



Newsletter

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Audit / Tax / Advisory / Risk / Forensic

Smart decisions. Lasting value.

Message from the Managing Partner



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The Economic Impact of COVID19

Dear Friends

The covid 19 pandemic is leading to a global recession. Businesses around the world are having a significant impact due to lockdowns and disruptions. Forced business shutdowns severely reduces global demand for goods and services. Sectors that are being hit hard include transportation, healthcare, energy, hospitality and entertainment. Many companies are struggling to bring in revenue, let alone turn a profit. The risk for business has never been so high. The state of affairs illustrate how unexpected events can suddenly increase the risk environment for businesses.

The geographical spread and diversity of risks highlights the importance of applying a broad approach to mitigating risks. Business decision-makers will need to have contingency plans in place for the sudden disruption of seemingly secure supply chains. In the short term, companies that can adjust more quickly to new challenges will succeed.

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Exceptional times bring tremendous challenges for businesses and requires leaders to have a clear view on the short- and long-term effects of Covid-19 on their businesses, and to respond accordingly. This starts with taking extra care to recognise the impact of Covid-19 in financial reports, especially of events which have occurred between the balance sheet date and the date when the accounts are authorised for issue.

Companies with 2020 year-ends need to consider how it has affected their business and how the effects should be reflected in the accounts at the end of their reporting period, which means that companies need to assess and record all events and conditions that existed at or before the reporting date.

Inside This Issue

[Message from the Managing Partner](#)

[Executive Regulations of Foreign Capital Investment Law further eases the investments in Sultanate](#)

[Risk aversion and resilience critical during COVID-19 crisis](#)

[IFRS 9 COVID 19 Fortune Telling](#)

[Oman Bankruptcy Law](#)

[The Tax Authority](#)

[Oman Tax Law Reforms over a decade](#)

[About Us](#)

Executive Regulations of Foreign Capital Investment Law further eases the investments in Sultanate

Royal Decree no. 50/2019, issued on 1 July 2019, promulgating the Foreign Capital Investment Law includes several clauses that guarantees or protects the interest of foreign investors.

Subsequently the Ministerial Decision no. 72/2020, promulgating the Executive Regulations of the Foreign Capital Investment Law issued on 14 June 2020, took further steps to ease the investment process.

Some of the salient features of the new executive regulations are:

Going online:

Centre for Investment Services at the Ministry of Commerce and Industry shall provide all its services through the electronic system accessible through the internet for the application, approvals, clearances and authorization pertaining to investment project, including electronic payment. (Article 4)

Can seek support:

A foreign investor or his designee shall entrust a bank or authorized offices in the Sultanate, such as legal, management and financial consultancy offices, with the examination of the application for investment authorization, applications for the obtainment of the necessary approvals, clearances or authorizations for setting up the investment project, to specify the extent to which they satisfy all the conditions and requirements prescribed legally for issuing them. These offices shall issue initial certificate

valid for six months. These offices shall submit the aforementioned applications to the competent authority on behalf of the investor and follow-up their completion. (Article 7)

There is timeline:

The competent authority may object to the contents of this certificate within ten days from the date of its submission. The objection shall assign reasons.

The competent entities shall study the applications for the necessary approvals, clearances and authorizations for the investment project and decide on them within fourteen working days from the date of their submission, together with complete data and documents required. The passage of this period without a response shall be treated as tantamount to the acceptance of the application. (Article 11)

Minimum requirements:

Application in prescribed form shall be accompanied by name, nationality and bank particulars of the investor, previous experience, employee requirement, timeline & date of commencement, economic feasibility study and certificate of approval by one of the offices referred above (Article 8)

Special benefits for strategic project:

A single approval for the establishment, operation and management of the investment project set up to establish strategic projects as per Article 10 of The Foreign Capital investment Law, provided some conditions are satisfied.

