



# Newsletter

## Vol 3, 2022

## Message from the Managing Partner



Dear Friends,

The change in working conditions brought about by the pandemic has forced many companies to accelerate their technology strategies. Cloud technology is rapidly becoming one of the key investments. The driving force behind adoption of cloud computing in finance is the increased efficiency and flexibility. The additional advantage of the technology is in reducing costs, increased cash flows, ensuring server availability, and preventing unforeseen disasters.

The sudden changes in working environments, moving to more flexible/remote practices, is quite a challenge and raises the question about cybersecurity. This is especially true for remote teams handling sensitive financial data. Securing

data and sensitive financial information are top priorities for finance leaders.

Automation in the finance department is yet another technology which is quickly becoming the glue that holds processes and teams together, helping mitigate risk, decrease the time taken to alert stakeholders, and increase speed to resolution.

To help businesses embrace the future, there are three technologies that have to be prioritized-Cybersecurity, Cloud technology and Automation. Without doubt, remote working is and will continue to be one of the biggest challenges and opportunities to day-to-day operations – one that has accelerated the shift towards digital technologies such as the Cloud and automation. Now is the time to seize the opportunity to embrace new technology and a better way of working.

Best Regards

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# OMAN'S Personal Data Protection Law



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Oman's Personal Data Protection Law will come into effect from February 2023 onwards. Royal Decree 6/22 Promulgating the Personal Data Protection Law (PDPL) was issued on the 9th of February 2022 and was published in the Official Gazette on 13th February 2022. It is announced that the law will be applicable a year after its publication.

As per the law, the Ministry of Transport, Communications and Information Technology, Oman ("MTCIT") shall issue the executive regulations in relation to PDPL, as well as the decisions necessary to enforce its provisions.

The Oman PDPL on the similar lines of global privacy laws specifies strict requirements around how companies manage and protect personal data of individuals while respecting their choice; irrespective of where data is sent, processed or stored.

The Law introduces data protection principles such as transparency, honesty, and respect for human dignity, data subject rights, as well as obligations on controllers and processors, which bring the country's legislative regime into closer alignment with global data protection laws.

The law shall apply to all organizations operating in Oman and any organizations not based in Oman but processing and collecting data on Omani residents and citizens.

The Law includes 32 articles inclusive of data security specifications, data protection officer ('DPO') appointment, data subject access rights, controller &

processor obligations, and penalties for breach of the same.

Data Subject ("Data Owners") Rights as per PDP Law are

- Right to Revoke Consent
- Right to Erasure
- Right to Amend/Update/Block
- Right to Access
- Right to Be Informed
- Right to Data Portability

Note: There are also relevant privacy provisions in various other pieces of

legislation. The Royal Decree No. 101/96 Promulgating the Basic Statute of the State ('the Basic Statute'), for instance, grants certain privacy rights in relation to communications. The Electronic Transactions Law likewise sets a basis for the confidentiality of information, and particularly stresses the importance of encryption practices. There is also a general cybercrime law, Royal Decree No. 12/2011 issuing the Cyber Crime Law ('the Cybercrime Law'), which regulates unlawful practices in cyberspace.

## Anti Money Laundering & CFT Compliance training session at Thawani Technologies, First licensed Fintech company in Oman



## DATA PRIVACY WORKSHOP

on 15th November 2022  
at Hotel Sheraton, Muscat

Audit / Tax / Advisory / Risk / Forensic



Full day workshop based on  
Oman Data Privacy Law

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# What to do with ESG?

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Luis Piacenza



## Who cares about ESG?

Some years ago, in the business world, nobody cared about the social issues, the environment and, perhaps somehow, a few recognised that governance quality might improve business performance. Now we clearly are at a transition point. Although there are doubters, all of us are at least concerned about how ESG could have a meaningful impact on how we do business and how it may affect our capacity to get financing and retain the license to operate, either legal or moral.

### Cut-throat competition

A sudden change in the scenario from what nobody cares about, to what everybody is talking about, means that standard setters on ESG - a conundrum of organisations that have existed for many years, started a race to become the global standard setter. Sometimes to ludicrous boundaries, these lobbies, through their public announcements, created an open, cut-throat competition where NGOs representing different constituencies in business created more confusion than clarity - paradoxically, what anyone can expect from standardisation. However, thankfully, these paths are converging to a few central standards, with the IFRS Foundation and the European Union leading the way on corporate reporting standards and the TCFD is paving the way in the financial sector to better understand the climate impact aspect.

