition, balancing environmental sustainability, economic impact, and social considerations, is a middle-ground approach. Priority decarbonization levers and system choices, including electrification and renewable energy, are identified for various sectors. An orderly transition could lower emissions by 6% by 2030, 54% by 2040, and 92% by 2050, leaving an 8% "last mile" gap to be covered by breakthrough technologies and behavioral changes.

Key sectors like industry, oil and gas, power, and transport have specific decarbonization strategies. For instance, industry could focus on electrification and hydrogen-based steel production. The power sector aims to reach 60% renewables by 2034, reducing emissions significantly. The building sector targets energy efficiency, while the transport sector envisions full electrification and hydrogen fuel cells.

The report emphasizes that technology maturity, infrastructure development, supportive policies, and market mechanisms are crucial for successful decarbonization. The pathway to net zero requires substantial investment, estimated at USD 190 billion, with power and hydrogen infrastructure being major areas. Private sector participation is expected to finance a significant portion of the transition.

The transition's impact on energy system costs varies across sectors, potentially reducing vehicle ownership costs and power generation costs but increasing steel production costs. Economically, an orderly transition could contribute an additional 50% to Oman's GDP by 2050, with significant employment opportunities in the power and hydrogen sectors.

Environmental, social, and governance (ESG) considerations are integral to Oman's initiatives, addressing issues such as environmental protection, labour standards, and governance transparency.

Oman, under the leadership of Sultan Haitham bin Tarik, announced a commitment to achieve net zero emissions by 2050, aligning with over 70 countries. MSX, as part of its Sustainable ESG Initiative, collaborates with government entities to promote ethical business practices. Initiatives include environmental responsibility, ethical investment, diversity, employee wellness, and corporate governance practices. Companies are urged to engage stakeholders, identify material ESG issues, provide clear reporting boundaries, maintain balance in reporting, offer benchmarks, and comply with mandatory reporting standards.

In conclusion, Oman's vision for net zero emissions by 2050 involves an orderly transition, leveraging various decarbonization technologies, infrastructure development, and policy support. The report highlights the economic, social, and environmental benefits of this approach, positioning Oman as a leader in the future energy landscape.

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

On 18 April 2019, a new Commercial Companies Law (Royal Decree 18/2019) (New CCL) has come into force in the Sultanate of Oman, and the previous Commercial Companies Law (Roya Decree 3/74) that had been in force since 1974 was repealed. The New Commercial Companies Law (Royal decree 18/2019) and the Commercial Registration Law (Royal decree 3/74) governs business entities in Oman. Further, Oman Commercial Law (Royal decree 55/90) also governs the regulation of merchants and other commercial activities such as contracts and bankruptcy.

The 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, general partnership, one person company (SPC).

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 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)

Types of business entities

Business may be carried out in Oman in various forms. All types of business entities except for 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. • There is no minimum capital requirement, even for foreign ownership companies • 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	• 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 Public 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
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

Type of Entity	Description
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
Sole Proprietor 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

Joint Stock Companies

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
- 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:

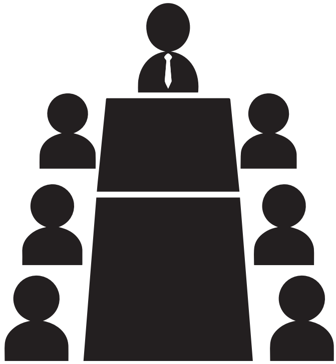
Number of Members	11	9	7	5
Number of Independent Members	4	3	3	2

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 executive 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 all shareholders at least 15 days before the AGM the following documents:

- 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 must 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 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 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 repealed law there was a minimum share capital requirement of RO 20,000 for an LLC, this has been removed from the New Commercial Companies Law (CCL) which merely provides that the capital amount invested should be stated in the incorporation documents.

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 reserve amounts to one third of the company's share capital.

Single Shareholder Company

The new CCL has introduced a new corporate vehicle; the single shareholder company. All the shares of the company shall be held by a single natural or legal person. A natural person or a single shareholder may not incorporate more than one such corporate vehicle. It is likely that the SPC can be incorporated by an Omani, GCC and US national persons only.

Financial reporting and auditing requirements

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

Type of Entity	Requirements
Joint stock companies	• Must prepare and get financial statements audited within 2 months after the year-end. • Provide audited financial statements to shareholders 14 days prior to the AGM. • AGM must be held within 3 months after the year-end. • SAOG companies are required to publish condensed financial statements on a quarterly basis and the same must be filed with CMA.
Limited liability companies	Submit audited financial statements to banks and financial institutions within 4 months from the end of the financial year, in case the approved bank facilities are above RO 250,000.
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 Entities	Must submit audited financial statements to the tax authorities along with annual tax return within 4 months after the year-end.

Auditors

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

Foreign Capital Investment Law

The new Foreign Capital Investment Law (FCIL), promulgated by Royal Decree 50/2019, came into force on 1 January 2020. In accordance with Article 15 of the FCIL, the Executive Regulations of the new FCIL 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 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.

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, Industry and Investment Promotion which partially covers the requirements of identification of clients, record keeping, reporting suspicious transactions, the use of modern technologies, training and other requirements.

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, RD 60/2013 and RD 83/2020. The implementing regulations contemplated by that law have been issued by Decision 29/2010.

Land Law

According to Land Law (Royal decree 4/2021), only Omani nationals are permitted to own land freely. According to the Decision 292/2020, other GCC national are also entitled to own land, subject to certain restrictions and post obtaining approval from the ministry. Further, except in certain circumstances and in certain designated areas such as tourism complexes, 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 Neighboring Rights issued by Royal Decree No. 65/2008 which was later amended by Royal Decree No. 132/2008.

This sets out the framework for activities that may be protected by copyright, which authors can be protected, the rights given to these authors and the subsequent 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 currently is no time limit on these rights.

Trade marks

The Law of Trade Marks was updated in 2000 by Royal Decree No. 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 No. 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 Law.

Oman Insolvency and Bankruptcy Law

Bankruptcy law, promulgated by Royal Decree No. 53/2019, is issued on 01 July, 2019, and came in to effect on 01 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)

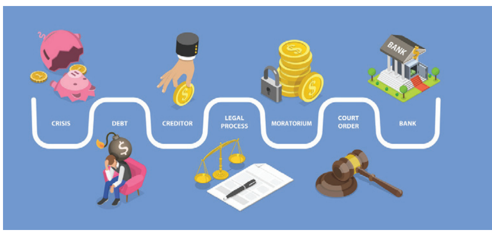
Preventive Composition provisions of the law enables a trader engaged in business for minimum two years and has not committed fraud or gross negligence may apply for this relief. A debtor may apply for PC if they are likely to be unable to repay their debts. Every Company, except joint ventures, are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



REGULATORY ENVIRONMENT

The Capital Market Authority (CMA):

The Capital Market Authority (CMA) plays a crucial role in the Sultanate of Oman's economy by overseeing and fostering the growth of the capital market and insurance sectors. Its strategic objectives are geared towards enhancing investor confidence and trust, both domestic and foreign, and promoting the continued development and diversification of products and services within these sectors. The CMA achieves these objectives by fostering a robust and internationally aligned regulatory framework for Oman's capital market and insurance sectors, implementing best practices, enforcing regulations, supervising institutions, spreading awareness, and promoting saving and investment concepts. The CMA's work is instrumental in driving economic growth, attracting investment, and fostering trust in the financial system. By promoting a well-developed capital market, the CMA facilitates the channeling of funds from investors to productive ventures, fueling economic growth and diversification. A vibrant capital market provides businesses with access to the capital they need to expand, innovate, and create job opportunities, thus driving the nation's economic progress.