Privileges to projects set up in least developed regions (Article 17):

- Exemption from the rental value or charges for utilization of land and real estate required for the investment project, for a period not exceeding five years from the date of the actual operation of the project.
- Exemption from the fixed percentages of Omanization for a period not exceeding two years from the date of the actual operation of the project.
- Exemption from all or some of the fees.

This shall be subject to some conditions set forth by the Central Bank of Oman and the competent authority.

Exemption from taxes, customs and non-customs duties (Article 19):

Applicable, subject to conditions, to:

1. Integrated tourism projects.
2. Projects related to information and telecommunications technology.
3. Industrial project with a cost exceeding OMR 10,000,000 (Omani Rials ten million).
4. Projects related to transport and marine port sector (logistics).
5. Strategic projects specified in a decision issued by the competent authority, after the approval of the Council of Ministers.
6. Projects with a minimum 200-strong national manpower, subject to some conditions.

7. Industrial projects using raw material from inside the Sultanate.
8. Any other projects specified by the competent authority, after the approval of the Council of Ministers.

Allocation of land & real estate for investment projects (Article 24):

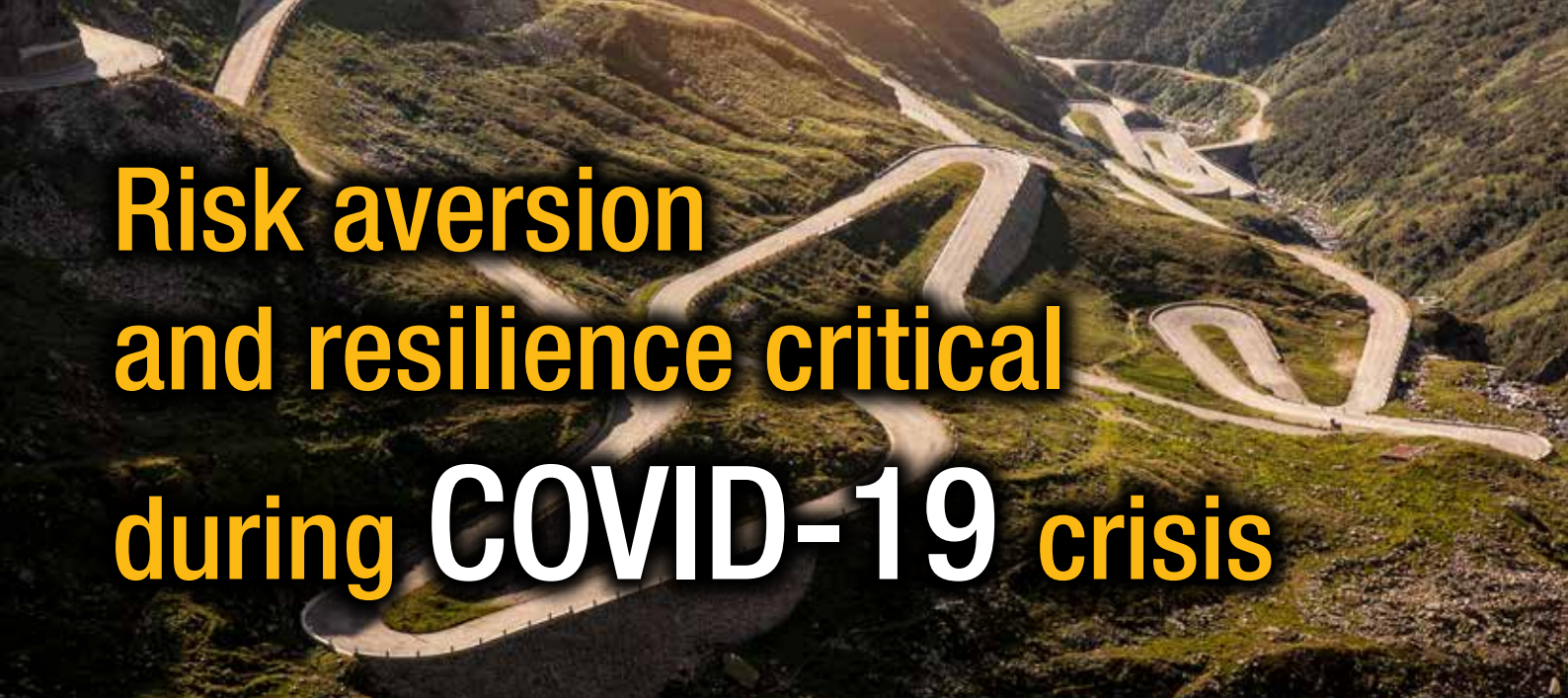
The authority shall provide, in co-ordination with concerned authorities, land and real estate through long-term leasing, or grant of usufruct right, subject to conditions.