## Greening the stuff

But at the end of the day, the physics of climate change and social dynamics have their roots quite far from accounting standards. So, financial and nonfinancial undertakings may divert attention to more relevant actions to cope with the challenge. The major challenge being to simply reverse the climate crisis, so more ink will not make the difference. Only making it green will help, so the main point is to analyse operations, understand how we impact climate, how climate will impact us and take immediate action. Whilst 2030 still seems like a futuristic movie, it is just around the corner.

On social aspects, the same. Maybe not as visible as the climate crisis - it depends heavily on the region on the planet - but most concerning because of the interdependence with the impact on the on climate. Migrations, social crises, and, a general lack of social cohesion added to internal political conflict and water and food shortages are all today's social issues. One may ask why corporates should care about this - because it is convenient and necessary, there is no business, market or consumer in a world without social cohesion and a sense of justice. Environment meets social very quickly in this new global world painted by complexity.

## The real thing

To tackle it and make a difference, corporates and governments may consider the importance of differentiating between soft and complex trends. I mean, trends like B Corps (companies that

voluntarily meet the highest standards for social and environmental performance), ESG corporate reporting, green bonds and carbon taxes can and must change. Although these are things that are happening now, they are unlikely to shape our realities in ten years.

On the flip side, decarbonisation of operations and mitigating or adapting to a changing climate are crucial. It also may be accompanied by understanding and coping with global social events such as the great resignation (massive withdrawals from the workforce after the COVID pandemic), shifts in the workforce with new generations taking over, and overlooked themes such as biodiversity and water scarcity. Also, failure in governance due to poor anticipation of the real ESG impacts is essential to bear in mind.

Nobody will care in ten years of your sustainability report this year, but the lack of strategy and direction is your fiduciary duty if you are in charge of matters related to the corporate world.

So, the advice is to keep an eye on your ESG approach and strategy, find your competitive advantage in this volatile context, plan to execute with excellence, remain flexible to trial-and-error. Your corporate reporting need not be an issue if you grip firm on the rudder in these turbulent ESG waters.

This article was co-written by Karl Jackson, an Audit and Assurance Partner with Crowe Oman karl.jackson@crowe.om and Luis Piacenza the ESG Partner from Crowe Spain.

# IFRS:

## Keeping you up to date

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This is a brief summary of update to IFRS covering significant changes made and/or proposed thorough Exposure Drafts and Discussion Papers as of mid-2022.

### **Exposure Draft: Non-current liabilities with covenants**

This exposure draft was issued in November 2021 and affects recent amendment to IAS 1 relating to current and non-current assets and liabilities. In response to a very specific query, the ED proposes to clarify that where an entity has borrowings due after more than one year which it has classified as non-current, this classification is not altered by the existence of covenants setting out conditions with which the entity must comply within 12 months. In other words, this sort of condition would not mandate reclassification to current though there would be a disclosure requirement. The IASB has tentatively decided that the amendments will be issued in late 2022 with an effective date of 1 January 2024.

### **Proposed amendments to IFRS 16 – sale and leaseback transactions**

In November 2020 the IASB published ED2020/4 Lease liability in a sale and leaseback (proposed amendment to IFRS 16) to address a question about the accounting after initial recognition by a seller-lessee who has a lease liability. After the comment period ended in March 2021 the Board considered the feedback received, and an Exposure Draft proposing these amendments to the standard is expected around September 2022.

### **Discussion paper – business combinations under common control**

The IASB began work in 2020 on the often-discussed topic of business combinations under common control, an area that is not at present covered by IFRS 3. The most recent discussion was in June 2022 where the IASB discussed some high-level questions but did not make any decisions.

### **Proposed amendments to IAS 21 – Lack of exchangeability**

An Exposure Draft was issued in April 2021 proposing amendments to IAS 21 addressing the question of how exchange

rates are determined when there is a long-term lack of exchangeability, rather than just a short-term restriction. The proposed amendments give a clear definition of when a currency is and is not exchangeable into another, and set out how an exchange rate should be determined in this case. The comment period closed in September 2021 and the IASB began to discuss feedback in January 2022.