CMA is dedicated to fostering continuous improvement and adopting best practices that align with market demands. To ensure that Oman's capital markets and insurance sectors operate with transparency, efficiency, and unwavering stakeholder protection, the CMA has issued a series of new regulations and amendments during 2022 and 2023.

In the Insurance Sector

- **Amendments to certain provisions of the Executive Regulations for Implementation of the Insurance Companies Law Decision No. (E/18/2022) published in the Official Gazette No. (1428) on February 6, 2022:**

  These amendments introduce changes to the calculation of risk base solvency margin for insurance companies, bringing them into line with the standards of the International Association of Insurance Supervisors (IAIS). This is an important step in ensuring that Omani insurance companies are able to meet their obligations to policyholders.

- **Regulation for E-Insurance Resolution No. (Kh/80/2023)** published in the Official Gazette, Issue No. 1512 on September 24, 2023.: This regulation introduces new requirements for insurance companies and brokers that wish to provide their services electronically. These requirements are designed to protect consumers and ensure that e-insurance services are safe and reliable.

- **Health Insurance Electronic Link Decision No. (E/83/2023):** This decision mandates that all health insurance transactions and exchange of information be conducted through the Dhamani ePlatform. This will streamline the health insurance process and make it more efficient for all stakeholders.
- **The Regulation for Bancassurance Decision No. (E/84/2023):** This regulation establishes a regulatory framework for bancassurance, which is the sale of insurance products through banks. The regulation is designed to protect consumers and ensure that bancassurance products are fair and transparent.

In the Capital Market Sector:

New Securities Law promulgated by Royal Decree (46/2022): This decree establishes a new legal framework for the securities industry in Oman. It aims to modernize the industry and keep it in line with international standards. The decree also focuses on protecting investors by implementing global best practices.

Guidelines for Interaction between Public Joint Stock Companies, the Media, Investors and Analysts Decision No. (E/109/2022): This decision outlines guidelines for how public joint stock companies should interact with the media, investors and analysts. The guidelines emphasize the importance of transparency and communication. They also require companies to establish an investor relations department and hold regular investor meetings.

Instructions for the registration of Virtual Assets Services Providers (VASPs) and implementation of Anti-Money Laundering (AML) and Combating Financing Terrorism (CTF) requirements Decision No. (E/35/2023): The decision sets out instructions for the registration of virtual assets services providers (VASPs). The instructions also include requirements for VASPs to implement anti-money laundering (AML) and combating financing terrorism (CTF) measures. They are designed to protect the financial system from being used for illicit purposes.

Attending General Meetings and Voting Via Electronic Systems.

Draft of Securities Regulations for public consultation: as per the requirement of the New Securities Law promulgated by Royal Decree (46/2022): CMA has drafted this regulation in accordance with the New Securities Law promulgated by Royal Decree (46/2022). The regulation aims to regulate entities operating in the fields of securities, trust, and investment funds, as well as establish disclosure requirements. CMA recognizes the importance of stakeholder engagement and is currently seeking public feedback on the draft regulation.

Muscat Stock Exchange (MSX):

The Muscat Stock Exchange (MSX) is the sole securities market in Oman. It plays a pivotal role in enhancing Oman's ease of doing business. The exchange provides a transparent and efficient platform for investors to raise capital and trade securities, fostering a conducive environment for business growth. Additionally, the MSX contributes to positioning Oman as an attractive destination for foreign investment.

The MSX was initially established as a government entity in 1989. However, in accordance with Royal Decree No. 5/2021, the MSX was transformed into a closed joint stock company operating under the umbrella of Oman Investment Authority (OIA) This transformative step aims to modernize the MSX, aligning it with international best practices and propelling its growth trajectory. The key features of this Market are:

- **Diverse Listing Platform:** The MSX boasts a comprehensive range of listed securities, encompassing equities, bonds, and sukuk. As of 2023, the MSX proudly lists 116 companies with a collective market capitalization exceeding OMR 22 billion.

- **Electronic Order-Driven Trading:** The MSX employs an advanced electronic order-driven trading system, empowering investors to seamlessly buy and sell securities through authorized brokers. The system offers a variety of trading order types to cater to diverse investment strategies.
- **Robust Market Surveillance:** The MSX maintains a robust market surveillance framework to safeguard market integrity and protect investors' interests. This framework encompasses continuous monitoring of trading activity, identification of potential irregularities, and prompt enforcement actions to maintain market stability.

The New Securities Law promulgated by Royal Decree (46/2022) established the necessary legislative framework to ensure the Muscat Stock Exchange's (MSX) independence from the Capital Market Authority (CMA) as a self-regulated institution. It also empowered the MSX to regulate brokerage activities, market making, and margin financing. Furthermore, the law granted the CMA the authority to license the establishment of a stock exchange for small and medium enterprises (SMEs). Pursuant to this Law, the MSX issued a series of new regulations and amendments during 2022 and 2023, including:

- **Guidelines on environmental, social, and governance (ESG) performance reporting for listed companies:** These guidelines encourage all publicly listed companies to voluntarily report their ESG performance for 2024, covering their 2023 activities. Starting in 2025, reporting on the 2024 activities will be mandatory, as stipulated in MSX's ESG Disclosure Guideline document. These guidelines aim to promote sustainable business practices, attract responsible investment, and foster sustainable development in Oman.
- **Executive regulation governing the operations of Market Maker and liquidity providers:** This regulation aims to enhance trading activity, promote market depth, and foster a more efficient and liquid market by establishing a comprehensive framework for Market Makers and liquidity providers in Oman's capital markets.

The Oman Investment Authority (OIA):

The Oman Investment Authority (OIA) is a government-owned sovereign wealth fund of Oman that was established in 2018. The OIA's mission is to "enhance the national investment environment and attract investments to the Sultanate" and it plays a key role in the Omani economy by:

- **Promotion of Oman as an Investment Destination:** The OIA plays a crucial role in marketing Oman as an attractive destination for foreign direct investment (FDI). It actively showcases Oman's strengths, including its strategic location, stable political climate, and skilled workforce, to attract investors from across the globe.
- **Investment in Strategic Sectors:** The OIA strategically invests in various sectors, including tourism, logistics, manufacturing, and infrastructure, to drive economic diversification and job creation. These investments contribute to the country's long-term economic growth and sustainability.
- **Partnerships with the Private Sector:** The OIA collaborates closely with the private sector to develop and implement joint venture projects. These partnerships foster knowledge transfer, technology adoption, and the creation of new business opportunities.
- **Regulatory Enhancement:** The OIA actively engages in regulatory reform to create a business-friendly environment and attract foreign investors. It continuously streamlines processes, reduces bureaucratic hurdles, and adopts international best practices.