Proper monitoring :

The competent authority shall supervise performance of the investment projects. Investor shall submit annual report with required information to authority within 60 days from the end of the financial year. Authority can also impose penalties in case of any violation by foreign investor.



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Risk aversion and resilience critical during COVID-19 crisis

Muscat: The companies need to focus on three essential aspects to mitigate risks associated with the COVID-19 crisis, all of which can be expedited given the unstable nature of the situation. The risk aversion aspects are catered to by scenario planning, business continuity planning and digital transformation, said Varghese Kallukaran, Senior Manager for Strategic Consulting at Crowe.

The COVID-19 pandemic has added a new dimension to a volatile economy and those organisations who were getting by on ‘just fine’, are suddenly feeling the pinch of an abrupt crisis management requirement. If they are to survive these coming months they must first prepare for the consequences of the upcoming weeks or even days.

Scenario planning is what generates plausible situations that help companies reflect on how the decisions they make will crystallise in the future. Active scenario planning considers all the ups and downs, the twists and turns, what may or may not happen and how the macro and micro business environment can change over time. This will help them prepare for the worst-case scenario, prioritise their products and services, effectively manage their capital and resources and be progressive by reducing idle time.

Following this up with a bulletproof business continuity plan that can turn the tables on the dictating nature of the current pandemic is

quintessential. Once companies are prepared for the uncertain, everything else becomes easier to gauge. A good business continuity plan ensures that the needs of all the stakeholders are considered.

Next, we should introduce a higher degree of digital transformation or tech transformation. This is where corporations should try to integrate a digital aspect to all processes within their company and change the way they deliver value to their clients. This can be in the form of remote access, process automation and online collaboration platforms allowing your workforce and clients to be engaged in assignments without having to face physical boundaries.

As far as resilience-building is concerned, a solid process re-engineering exercise will help map out the existing processes within the various departments of an organisation. Follow this up with an elaborate gap analysis and accordingly optimise the procedures. Finally, implement this resilient and durable business model using the existing resources of the organization.

Similarly, companies can also mitigate risk by reaching out to business solution providers, thereby outsourcing many of their auxiliary activities and thus reducing their costs and handing over the responsibilities to experts. Only once companies have mitigated the COVID -19 risks can they safely proceed towards identifying new opportunities and ventures, concluded Kallukaran.

Commenting on the unique offering to the regional business community Binit Shah Partner Strategic Consulting at Crowe UAE said, “Risk aversion and resilience building are vital, especially in the fast-paced economies. If one has to stay in the game they must know where and when the next shot will be fire and where it will hit.”

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IFRS 9 COVID 19 Fortune Telling



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As they play their pivotal intermediary roles, banks have always been reliable barometers of the health of the economies in which they operate. Making handsome profits in the good years and shouldering bad debts in troubled times, whilst providing timely information due to the now standard quarterly reporting cycles. However, they historically provided limited indications of the future direction of their economies, until the introduction of IFRS 9 in 2018 when the recognition of bad debts had to conform with an expected credit loss model. Since then, with an array of sophisticated models, the banks have now unwittingly become fortune tellers as their bad debt estimates need to incorporate forward-looking factors based on reasonable and supportable information that is available without undue cost and effort.