### **Exposure Draft – Supplier finance arrangements (proposed amendments to IAS 7 and IFRS 7)**

This Exposure Draft, issued in November 2021, addresses disclosure queries relating to supplier financing arrangements. It proposes that further qualitative and quantitative information on supplier finance is disclosed, and that existing disclosures are better signposted. The proposals do not define the term “supplier finance arrangement” explicitly but instead set out the key characteristics and disclosure goals. The comment period ended on 28 March 2022 and the IASB began to discuss the feedback in July 2022.



## Tax Card Renewal

As per the Ministerial Decision number 27/2020 issued on 18 May 2020 regarding implementing the provisions relating to tax cards -The tax cards issued by the Tax Authority are valid for two years from the date of issuance, and on its expiry, the tax cards are deemed cancelled or invalid.

An online application for renewal of the tax card should be made within one month before the expiry of the tax card. The Tax payers must ensure that the Tax card is renewed at least one month before the expiry.

IT IS TIME TO RENEW THE FIRST TAX CARD, the Tax Authority will not renew the Tax card if there is any non-compliance of Tax obligations/outstanding tax dues, at the time of renewal.

# The Struggling Manufacturing Sector

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After a positive 1st quarter, we were happily waving goodbye to two downbeat years of COVID, with a with a general improvement in Y-o-Y SAOG profitability. Whilst many companies have continued the trend into the 2nd quarter, we see that our prediction of headwinds from the fallout from the outbreak of war between Russia and the Ukraine, which is putting huge pressure on the supply side, have materialized for manufacturing sector.

In the financial sector, we see the banks and leasing companies have shrugged off the high ECL impairment charges of 2021 and, with asset portfolios that have remained high due to the lack of repayments (due in a big part to the CBO mandated loan deferrals arrangements), have continued to post increased profits this year. However, in many cases, restructuring (of problem loans) has been delayed, so the impact on ECL provisions will not be known until later in the year, since it is unlikely that all restructures will all be successful. In the 1st quarter, the insurance companies benefitted from increased values of their investment portfolios. This benefit was absent in the 2nd quarter, so the struggle to return to pre-COVID levels of profitability, as premium pricing in a smaller market is challenging, has become apparent.

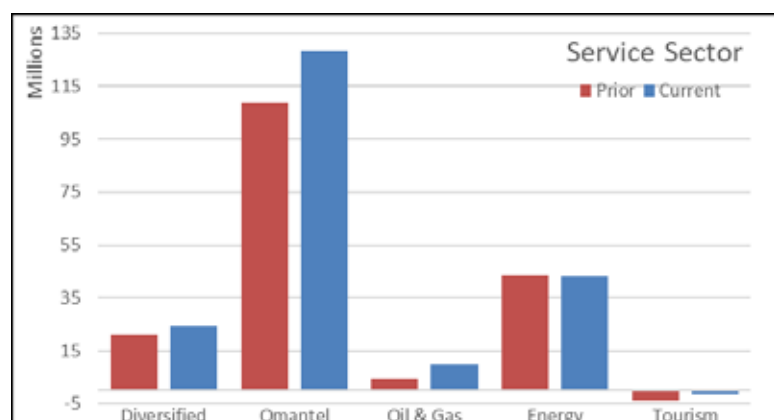
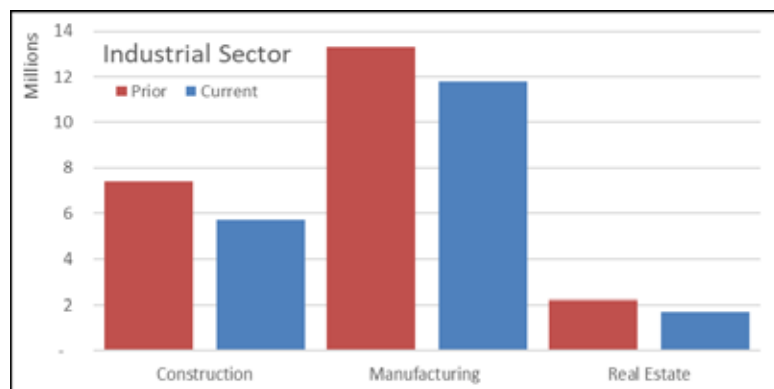
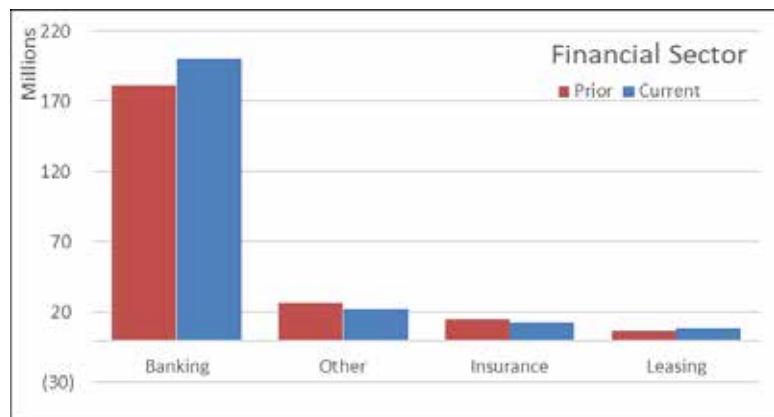
The Industrial sector, comprises of construction and manufacturing companies and two real estate funds. The construction sector is the hardest to fathom, as three of the nine companies (Al Hassan Engineering, Aluminum