The OIA has made significant progress in achieving its goals. In 2022, the OIA attracted over OMR 1.5 billion in FDI to Oman. This influx of FDI has sparked 36 investment opportunities across a diverse range of sectors, including tourism, logistics, manufacturing, and infrastructure.

Ministry of Commerce, Industry & Investment Promotion (MoCIIP)

The Ministry of Commerce, Industry and Investment Promotion (MoCIIP) stands as a beacon of support for businesses across Oman, spearheading initiatives to foster a thriving and dynamic business ecosystem. As the governmental body responsible for regulating commerce and industries, MoCIIP has consistently demonstrated its commitment to creating an environment conducive to business growth and development. Its notable achievements include:

- **Streamlined business registration process:** Reduced the time required to register a new business by 80%, from 27 days to 4 days as per the World Bank's Doing Business report. This significant reduction in registration time has made it easier and faster for entrepreneurs to establish their businesses in Oman, fostering a more conducive environment for business growth.
- **Enhanced e-government services:** Introduced several online platforms for business registration, license renewal, and regulatory reporting. This digitization of government services has streamlined administrative processes for businesses, saving time and resources, and contributing to a more efficient business environment.
- **Promoted investment opportunities abroad:** Organized targeted trade missions and participated in international business events to attract foreign investment. These proactive efforts to promote Oman as an attractive investment destination have helped to boost foreign direct investment (FDI) inflows, stimulating economic growth and job creation.

Oman Chamber of Commerce and Industry (OCCI)

The Oman Chamber of Commerce and Industry (OCCI) is a staunch advocate for the growth and prosperity of businesses across Oman. As a private sector organization, it plays a pivotal role in fostering a conducive business environment, promoting Oman's economic potential and empowering entrepreneurs to thrive. The OCCI's comprehensive range of services includes:

- **Fostering Business Connections:** The OCCI organizes regular business forums, conferences, and workshops, providing a platform for Omani businesses to connect with potential partners, clients and investors. These networking opportunities have nurtured business partnerships, collaborations and deal-making, thus invigorating Oman's business ecosystem.
- **Empowering Businesses through Expertise:** The OCCI offers expert advice on business law, taxation, and labor matters, guiding businesses through the complexities of regulatory compliance and informed decision-making. This provision of expert counsel has empowered businesses to mitigate risks, navigate regulatory hurdles and achieve sustainable growth.
- **Championing Business Interests:** The OCCI serves as a powerful voice for Omani businesses, actively engaging in government dialogues and policy discussions. This advocacy role ensures that business interests are considered in the formulation of government policies which fosters a business-friendly regulatory environment.

Export Credit Guarantee Agency (ECGA)

The Export Credit Guarantee Agency (ECGA) stands as a pivotal pillar of Oman's export growth strategy, providing a comprehensive suite of insurance and financing solutions to empower Omani exporters. By mitigating the inherent risks associated with international trade, the ECGA has fueled the expansion of export activities, contributing to economic diversification and sustainable growth.

- **Expanded Insurance Coverage:** The ECGA has proactively expanded its export insurance products to encompass a broader range of risks and commodities. This expanded coverage has provided greater protection to Omani exporters, emboldening them to venture into new markets and expand their export footprint.
- **Financing Solutions for Exporters:** Recognizing the financial needs of export-oriented businesses, the ECGA offers competitive financing options, tailored to the specific requirements of exporters. This provision of affordable financing has enabled exporters to secure the necessary capital to expand their operations, enhance their competitiveness in the global market, and contribute to export growth.
- **Addressing Post-Shipment Cash Flow Challenges:** To address the working capital constraints faced by exporters, the ECGA has launched a dedicated post-shipment financing program. This program provides exporters with access to working capital after they receive payment for their exports, enabling them to reinvest in their businesses and maintain their export momentum.

Muscat Clearing and Depository Company (MCD)

Muscat Clearing and Depository Company (MCD)is a closed joint stock company that provides custody and depository services for securities in Oman. The MCD safeguards the interests of investors by ensuring secure registration and transfer of ownership of securities, safekeeping of ownership documents, and compliance with data protection regulations. MCD has made remarkable strides in advancing Oman's capital market through its innovative and strategic initiatives:

- **Expanded Depository Services:** Recognizing the burgeoning demand for virtual assets, MCD has pioneered cutting-edge depository services for this emerging sector. This expansion has not only enhanced market accessibility but also catered to the evolving needs of investors, fostering a more inclusive and dynamic capital market.
- **Modernized Depository Infrastructure:** MCD has consistently embraced cutting-edge technologies, including artificial intelligence and blockchain, to streamline depository operations and enhance operational efficiency. This modernization has led to a reduction in transaction costs, improved settlement timelines and a more efficient and responsive capital market ecosystem.
- **Investor Protection Enhancement:** MCD has prioritized investor protection, implementing robust risk management frameworks and strengthening investor safeguards. These measures have instilled confidence among investors, fostering a stable and trustworthy capital market environment where all participants can engage with confidence.
- **Market Efficiency Promotion:** MCD has introduced innovative solutions to optimize clearing cycles and reduce transaction costs, promoting market liquidity and enhancing the overall efficiency of the capital market ecosystem. These initiatives have contributed to a more dynamic and competitive market, attracting both domestic and international investors.

Supportive Government Departments

The Sultanate of Oman has established a comprehensive network of supportive government departments that provide essential services, streamline processes, and advocate for business interests, fostering a conducive environment for businesses to thrive. These departments play a crucial role in empowering businesses to grow and contribute to Oman's economic diversification efforts.

TRADE AGREEMENTS AND FREEZONES

Trade Agreements

Trade agreement is an international treaty between two or more economies that reduces or eliminates certain barriers to trade in goods, services, investments and to facilitate stronger trade and commercial ties between participating countries. This results in improving market access across all areas of trade – goods, services, investments and helps to maintain and stimulate the competitiveness benefiting customers access to an increased range of better value goods and services. Oman is a signatory to multiple trade agreements.

Name of Agreement	Nature of Agreement	Applicable to	Signatories
GCC – European Free Trade Association (EFTA)	Free Trade Agreement	Goods	Iceland, Liechtenstein, Norway, Switzerland, Oman, Kuwait, Saudi Arabia, Qatar, United Arab Emirates, Bahrain
GCC – Singapore FTA	Free Trade Agreement & Economic Integration Agreement	Goods and Services	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Singapore
United States – Oman FTA	Free Trade Agreement & Economic Integration Agreement	Goods and Services	Oman and United States of America
Gulf Co-operation Council (GCC)	Customs Union	Goods	Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates
Greater Arab Free Trade Area (GAFTA)	Free Trade Agreement	Goods	Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates, Yemen.
World Trade Organisation (WTO)	Member of WTO		Oman is signatory to WTO

The benefits / privileges of Oman Trade Agreements are as below:

GCC – EFTA

Exemption of industrial goods, fish and other marine products exported from GCC countries to EFTA countries from customs duties. Most imports from EFTA countries to Oman are exempt from customs duties from the first day of the commencement of the agreement. There is a group of goods that are released after five years of implementation of the agreement.