So what did the banks tell the alert observer about the financial impact of the COVID 19 pandemic when they released their quarterly

reports for 1Q20. The answer is – a very worryingly awful lot. In Oman, the flagship Bank Muscat reported an increase in bad debts of \$67m, being double what they reported in 2019. In the UAE, between them, FAB and ENBD reported an increase of \$890m, being 3.4 times 2019. In the USA, the largest three domestic commercial banks reported a combined increase of \$17bn, being 6 times 2019. Whilst arguably the most global bank in the world, HSBC singularly reported an increase of \$3bn, being 5 times 2019 and also provided forward guidance that they expect the figure to rise to \$11bn by the end of the year. However, these bad debt estimates were computed in April when the pandemic was only just taking effect and the impact was not so easy to estimate.

With three months to better assess the financial consequences of the pandemic and fine tune their sophisticated models, all industry observers, especially central bankers, are

nervously waiting for the release of the 1H20 bank reports in July. Will the initial 1Q20 estimates prove to be exaggerated knee jerk over reactions, or will they be multiplied exponentially as the full global financial impact of the pandemic becomes yet another almighty challenge that our generation must learn to overcome, as the airline and tourist industries are ravaged, swathes of workers find themselves redundant and the hard earned pension pots of savers become eroded.

In Oman, the worry is that the initial bank estimates (at just 2 times 2019) were woefully below the mark compared to international

standards and that the ultimate impact will be even harder felt due to the combined reliance of the economy on the price of oil, which miraculously traded at -\$38 per barrel (negative for the first time in history) in April 2020, as it became an immediate casualty of the reduced global activity when the entire world went into lock down. The global rating agencies have already made their opinions public, when Moody's downgraded Oman's credit rating from Ba2 to Ba3, which translates into the implied probably of default by the Oman Government over the forthcoming 12 months rising from 1.50% to 3.45%.

Pandemic Spike

Provisions at major U.S. banks rise on fears of bad debt



Source: Bloomberg

Common Reporting Standard (CRS)



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As the world has become increasingly globalised, it is easier for taxpayers to make, hold and manage investments outside their country of residence in locations, commonly known as “tax havens”. Until recently tax havens were generally viewed as exotic sideshows to the global economy frequented by celebrities, gangsters, and wealthy aristocrats. But tax havens collectively cost governments over US\$600 billion in lost tax revenue annually. To add to this malady, vast amounts of money (over US\$ 8.7 trillion), kept offshore and go untaxed to the extent that taxpayers fail to comply with tax obligations in their home jurisdiction. Off-shore tax evasion is a serious problem for jurisdictions all over the world. Countries have a shared interest in maintaining the integrity of their tax systems. Co-operation between tax administrations is critical in the fight against tax evasion and in protecting the integrity of tax systems. The key aspect of that co-operation is exchange of information between various governments.

Global pacts

The OECD (Organisation for Economic Cooperation and Development) has a long history of working on all forms of exchange of information – on request, spontaneous, and automatic – and the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (MAAT) and the OECD Model Tax Convention provide a basis for all forms of information exchange.

In the past ten years much progress was made by the OECD, in the exchange of Information for tax purposes among the signatory countries. As a part of this process and on the basis of FATCA-IGA (Foreign Account Tax Compliance Act-Inter-Governmental Agreements) many countries have enacted FATCA and other similar legislations.

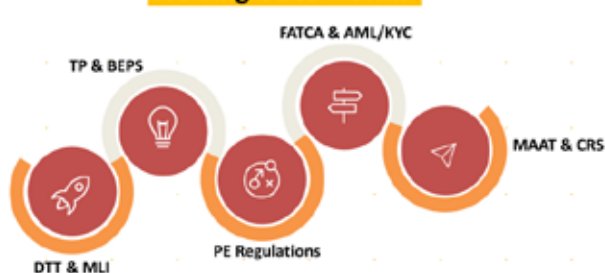
Common Reporting Standard (CRS)