Production and Raysut Cement) posted combined losses of RO 5.9m, which continues to hold back the sector. The manufacturing sector, continues to face external challenges, with many companies struggling as they are unable to pass on the higher cost of imported raw materials and shipping to customers, either within Oman or in the overseas markets they export to. A situation that has been aggravated by the ongoing conflict between Russia and the Ukraine.

Finally, as we look at the Service sector, the major story is the continued rebound

of Omantel. Within the oil and gas sector, the three petrol station owners continue to reap the benefits from the ending of lockdowns and drivers returning to the highways. Although not a major sector for listed companies, the six hotels within the tourism sector are still waiting to see the return of mass tourism and the future of business demand is still not clear as some online meetings are probably here to stay. The 2nd quarter performance of energy sector is dominated by the turnaround of fortunes of five of the eleven power companies who posted combined profits of RO 25.2m compared to RO 10.1m of losses in the 1st quarter, which is due primarily to the seasonal nature of power usage, with higher usage in the hottest months.

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# International Taxation – Dispute resolution – Mutual Agreement Procedure



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Double Taxation Avoidance Agreement (DTAA), inter-alia, provide rules and mechanisms for allocation of taxing rights amongst the treaty partners; avoidance of economic and juridical double taxation; and resolution of taxation not in accordance with the treaty through the Mutual Agreement Procedure ('MAP'). Even though there are rules and mechanisms available for MAP in the DTAA's in general, detailed information regarding MAP processes and guidance on issues related to such processes were not available in a comprehensive and consolidated manner.

The Action 14 final report on "Making Dispute Resolution More Effective", of the Base Erosion and Profit Shifting ('BEPS') project of the G-20 and OECD countries, had recommended that all countries that implement the BEPS package of measures must publish comprehensive MAP guidance. In view of this Oman has issued guidelines on the mutual agreement procedure (MAP) in Oman.

One of the provisions of the Multi-Lateral Instrument (MLI), which Oman has adopted on 26 November, 2019, allows taxpayers to approach the Competent Authority of either jurisdiction to request MAP assistance under a DTA. This rule will only apply where Oman's treaty partner has also adopted the provision and ratified the MLI. Where both countries have elected to apply this rule, taxpayers will be able to approach the Competent Authority of either treaty partner jurisdiction in order to request MAP assistance. Taxpayers should consult the relevant DTA and the relevant MLI provisions (following

ratification by both treaty partners) when making a MAP request.

In Oman, the Tax Authority is the Competent Authority. The Tax Authority and the relevant foreign competent authority resolve disputes regarding double taxation issues through this procedure. Usually, a MAP is entered into between two CAs, but it is also possible for Tax Authority to enter into a multilateral MAP involving three or more CA's.

Article 25 of the OECD's Model Tax Convention on Income and on Capital ("MTC") provides a mechanism to resolve difficulties arising where the actions of one or both of the Contracting States result or will result for the taxpayer concerned in taxation, not in accordance with the provisions of the convention.