Foreigners and foreign companies may own real estate only in specified integrated tourism complexes in Oman. However, foreigners and foreign companies may enter into renewable leases for a period of 50 years in most areas in Oman. Investors from EFTA countries are permitted to fully own companies in the following areas:

- Construction and engineering services
- Insurance services
- Banking services.
- Hotel and restaurant services, including catering

GCC – Singapore FTA

The agreement grants Omani products to enter Singapore without customs duties. The agreement grants 99% of Singaporean exports entering Oman without customs duties, the remaining percentage will remain subject to the original customs duty rate for a period of five years, after which it will enter without customs duties except for a number of goods that will not have any reduction or abolition of customs duties under this agreement.

Omani nationals are allowed a commercial presence in the form of a registered company limited by a foreign shareholding rate of 70%, while Singaporean investors are allowed to fully own companies (100%) in the following areas:

- Computer and related services
- Courier services
- Telecommunications services
- Insurance services
- Banking services
- Building and construction services

There are no restrictions on any subsidies, grants, or conditions related to the continuous receipt or receipt of these aids or grants, whether these subsidies granted exclusively to local services, service consumers, or service providers.

United States – 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. The Agreement provides opportunities for investors from both countries to enter into investments because of the liberalized sectors, which allows 100% ownership except for that mentioned in the negative list.

Allows foreign investors to establish projects in the Sultanate in order to benefit from the advantages of the Agreement regarding exemption from customs duties on Omani products exported to the United States. The Agreement enables international investors to capitalize on Oman’s geographic location and proximity to larger regional markets. The Agreement acts as a catalyst in attracting further investment to Oman.

Gulf Co-operation Council (GCC)

- Unified customs tariff towards the international community.
- Standard customs regulations and procedures.
- One point of entry when collecting unified customs duties.
- Movement of goods between GCC countries without customs or non-customs restrictions, taking into account the application of veterinary and agricultural quarantine regulations, and prohibited and restricted goods.

- Treat goods produced in GCC states as national products.
- Unifying a set of commercial laws among GCC countries.

Provide equal treatment, without distinction or discrimination, among GCC nationals in all economic fields covering:

- Mobility and accommodation
- Work in government and private sector
- Social insurance and retirement
- Practice professions and trades
- Engaging in all economic, investment and service activities
- Owning property
- Transfer of capital
- Tax treatment
- Trading and buying shares and establishing companies
- Access to educational, health and social services

GAFTA

The Greater Arab Free Trade Area is a regional agreement established in 1997 between 18 Arab countries in North Africa and the Middle East. It also has close ties to the Arab League. GAFTA focuses mainly on economic affairs and the creation of a regional free trade area, while the Arab League is a political organization that deals with political and regional affairs. Both are committed to promoting economic cooperation in the Arab world.

GAFTA's main goal is to promote trade among member countries. Its tasks focus on creating a common market in which trade barriers such as tariffs are reduced. In addition, GAFTA aims to promote economic integration and cooperation in various economic sectors such as agriculture, industry and services.

WTO

Oman's commitment to the rules of the World Trade Organization (WTO) and the provisions of its various agreements is a guarantee for foreign investors that the Sultanate is committed to the rules of the organization. Oman's membership of the WTO protects the Sultanate's current and future exports in the various member countries of the organization from discriminatory actions. This allows for the expansion of exports and makes investors more confident in establishing export industries.

The periodic review of the trade policy that the organization conducts on the member states, which includes the Sultanate, is a reliable source for the investor about the economic situation of the Sultanate and the extent of its compliance with the obligations under which it joined the organization. Membership of the WTO supports Oman's rankings in various international indices.

WTO membership provides the opportunity to resort to rules and procedures in the event of commercial disputes with other member states. Benefit from the special and differential treatment of developing countries provided by various WTO agreements. Benefit from the technical assistance provided by the organization to train officials and business people, enabling them to understand the rules and procedures related to the implementation of WTO agreement.

Free Trade zones, Industrial Estates, Airport Free Zones, Technology Park

Oman's Special Economic Zones, Free Trade Zones, Airport Free Zones, Industrial Estates and Technology Park are managed and operated by Public Authority for Special Economic Zones and Freezones (OPAZ) established under Royal Decree No. 105/2020. Asyad Group of Companies, a prominent Omani conglomerate with interests in various sectors, including logistics, infrastructure and ports, is closely linked to free zones development in Oman.

Free Trade Zones and Special Economic Zone

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 (eg. roads, ports), regulatory framework and financial incentives (e.g. income tax and customs duty waivers) that encourage high-end foreign and domestic companies to set up operations.

In addition, FTZ aim to build an industrial and trade base in the Sultanate in order to promote sustainable economic growth, using the countries strategically important position with its commercial harbours 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.

Name of the free zone	Special feature	Locational advantages
Salalah Free Zone	A global centre for industries and logistic services on the Arabian Sea	Highly competitive in the region for labour, utilities and infrastructure costs, and located in close proximity to raw material sources and emerging markets and is one of Oman's most important industrial hubs.
Sohar Free Zone	The land of export opportunities through Sohar Port	Outreach to both regional and global markets and has access to global shipping routes and major ports all within proximity, offering swift access to the growing Middle East, Indian and East-African markets.
Al Mayuzna Free Zone	Gulf gateway or transship to Yemen and East Africa	Located in the southeastern region of Oman provides access to key markets in the Middle East, South Asia, and Africa.
Special Economic Zone at Duqum (SEZAD)	The largest special economic zone in the Middle East and North Africa	Prime geographical location overlooking the Arabian Sea and the Indian Ocean beyond, coupled with its proximity to global shipping lanes.
Al Khazain Economic Zone	The new integrated Economic city	Strategically located between Sohar Port, Muscat Airport and Muscat City. Dependable transportation and logistics infrastructure (such as large roads and motorways) connecting to the Sultanate's main land borders, ports and airports.

Upcoming Free Trade Zones
Rawdah Economic Zone, Al Dhahairah Integrated Economic Zone

Oman's free trade 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.

The free trade zone benefits / privileges:

- 100% foreign ownership.
- No customs duties on imports and exports.
- No minimum capital investment requirement.
- 25 - 30 years Income tax exemption.
- No restrictions on repatriation of profits.
- Flexible customs procedure.
- Excellent utility supply.
- Strategically located with world class infrastructure.
- Usufruct agreement up to 50 years.
- One-stop-shop services.

Industrial Estates

The Public Establishment for Industrial Estates, today known as Madayn, was established in 1993 in continuity of the industrial march that began in the Sultanate with the establishment of Rusayl Industrial city in 1983. Madayn, which is managed by OPAZ has more than 10 industrial cities. The main objective by initiating the Industrial Estates is to attract and generate investments, establish Oman as a vibrant business destination, and assist the companies to prosper in the competitive world. An enhanced government role for comprehensive and sustainable economic and social development through partnership with the private sector to develop and operate business cities with integrated services, with a rapid response to changes based on the best solutions and technologies, that meet the needs and requirements of business by taking into account environmental standards.