As drafted and approved by the OECD Council, Common Reporting Standard calls on jurisdictions to obtain information from their banks and automatically exchange that information with other jurisdictions on an annual basis. CRS contains the reporting standard and due diligence standard that underpins the automatic collection and exchange of financial account information of individuals and corporations held by the banks. Under the reporting standard of CRS, banks adopt AML/KYC (Anti-Money Laundering/Know Your Customer) procedures for existing and new accounts, low-value and high-value accounts, accounts of residents and non-residents without de minimis threshold. Due diligence standard of CRS require bank to carry out the review procedures where regulators may require banks to apply a threshold for such review.

Measures taken by Oman

Oman has committed and signed the international framework for implementing the Common Reporting Standard regulation in 2019 to enable automatic exchange of financial information with other jurisdictions. Banks and other financial institutions were mandated by the Central Bank of Oman to ensure collection of CRS-related information for new account holders effective from 01 July, 2019. Further

Evolving OECD Norms



VAT is almost there! Are you prepared?



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The introduction of VAT has become more certain now with the Ministry of Finance announcing the target date of 1st September 2019 (<http://www.omanobserver.om/vat-from-sept-next-year/>). The VAT Framework Agreement stated that the participating countries have to implement VAT latest by 1st January 2019. As of date, VAT has been already implemented in UAE and KSA and Oman will follow the Framework agreement soon.

It is extremely important for businesses to understand and start preparing for VAT in Oman. VAT is a tax on private and final consumption of goods and services but is charged indirectly by charging taxable vendor with the collection of tax on their sale of goods and services. The vendor is allowed to take VAT credit on its purchases and hence the net impact on vendors is nullified. Hence, businesses should understand the fact that they are the 'tax collectors' for the government. If they do not do it correctly, they will have to pay penalties stated in the local VAT law.

As per the framework agreement, all goods and services are subject to 5% VAT. However, VAT will either be zero rated or exempt for the education, health, real estate and local transport. It also gives option to Member states to zero rate the oil, petroleum derivatives and gas sector. The Ministry of Finance stated that

to that, Royal Decree No:34/2020 approved the Mutual Administrative Assistance in Tax Matters Agreement which required the Central Bank of Oman (CBO) to instruct all banks and finance and leasing entities operating in Oman to implement CRS requirements. Accordingly, CBO has recently instructed all these entities to commit to the requirements of CRS and submit periodical reports to the Tax Authority in the Sultanate of Oman so that this information will be shared with the thirty-two countries participating with Oman for the Automatic

VAT will be not imposed in the health, education, part of the housing and logistics sectors and 94 food items in Oman (<http://www.omanobserver.om/vat-from-sept-next-year/>).

We at Crowe Mak Ghazali, have strong practice in VAT advisory services. We conduct workshops and in-house trainings for VAT. We assist businesses in tax determination and impact/gap analysis for VAT. We assist in developing a VAT strategy and define a VAT control framework. We review the accounting software designs from VAT adaptability aspect. We supervise the IT design changes in the accounting systems for VAT implementation. We create transaction test scenarios and assist in validating those and recommend solutions to address any gap. We work with VAT engine vendors and can advise for any need for a bold-on VAT solution. We assist in VAT registration with the Tax authorities.

We strongly believe in partnering with businesses for VAT advisory and support services throughout the VAT adoption process and be with them for any teething issues till filing of first and subsequent returns.

Exchange of Information for Tax Purposes.

Argument in favour of tax havens as "tax neutral" conduits helping international finance and investment flow smoothly, increasingly becomes defenceless. While the benefits for the private players involved are evident, the same may not be true for the world as a whole. It is now widely accepted that in addition to tax losses, allowing capital to flow freely across borders carries risks of financial instability and erosion of value in emerging market economies.

Abuse of Procurement function



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The simple principle is that each penny saved in purchases will be added to the net profit of the company. Each penny saved will make a direct impact in the bottom line. In most of the forensic audits we conducted during the last year, it was revealed that procurement function is widely abused by circumventing policies and procedures resulting in significant conflicts of interest, kickbacks and fraud. Most frauds occurred due to the failure of internal controls, poor governance and non-adherence of approved policies.

Forensic auditors came in the picture when a significant fraud takes place. On a regular basis, vendor audits and detailed procurement function is to be verified for possible irregularities and chances of corruption. It is advisable to implement ISO 37001 standard to all procurement departments. This will be a shield to convince themselves that the company has taken minimum precautionary measures against corruption and bribery. In the vendor selection stage itself companies can insist on standards such as ISO 37001 compliance as a barometer to measure the anti-bribery compliance systems of their business partners as a part of the company's own due diligence efforts prior to engagement.

As per the "Report of the Nation 2020" issued by the Association of Fraud Examiners, USA, the duration of a typical fraud span was between 6 months and 60 months with a median duration of 14 months. Duration here refers to, the typical time between when a fraud begins and when it is detected. A quick detection of fraud is vital to protecting an organization from potential damage.

The longer the fraud remains undetected, the greater the financial losses will be.

Non-competent boards and audit committee fail to oversee critical failures. It is their responsibility to have inbuilt mechanisms to verify that,

- Each invoice accounted are for the actual goods / services to the company or if it is a fraudulent billing scheme?
- Are there any chances of double payments or overpayments to vendor?
- Are there contractual rights added to the agreements to conduct vendor audits?
- Vendor accounts are periodically reconciled for errors and manipulations
- There are no chances of abuse of authorization limits with split purchases
- The items purchased are validated by the competent party as to the requirement based on the lead time?
- If there is a mechanism not to receive obsolete materials?
- The system is confirming the purchases, are as per market rates and approved qualities.
- That continuous awareness and training is provided to enhance ethical standards among employees as part of corporate culture.

Apply Chain forensics can benefit the organization to

- Identify and recover overpayments
- Set standard for future negotiations
- Monitor supply chain performance and reduce waste
- Vendor audits

GCC VAT and Preparing for the Introduction of VAT in Oman

The introduction of VAT in three out of six GCC countries has proved to make a contribution to these states' non-hydrocarbon revenue in its first year of full implementation. Effectively, VAT contributed approximately USD 0.7 billion for Bahrain, USD 15 billion for KSA and USD 7.3 billion for the UAE in the first year of full implementation. As of 1 July 2020, KSA increased the VAT rate from 5% to 15% which should correlate to an increase in revenue from this tax. The next GCC state that implements VAT should expect to see immediate benefits to its overall economy.

In 2016, the GCC countries signed the Common VAT Agreement ("Agreement") whose provisions shall be implemented in their local VAT laws. Thus, it is expected that there will be many similarities in the VAT laws among the signatory countries. The Agreement provides some flexibility for each country to treat certain transactions differently, such as zero rating or exempting possibilities. However, the specific adjustment decisions of each country will depend on many aspects, for example its economic infrastructure, sociodemographic situation and future national strategic plans.

There are nevertheless a few provisions in the Agreement still remaining to be implemented in Bahrain, KSA and the UAE, such as the provisions in relation to intra-GCC supply. This is because none of the three countries have yet recognized each other as "Implementing States". Sooner or later these countries should be expected to also implement this concept, as one of the aims of the Agreement is to promote economic unity amongst the GCC countries.

This implementation is likely to happen in a similar way as the GCC Common Customs Law that regulates customs duties on cross-border transactions between GCC countries.

Oman is expected to be the next GCC country to implement VAT. Similar to the other three GCC countries, Oman should immediately benefit financially from the tax. As stated earlier, the provisions of the Agreement and country specific adjustments are anticipated to be a part of local VAT law. When preparing for VAT implementation, businesses are recommended to have practical support from a party who has implementation experience across the three GCC countries with existing VAT laws and is well versed in Omani laws and business practices.