Industrial estates at present
Sur, Suhar, Raysut, Nizwa, Buraimi, Rusayl, Samail, Ibri, Al Mudhaibi, Mahas

Upcoming Industrial estates
Thumrayt, Seeh Al Sarya

The benefits / privileges / concession of industrial estates are:

- Lease period of lands and facilities for up to 30 years, renewable for the same period.
- Right to waive the lease right for the remaining period of the contract.
- Right to sell constructions and buildings on the leased land.

- Right to lease the buildings and facilities built on the leased lands by investors.
- Exemption from customs duties and taxes on production inputs.
- Developed and equipped lands with basic services (water, electricity, telecom, roads).
- 100% of foreign ownership.
- Participation in workshops, seminars and exhibitions, which are organised by Madayn.

Airport Freezones

A Royal Decree 10/2022 was issued establishing the freezones in three airports viz., Muscat International Airport, Salalah and Sohar Airports. These airports are designated as free zones, the government is essentially giving up control of a portion of the airport to an operator. This operator will then be responsible for managing and developing the free zone, and they will be able to offer businesses a number of special features that are not available in the rest of the airport.

The operator and the working company shall be granted the incentives, benefits and facilities:

- 15 years tax exemption for each project separately, renewable for another 5 years.
- Streamlined administrative procedures.
- No restrictions on foreign ownership.

- Access to a large pool of skilled labor.

In exchange for these special features, the operator will typically be required to invest in the development of the free zone. They may also be required to meet certain performance targets, such as generating a certain amount of revenue or creating a certain number of jobs. The operator shall abide by the rules of aviation easement rights and civil aviation safety and security requirements under the supervision of the Civil Aviation Authority. The operator shall also coordinate with the Public Authority for Special Economic Zones and Free Zones to achieve the safety requirements for individuals, working companies, establishments, merchandise, and goods inside each zone, and shall fully cooperate with the authority to comply with the rules prescribed for environmental safety and the maintenance of security.

Technology Park

Knowledge Oasis Muscat (KOM) was established by Madayn in 2003. KOM is a 1 million square meter technology park located near Muscat International Airport, Oman. KOM neighbours Rusayl Industrial Estate–the Sultanate's largest industrial park–and Sultan Qaboos University.

For start-up companies that require a total support package, KOM created The Knowledge Mine (TKM) a business incubator program that offers tenants a combination of subsidized offices and utilities in addition to a variety of business support program services.

KOM was built to support technology-focussed startup enterprises as well as corporate entities such as Ericsson, Oracle Corporation, Hewlett Packard, Motorola, Microsoft, Oman TradaNet llc, NCR, Wipro Gulf LLC and Huawei. It also hosts Oman's ITA, which is the body that is responsible for managing the e-governance project in Oman.

BANKING & INSURANCE ENVIRONMENT

Currency and exchange control

The currency of Oman, the Omani Rial (RO), divided into 1000 Baiza 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 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 19 banks which includes 15 commercial banks (6 fully listed local banks and 9 foreign branches), 2 Government owned specialized banks and 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 and Oman Housing Bank have been set up to support national development efforts in specific fields such as housing, industry, agriculture, fisheries, tourism and 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 Islamic banks, there are also six banks offering Islamic windows.

Over the last few years, there has been continuous talk of consolidation, which has seen Arab Oman Bank acquire Al Izz Islamic Bank and Sohar International Bank acquire HSBC Bank. Whilst Ahli Bank has also aroused the attention of suitors, to date, it remains independent.

Licensed banks and leasing companies need to adopt international standards as regards customer due diligence, internal audit, risk management, compliance, corporate governance etc. Consistent with international best practice, IFRS 9 was adopted effective from 2018 by the banks and Insurance Companies and are currently in the process of converting their accounting to IFRS 17 under the guidance of the CMA, with full reporting due at the end of 2023.

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 also joint stock companies.

Despite economic headwinds, Oman's banking sector has continued to perform well. After surviving relatively unscathed through the COVID 19 pandemic, the banks have benefited from the general improvement in the Oman economy that has been aided by high oil prices, as a result of the supply shortages due to the ongoing conflict between Russia and Ukraine. The pegging of the local currency with the USD means the sector often finds itself grappling with liquidity. For example, the current increase in USD Libor from 10 year lows of close to zero percent to 6%, have increased both the cost of lending and borrowing in USD. To date, the respective RO rates have increased marginally but lag far behind the USD rate increases. Meanwhile, the vibrant Islamic banking and financial services segments have supported the sector's growth and the two dedicated Islamic Banks are now showing strong profitability of their own.

With regard to non-banking financial intermediaries in Oman, at the end of the year 2023, 5 finance and leasing companies are engaged in leasing, hire purchase, debt factoring and similar assets-based financing facilities. After some recent departures, there are 16 money exchanges operating under the license of Money Exchange and Remittance business. After the acquisition of Vision Insurance by Oman Qatar Insurance and Al Ahlia Insurance by National Life and General Insurance and the departure of Life Insurance Corporation, there are now 17 insurance companies. Out of these, 10 (including 2 Takaful companies) are national companies and 7 are foreign companies. In addition to the insurance companies, there are approximately 30 licensed brokerages, including Bima, a new online brokerage that has caused disruption in recent years and sells the underlying insurance products of 13 insurance companies.

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:

- Ordinary life business;
- Industrial assurance;
- Liability assurance;
- Marine, aviation and transport insurance;
- Motor vehicle insurance;
- Pecuniary loss insurance;
- Personal accident insurance;
- Property insurance; and
- 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:

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

- 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.
- 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 brokerage business have to submit an application for the license and registration in the insurance brokers register to the CMA along with the following conditions:

a) That he has experience in the field of insurance broking for a minimum of ten years at least or that he possess 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 CMA a bank guarantee amounting to RO 50,000 for one year, subject to renewal and to be valid throughout the license period.

Any person desirous of carrying out an insurance agency business shall be a juristic person and shall apply for the 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 of application consideration fees;
4) Evidence that founders and senior management have not been declared, in the five years preceding the application as bankrupt 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 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.

ESG, Climate Change and Sustainability reporting

All banks have been formally instructed by the CBO to incorporate risk management and financial reporting aspects of climate change into their business operations, risk management processes and public reporting. In addition, all listed banks and insurance companies must abide by CMA and MSX guidelines, they have been mandated to produce ESG reports, including 30 predefined metrics as at the end of 2024, by March 2025.

LABOUR ENVIRONMENT

Overview

Oman is renowned for its warm and welcoming hospitality, as the country actively embraces foreign individuals eager to contribute to it's developmental endeavors. The robust labor laws in Oman facilitate the employment of expatriates by local companies, provided that specific criteria are met. This open-minded approach not only fosters a diverse and dynamic work environment but also underscores the nation's commitment to leveraging the skills and talents of individuals from around the world for the collective progress of the country. So, if you're considering working in Oman, rest assured that your contributions will not only be valued but also actively encouraged, as the nation continues to build a global community within it's borders.