Lastly, it is never too early to prepare for VAT. The implementation time provided by authorities in the three GCC countries that currently have VAT in place has been very challenging for most businesses. Even if the implementation was done in phases such as in KSA and Bahrain, the interaction between and impact of VAT registered and non-VAT registered businesses still needs to be planned for well ahead of time.

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27 August 2020

Oman

Bankruptcy Law

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Oman Bankruptcy Law:

As the World witnesses a major negative economic impact due to severe interruption of business and trade, the need for robust bankruptcy law becomes imperative. 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

A significant provision introduced in the Law is the concept of restructuring that 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 its 'financial and administrative disorder' prior to the non-payment of its debts. However, 'financial and administrative disorder' is not defined in the Law and subsequent regulations may detail this further.

A restructuring committee comprising official role of experts will be formed to review the application of restructuring submitted by the debtor and develop a restructuring plan that must be implemented within 5 years. As per

Article 5 of the Law, roll of bankruptcy experts shall include individuals and companies specialised in the field of restructuring, asset management, bankruptcy, and other industry specialists.

Oman's Ministry of Commerce and Industry will mediate between the debtor and its creditors in line to the restructuring plan. If both parties agree to the restructuring plan, it will be submitted to the court for approval and will be binding on all parties. The advantage of the restructuring, unlike insolvency, enables the owners to continue administrating their business and with the support of the experts are able to restructure their debt.

Preventive composition

The concept of preventive composition (PC) under the Law is similar to what is set forth in Book 5 of Oman's Commerce Code. In addition, similar to restructuring 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. A majority of its creditors by number or two-thirds in value can approve a PC that would bind all the remaining creditors as part of the debt restructure process. Following the submission of the application, a court appointed trustee would supervise the debtor and all bankruptcy proceedings, enforcement actions and other claims will then

be automatically stayed. A key element of PC is assets remain with the debtor enabling them to continue business activity and operations under the supervision of a court appointed trustee.

Bankruptcy

The provisions relating to insolvency proceedings under the Law have been slightly updated from those in Book 5 of the Commerce Code. A trader may submit for bankruptcy, with the approval of majority of its shareholders and within 15 days of cessation of payments. In addition, a creditor who can prove a debt and that they have not been paid may also apply for bankruptcy of a trader. The court may also on its own initiative, declare a trader bankrupt.

The court may order precautionary measures against the funds and assets of the trader during the process of the bankruptcy. It will also appoint a liquidator and judge to oversee the insolvency proceedings. The liquidator would assume the role of the management and process of the assets during the liquidation process. The liquidator will also register the summary of the judgement in Commercial Register and publish in the official gazette including an invitation to creditors to submit details of their debts.

Following the declaration of bankruptcy, a creditor may no longer accrue interest on outstanding sums and would not be entitled to initiate or continue proceedings against the bankrupt person. However, secured creditors may continue or initiate proceedings for the sale of the secured assets and securities for the amounts owed.

Debts of a bankrupt person would be settled in following order:

1. salaries of employees.
2. government dues and taxes.
3. preferred or secured creditors; and
4. unsecured creditors.

Judicial composition

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.

Rehabilitation

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.

Conclusion

The Law is part of governments ongoing efforts to encourage investment in Oman, destigmatise business failure and assist businesses through financial challenges.

Hints

Covid 19, the time to assay our companies to withstand pandemic.

Difficulties strengthen the mind, as labor does the body; so as to the organisations too. Its the time to revive/structure our organisation against the unforeseen pandemic/lockdown. A Company's statement of financial position with huge asset base doesn't mean that the Company is strong enough to survive a pandemic. However, financial ratios particularly the liquidity ratios, even more specifically the quick ratio/cash ratio, may provide an overview on this. Higher the ratios better the company is positioned with.

The ratios mentioned above exhibit the status of the Company on a particular date. What matters during the pandemic, how long and to what extend the Company can/could survive by deferring/postponing the receipts/payments of receivable and payables. This even depicts a company's corporate social responsibility to help the debtor's/creditors of the company to survive during the crises. The longer the company could survive, the more sound it is. On the contrary, if deferment of payment for creditors are unavoidable, Company's with adequate cash/highly liquid asset set in as a legend. To sum up, the extend of cash/highly liquid asset the company hold, better the company is positioned against pandemic.

How long the company could defer payment of creditors, of whatever nature, an indirect cash flow, during such pandemic? The possibility of such deferment depends on aspects such as the financial strength of the creditors, past payment record of the company with creditors, personal relationship and trustworthiness the creditor have with the Company. So also with the debtors.

If the above cyclical process of deferments could be executed by each of the organisations among themselves without breaking the chain, it may lead to the survival of all companies till the end of pandemic. Would it in turn gear up the recovery of economy on the end of pandemic?

Surely, longer the duration of pandemic, lesser would be the possible execution of such deferment. The possibility of such a cyclical deferments to be visioned, planned, budgeted, prepared and supported by the government / cabinet with special consideration to SMEs and start-ups.

A company, either cash rich or not, without leverage will be in a more stable position since they have the option to raise additional funds, if required. Further, for highly leveraged company, finance cost would be an additional burden particularly during pandemic unless the lender waives the interest/instalments, for which the government support is required.

It's true that the Company may not realise its strength until it come to face the greatest challenge. Let the pandemic make us to anatomise these facts and how can we better the position or strengthen our company against such situations.



Oman Tax Law Reforms over a decade

The objective of any country's tax law would be to ensure sufficient tax revenues. Oman is systematically and progressively achieving this objective in a phased manner and it is apparent from the major changes/developments that is taking place over the past decade.

The New Oman tax law - 2010, the Executive regulations to the tax law – 2012, Amendments to tax law – 2017, Executive Regulations to the amendments to tax law – 2019 provides clear and straight forward provisions, rules and regulations. The Tax Authority is trying to implement these tax law provisions strictly, convincing the tax payers to comply with the Tax Law of Oman.

The recent developments of organisational change from "Secretariat General for Taxation" to "Tax Authority" by Royal Decree 66/2019 and the Tax card system with effect from 01 July, 2020 by decision 27/2020 are considered as reformative procedure for facilitating better administration in a broader perspective. These changes are more relevant now Oman is a signatory to BEPS framework, CRS and Multilateral convention.

Oman is always a stable and business friendly country, due to its infrastructure, strategic location, constant and sustainable focus on industrial and economic growth which has attracted foreign investors to do business in the Sultanate. The standard and strict function of the regulatory authorities have given the business entities, both local and foreign, a safe atmosphere. The changes in various business laws like, new Commercial Company Law, new Foreign Investment Law, new Bankruptcy Law have come up with more relaxing and easing provisions and rules that enables the

business entities to have better opportunities to strengthen or to re-structure their business in Oman.

The Government is liberal in easing the procedures to do business, due to the changes in various business laws and, at the same time a serious effort is made to ensure "No tax leakage". While this was a visionary measure started since 2010, it has now come to proper shape due to the following measures:

On 15 May 2019, the Central Bank of Oman (CBO) issued a circular confirming that Oman will implement the OECD Common Reporting Standard (CRS) regime and exchange financial account information from 2020 onwards.

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.

Oman Income tax law will be amended to include the Automatic Exchange of Information (AEOI) and Country-by-Country Reporting (CbyCR) as an action measure to its commitment to implement the four minimum Base Erosion and Profit Shifting (BEPS) standards of the OECD. The amendment will also introduce detailed transfer pricing guidelines and documentation regulations to govern arms' length pricing of transactions between related parties.

Hence it is predominantly important for the business entities, especially those having cross border transactions, to structure or plan their system not just considering the flexibility of the business laws but also to properly structure in order to avoid the bottlenecks of the Tax laws due to the emerging revolution in the tax system in Oman.

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About us

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

Our Services

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



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