Labour Laws

The Ministry of Labor is responsible for proposing and implementing labor guidelines in line with the Government's economic and social objectives. Omani labor laws provide guidelines regarding employment of citizens, expatriates and women, contract of work, wages, leaves and working hours etc.

Employment of nationals

Oman places a special emphasis on empowering its citizens by offering them exclusive opportunities to actively engage in the nation's economic growth and development. In line with this commitment, the Ministry of Labor issues guidelines mandating private companies across diverse sectors to include a specified percentage of Omani nationals within their workforce. These Omanisation quotas, subject to periodic adjustments based on directives from the Ministry of Manpower, reflect the government's dedication to creating a balanced and inclusive job market.

Moreover, to ensure a robust participation of Omani citizens in the workforce, specific categories of employment are reserved exclusively for them. This strategic approach not only nurtures a sense of national pride but also strategically aligns with Oman's vision for sustainable and inclusive nation-building. As a result, individuals seeking employment in Oman can expect a dynamic and evolving landscape that prioritizes the integration of its citizens into key sectors of the economy.

Employment of expatriates

Under the progressive framework of the new Oman Labour Law, the authorization for recruiting expatriate workers is contingent upon a thorough examination ensuring that no qualified Omani individual with the requisite educational qualifications or experience is available. This not only underscores the commitment to

Omanisation but also acknowledges the value of local talent in the workforce.

Employers seeking to engage expatriate staff must align with the Omanisation policy, adhering to the approved percentage while recruiting individuals possessing specific qualifications, experience, or essential skills. Additionally, conditions for licensing work for expatriates encompass the successful completion of professional standards tests for designated professions, lawful entry into the Sultanate of Oman, sound health and freedom from diseases. Collaboration with licensed employers is paramount, ensuring a legal and ethical foundation for employment.

Moreover, the new regulations extend support and protection to expatriate workers by prohibiting employers from allowing them to engage in unauthorized work for others without notifying the Ministry. It also restricts employers from assigning licensed workers to third parties without prior approval. Emphasizing respect for human dignity, the law expressly prohibits employers from engaging in advertising and promotional activities that may compromise the dignity of expatriate workers, fostering an environment of fairness and equality. This approach not only safeguards the rights of expatriates but also promotes a harmonious and inclusive workplace culture in Oman.

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 40 hours, but not to exceed 8 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. Branches functioning after normal office hours also exist to facilitate the business.
- Private companies and business entities work on straight hours between 8.00 a.m. to 5.00 p.m, excluding an hour of break. Continuous work may not exceed 6 hours.
- Retail businesses are generally open between 10.00 a.m. to 9.00 p.m.

Social Security Law

In the private sector of Oman, the Social Security Law plays a pivotal role in safeguarding the well-being of Omani employees, with the Public Authority for Social Insurance (PASI) entrusted with its implementation. In a commitment to fostering financial security, employers bear the responsibility of not only collecting the employees' share, but also ensuring the full remittance of social insurance contributions to PASI on behalf of their Omani staff.

This comprehensive social insurance system extends a range of benefits, encompassing pensions, end-of-service benefits, work injury compensation, and additional grants, all designed to fortify the financial resilience of the workforce.

To streamline the process, employers are mandated to register Omani employees with PASI within 15 days of their joining. The monthly social contribution is a combined effort, with employees contributing 8% of their gross salary, while employers contribute 12.5%. This cooperative approach not only cultivates a sense of shared responsibility but also ensures a robust funding mechanism for the social insurance system.

The administrative efficiency is underscored by PASI's monthly billing system, which serves as a transparent record of contributions. Employers are required to settle these bills on or before the 15th day of the subsequent month, fostering a timely and systematic approach to sustaining the social security net. Through this collaborative effort between employers and PASI, the Social Security Law becomes a cornerstone in promoting the financial well-being and security of Omani employees in the private sector.

Terminal benefits to expatriate employees

Gratuity calculations are based on the last drawn basic salary, ensuring a fair and reflective measure of employee service. Employees are entitled to proportionate gratuity for any fraction of a year served, determined by the duration of their tenure.

For non-Omani employees who are not beneficiaries of social insurance, a gratuity equivalent to not less than a basic salary for each year of service is mandated, emphasizing the commitment to equitable compensation practices. While the previous legislation imposed a requirement for employees to complete a minimum of one year of service to be eligible for end-of-service gratuity, the updated law has notably eliminated this restriction. The new regulations now allow for the pro-rata payment of end-of-service gratuities, extending this benefit even to employees who have served for a portion of a year, regardless of whether the one-year threshold has been met. This progressive shift reflects a more inclusive and flexible approach, recognizing and compensating employees for their contributions, even if their tenure is less than a full year.

Leave Salary

Employees are entitled to an annual leave with a gross salary equivalent to at least 30 days. This leave can be availed after completing six months from the date of joining and should be coordinated in alignment with the operational needs and priorities of the workplace.

Employment taxes

Currently, income from employment in the Sultanate is exempt from taxation, allowing individuals the freedom to remit their earnings abroad without any tax implications. However, it's worth noting that the Sultanate is contemplating the introduction of 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.

Rights Of Female Employees

Muslim female employee receive 130 days of bereavement leave, while non-Muslim females are entitled to 14 days. Maternity leave covers 98 days, with an additional one-hour daily nursing break for a year post-maternity. Unpaid leave, not exceeding a year, is available for childcare, with the employee covering social insurance contributions. Establishments with over 25 female employees must provide a designated rest area. Arbitrary termination due to pregnancy, childbirth, or breastfeeding is prohibited, safeguarding female employees from discriminatory practices.

Salary Payment

In every instance, the salary must be disbursed within three days from the conclusion of the period in which it is due.

Non-Compete

Employers and employees have the option to mutually agree on a non-compete period, extending up to a maximum of two years following the termination of employment. This agreement is particularly relevant when the nature of the work grants the employee access to business secrets or imparts knowledge of the employer's customers and clients. During this stipulated period, the employee commits not to engage in any activity that competes with the employer or involves similar endeavors after the conclusion of their employment.

TAXATION ENVIRONMENT

Direct Taxes

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.

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 - residents who do not have a PE, or the income does 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.

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.

Double Taxation Treaty Agreements have to be considered with the countries with whom Oman has entered into while applying the withholding tax provisions.

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 discounts received.
- Royalties or management fees or performing services.

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 Government and related organizations, 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 as bad and irrecoverable. Deduction of bad debts below RO 1,500 is subject to taking recovery procedure and submitting relevant supporting documents. Deduction of bad debts in excess of RO 1,500 will only be allowed if taxpayers provide documentary proof that the taxpayer 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. Bad debts write off shall also be allowed if there is a waiver or reduction or settlement between the parties, provided that the procedure is proven by documents and official records to the satisfaction of the tax authority.

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 amount of remuneration or RO 1,500 per month per person/partner, or 25% of the taxable income of any entity, whichever is lesser (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 lesser (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 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	33.33%
Motor vehicles	Written down value	33.33%
Furniture and fixtures	Written down value	33.33%
Computer and software	Written down value	33.33%
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 other than computer software and intellectual property rights used for business purposes 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 of any year may be carried forward to set off against future profits for a period of five years. 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 accruing to Omani companies / establishments from manufacturing and Industrial activity only would be exempt from tax for a period of 5 years subject to fulfilment of conditions.

As per the latest Royal Decree 27/2023 the private higher education is eligible for Tax exemption for a period of five years from the date of its operations, which can be extended to another 5 years upon fulfilment of conditions.

The tax exemptions may be granted by a decision issued by the Minister supervising the Ministry of Finance.

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, Hungary, India, Iran, Italy, Japan, Korea, Lebanon, Mauritius, Moldova, Morocco, Netherlands, Pakistan, Portugal, Qatar, Russia, Seychelles, Singapore, South Africa, Spain, Srilanka, Sudan, Switzerland, Syria, Thailand, Tunisia, Turkey, United Kingdom, Uzbekistan, Vietnam and 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, this shall be deducted from the tax payable on its taxable income in Oman of the tax year during which the income was 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 that, 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 results in a lower taxable income or higher losses than what 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

"Tax Authority" is the 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 taxpayer initiates procedures for registering his commercial activity. Tax card obtained must be renewed before 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 entitys' financial statements are to be prepared in accordance with International Financial Reporting Standards and on an 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. The 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 taxpayer to furnish the Annual Return of Income for each tax year to the Tax Authority 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 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, this is 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, they are also permitted to follow 'Cash basis' of accounting.

Eligible taxpayers 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 Taxpayer. The basis for assessment is the income tax returns filed, audited financial statements, details furnished, documentary evidences, supporting, tax hearings and representations. The self-assessment procedure has been introduced in 2017, with a 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 taxpayer'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 error or an under assessment.

The Tax Authority serves the notice of assessment on a taxpayer, normally by post to its last address known to the Tax Authority. 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 taxpayer 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 Taxpayer 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 taxpayers 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 on 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 actual 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 as follows:

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 and a fine of an amount between RO 500 to RO 30,000.

Intentional non-submission of returns and six months to 3 years for intentional non submission of documents etc., and fine amount of RO 5,000 to RO 50,000.

Indirect Taxes

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.

The UCL is the legal reference in organizing customs tariff fees and exemptions. Certain exemptions as stated in the UCL of GCC states are listed below;

- Certain goods are exempted in the unified customs tariff of the GCC countries (as per the published tariff list).
- Imports by diplomatic and consular corps, international organizations and state approved members of diplomatic and consular corps shall be exempted from Customs duties in accordance with applicable international agreements and laws.
- Ammunition, arms, supplies, military transports, parts and any other materials imported by all sectors of the armed forces and internal security shall be exempted from Customs duties by a decision of the council of ministers or the competent agency in each state.
- Personal effects and used home appliances brought in by citizens residing abroad and expatriates arriving to reside in the state for the first time shall be exempted from Customs duties subject to the conditions and controls set forth by the director general.
- The requirements of charitable societies shall be exempted from Customs duties in accordance with the conditions and controls set forth in the rules for implementation.
- Returned goods of national origin which have been exported previously, foreign goods being returned to the state within one year from the date of re-exportation and goods temporarily exported for completion of their manufacture or repairs will be exempted from custom duties.
- Goods from the GCC countries are eligible for exemption from Custom duties provided an indication of origin is established for the goods.
- Goods imported from Arab countries are exempted from customs duties according to the agreement on trade exchange between Arab countries that was made in 2005 (subject to exclusion of certain countries).
- Companies and institutions that have an industrial license can obtain exemption from customs tax on their imports of machinery, equipment, spare parts, raw materials and packaging materials

necessary for the production line, in order to encourage trade, industry and investment in the Sultanate.

Companies looking to import goods in to Oman must register with the Ministry of Commerce, Industry, and Investment (MOCIIP) through the Bayan digital platform. The Bayan platform links all customs partners, including government agencies, shipping and clearing companies, commercial banks and operators of ports and airports into a single electronic window. Companies must obtain a special license for the importation of certain classes of goods, such as alcohol, livestock, poultry, firearms, narcotics and explosives.

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, Royal Decree No. 23/2019 was issued approving the Oman's Excise Tax Law. 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 (50 per cent) to sugar-sweetened beverages 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 goods.

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 is in 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 an excise warehouse.
- The Oman Tax Authority issued Ministerial Decision 339/2021 for the determination of a 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.

Digital Tax Stamp scheme for Excise goods

The Oman Tax Authority stipulated the rules, terms and conditions for implementation of the Digital Tax Stamp scheme for Excise goods in Oman through Ministerial Decision No. 21/2022. The digital tax stamp is a tax managing scheme introduced in the Sultanate of Oman to strengthen tax administration and compliance in line with international best practice. Digital tax stamps allow to monitor, track and trace the movement of excise goods throughout the supply chain.

As a result, manufacturers and importers of excise goods are mandated to affix seals with special security features on the selected Excise goods whereby only goods bearing these special marks are allowed to be imported into the Sultanate of Oman or be produced and sold in the local market.

The tax stamps which are applied on the targeted excise goods aims to limit the circulation of counterfeit and adulterated goods in local market as well as to limit the operations of smuggling excise goods and the resulting tax evasion.

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), as of 1 October 2022, 174 countries and territories in the world had implemented VAT in the form of VAT, GST, SST, Consumption Tax and 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 Bahrain and Oman. Further the VAT rate in the Kingdom of Saudi Arabia increased from 5% to 15% with effect from July 1, 2020. Also, the cabinet of the 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 the voluntary registration scheme.
- The 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 on the 16th of April 2021.

VAT registration

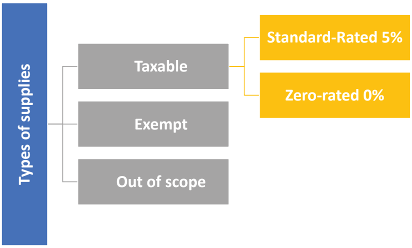
A taxable person can apply for a VAT registration if the taxable supplies meet the VAT thresholds. The mandatory VAT registration threshold is OMR 38,500. However, it is possible to apply for a voluntary registration above OMR 19,250. The threshold is based on annual sales for the rolling preceding 12 months. Non-resident businesses making taxable supplies in Oman must VAT register. Further, two or more persons may register and may be treated subsequently as a Tax Group, provided the conditions listed in the Executive Regulations are met.

Responsible person

The VAT Law requires the appointment of a responsible person from the company / VAT Group 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, 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, unless otherwise rated / exempted. The businesses registered under Oman VAT are responsible to levy VAT at 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 zero per cent VAT. In other words, on certain notified supplies by specific business segments like the oil and gas sector, medical supplies, transportation services and real estate supplies, companies registered in SEZ - zero rate VAT applies on fulfillment of specified conditions. Further, exports are also treated as zero-rated, meaning a nil rate of tax will be levied. Though outward supplies are taxed at 0% VAT, registered businesses can still claim input VAT on purchases and receive VAT refunds from Tax Authority.

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 are not allowed to claim the input VAT paid on its purchases. However, these business segments like the education sector, medical centers or financial institutions are required to register for VAT and file returns regularly.

Out of Scope

Supplies of goods and services in the following circumstances are out of scope from the VAT ambit:

- Supply between members of the same VAT group.
- Supply by way of settlement of insurance claim under an insurance contract by an insurance company.
- Supply as a part of transfer of business activity, wholly or partly.
- Supply begins outside Oman and end outside Oman.

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 tax) and the amount of VAT it has paid on the goods and services it has received (input tax). 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 a refund of the balance from the Tax Authority under the VAT Refund scheme.

Input VAT deduction

A taxable person can deduct the input tax it has incurred on goods or services that forms a cost component of the taxable supplies they make. Not all VAT paid by a taxable person will automatically be considered as input tax. In principle, only expenditures used for the purpose of an economic activity and linked to outward taxable supplies will be considered as input tax. The Tax Authority has issued a guideline for Input Tax in May 2023 which provides additional interpretation and guidance for the application of the VAT Law and its corresponding Executive Regulations to input tax and when it can be claimed.

VAT Refund

If the VAT return results in VAT due to the taxable person of more than OMR 100, the taxpayer may request for a refund from the Tax Authority. A refund application shall be submitted by the Taxable Person to the Authority through the Refund mechanism. In all cases, to refund any Tax, the amounts claimed for refund must be final and undisputed and that the refund request should be submitted within five (5) years from the end of the tax period in which this right arose, otherwise this right shall be forfeited. The Authority shall decide on the refund application submitted within (30) thirty days from the date of completing all the details and documents requested. The Authority shall refund the approved amount -fully or partially- to the Taxable Person within fifteen (15) days from the date of notification of the decision.

VAT postponement

VAT applies on the import of goods into the Sultanate of Oman. VAT becomes due at the point of release to free circulation either:

- At importation, once the goods have been cleared by the Oman Directorate General of Customs; or
- On release from customs suspended premises or Special Zone.

Any VAT due on imported goods is collected by the Directorate General of Customs along with Customs duties, other taxes and fees that may be applicable on the imported goods. Customs declaration and collection shall be made via the Bayan Portal. The portal will also calculate VAT payable on the imported goods, plus normally enable the payment and collection of VAT. Tax is paid to the Directorate General of Customs, and Input Tax deduction is made by the importer through the VAT return. An importer registered in VAT may apply online to the Tax Authority to defer VAT payment in relation to imports by submitting an application one month before entry of the goods and should also provide a guarantee to the Tax Authority. Once the Tax Authority approves and notifies the taxable person and the Directorate General of Customs of the approval of deferment, import VAT will not be charged via the Bayan Portal.

Amendments to VAT Regulation

Pursuant to the Ministerial Decision no 456/2022, issued on October 2022, certain amendments to the executive regulations were announced by the Tax Authority with respect to making electronic invoicing necessary for businesses, amending rules for place of supply of wired and wireless telecommunication services, specifying the VAT exemption for financial services, timelines for issuance of tax invoices, approval for issuance of a simplified tax invoice and VAT refund to foreign governments and related bodies. This was the first time the Tax Authority amended the VAT legislation since its implementation on 16 April 2021.

Towards the latter half of 2023, pursuant to Ministerial Decision no 521/2023 issued on October 2023, amending the executive regulations, Tax Authority announced additional cases for VAT Refund. On meeting the necessary conditions, the following taxable persons can approach Tax Authority for VAT Refund:

- VAT paid by non-profit charitable organizations on purchase of goods and services directly related to charitable activities.
- VAT paid on import of goods by a non-taxable person in excess of the VAT due.
- VAT paid on import of goods for re-export in accordance with the Common Customs Law where customs duty paid (if any) is refunded.

This amendment is a relief for charitable organizations and certain taxpayers.

VAT Taxpayer Guide

Since the announcement of VAT in the Sultanate, the Tax Authority had been issuing VAT guides for various industrial segments. This intends to provide interpretation on the provisions of the VAT Law and Regulations, relevant to the industry. Further, many complex VAT subject matters have also been explained in detail by issuing specific guides for the benefit of the taxable persons.

The Tax Authority has issued VAT guidelines on:

- e-commerce.
- export and import.
- financial service sector.
- transportation sector.
- real estate.
- education sector.
- oil and gas sector.
- health care sector.
- special zones.
- Registration of non-residents.
- Related persons.
- Reverse charge mechanism.
- Profit margin schemes.
- Transfer of business activity.
- Input tax.
- VAT guide on agency.
- VAT guide on capital assets.

Record Keeping

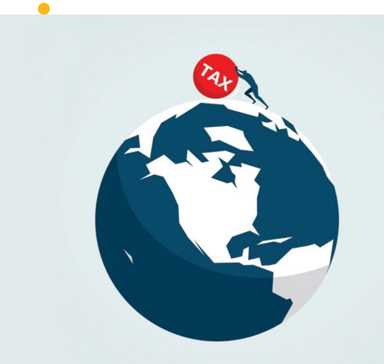
Companies must keep any documents related to VAT, such as records and documents related to imports and exports of goods, for a period of ten years from the date of the end of the previous tax period in which the relevant tax return has been submitted. This period is extended to fifteen years for capital 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 and can go up to 25%.

The VAT Law and the Regulation lists the penalties as below:

Imprisonment – 2 month to 1 year, and or Fine – RO 1,000 to RO 10,000	• Failure to identify the responsible person or appoint another in absence. • Intentional failure to notify any change in the registration details. • Intentional failure to maintain tax invoice or records. • Failure to submit VAT returns or incorrect return or timely submission of records. • Failure to issue VAT invoice or issue an incorrect VAT invoice. • Committing any act to prevent the authority from carrying out their duties.
Imprisonment – 1 year to 3 year, and or Fine – RO 5,000 to RO 20,000	• Deliberate failure to register. • Deliberate failure to report correct taxable value and tax payable in VAT return. • Submitting forged returns and document to evade tax payment. • Deliberately destroying, concealing, or disposing documents and records. • Intentionally instigate or assist taxable person in submitting incorrect returns or documents.
Fine – RO 500 to RO 5,000	• Failure to submit tax returns on the legally prescribed dates for submission. • Failure of the taxable person to display the Registration Certificate in a visible place • The Taxable Person whose registration has been canceled fails to keep accounting records and books, and documents.
Fine – RO 1,000 to RO 10,000	• The refund of the Tax was based on incorrect documents or details. • The Taxable Person fails to apply to cancel the registration from the Tax in the compulsory cases specified in the Law and the Regulations. • The person who incorrectly received a Tax refund fails to repay the amount due as soon as becomes aware of the error. • Failure to present prices of Goods and Services inclusive of Tax.



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's 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, base erosion and profit sharing by multinational enterprises. Oman has ratified, accepted or approved the MLI which came 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 and CbCR to be filed within 12 months from the last day of the reporting year.

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 Internal Revenue Service 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 Reporting Financial Institutions (RFI) 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 provide guidance in the following ways:

- 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 must be a memorandum of understanding agreement.

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 register and agree to report may 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 non-compliance 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 being 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 a 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 a 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.

Sources: Ministry sources and official websites

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