Under the equivalent of Article 25(2) of the MTC, within the relevant Oman's DTA, the Tax Authority will endeavor to resolve such cases by mutual agreement with the Competent Authority of the other Contracting State. In such a case, a taxpayer may request assistance from the Competent Authority to resolve the issue. Generally, Oman's DTAs state that taxpayers must approach the Competent Authority of their country of residence to request MAP assistance. In cases where an adjustment to profits is made by a tax administration that affects related parties in different jurisdictions, it is advisable for each taxpayer to make a separate request for MAP assistance to the Competent Authority of the country in which it is resident.

Oman Tax Authority has issued detailed

guidelines for the MAP process, which are broadly classified in to three stages

- Notification and acceptance into MAP process
- Negotiation
- Implementation

Common Scenarios where MAP is applied:

- Cases of transfer pricing adjustment
- Existence of a Permanent Establishment
- Issues relating to attribution of profits to a Permanent Establishment
- Characterization or classification of an income or expense.
- Situations regarding 'thin capitalization' when the state treated interest as dividends
- Cases of misapplication of the convention regarding to residency

Specific scenarios where MAP cannot be applied:

- Interest and penalties imposed by the other country; and
- Secondary/repatriation of profits adjustments implemented under the laws of the other country.

Mutual Agreement Procedure has become an increasingly important tool for taxpayers and tax authorities alike in addressing double taxation, as it allows for competent authorities to consult with each other on the application of double taxation treaties. A collaborative global environment has allowed the process to become more efficient, where authorities exchange information to reach an appropriate outcome.

## Securities Law



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The Royal Decree No. 46/2022 has promulgated The Securities Law that offers multiple options for financing by providing a legal umbrella for virtual investment assets.

The objective of the new Securities Law is to create an independent law regulating Audit / Tax / Advisory / Risk / Forensic

the securities industry in the Sultanate of Oman in line with the requirements of the current and future development. The law expands the scope and authority of the Capital Market Authority (CMA) in the field of organization and development and controlling the pace of the sector in

order to achieve the desired goals and aspirations.

The law keeps pace with the developments brought about by the digital revolution, as it provides a legal umbrella related to regulating the requirements of financial technology known as Fintech, which

contributes to providing financial support to economic sectors using innovative financial solutions, as the law gives the Capital Market Authority (CMA) the power to regulate innovative financing and approve application of technology and digital virtual investments.

The law also allows the expansion of financing options by regulating new products and services such as financial derivatives and other financial products. This law supports special programs and initiatives for financing small and medium enterprises, given the economic importance of this type of institution whose

financing needs are of a special nature, which addresses one of the most important challenges faced by entrepreneurs of small and medium enterprises.

The new Securities Law also creates the necessary legislative structure to ensure the independence of the Muscat Stock Exchange from the Capital Market Authority (CMA) and to move forward in being a self-regulatory institution.

The articles of the law also focus on achieving the principle of justice and protection for dealers in the capital market in the Sultanate of Oman by setting many international determinants and practices,

including those issued by the International Organization of Securities Commissions (IOSCO).

The law also provided the necessary legislative cover to address the shortcomings which were included in the rating report issued by Thomas Murray Data Services on the Muscat Clearing and Depository Company (MCDC), which would enhance the company's classification to higher levels that support its position among its peers. Further Regulations based on the new law is expected to be announced in the near future.

# Relevance of IAS 41 in Oman Agriculture Sector



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Agriculture is crucial to economic growth of every nation. In 2018, it accounted for 4% of global gross domestic product (GDP) and in some least developing countries, it can account for more than 25% of GDP. Agricultural production in Oman constitutes mainly of dates, vegetables and fruits, animal husbandry, aquaculture while other crops are cultivated at lesser volumes. GDP from Agriculture in Oman increased to 785.50 OMR Million in 2021 from 752.40 OMR Million in 2020. Considering this the relevance of IAS 41 and its' applicability is increasing in Oman.

The main objectives of the standard IAS 41 are to prescribe accounting treatment and disclosures for agricultural related activity. This standard is particularly applicable to accounting for

+biological asset, Agriculture Produce and Government grant relating to agricultural activity. Biological assets are living animal or plant (eg: Dairy cattle and trees in timber plantation). Agriculture produce are harvested produce of biological asset (eg: Milk and felled trees).

The land, bearer plant, government grant relating to bearer plant, intangible asset, investment property and right of use asset on lease land used for agricultural activities are to be recognized and measured using IAS 16, IAS 20, IAS 38, IAS 40, IFRS 16 according to the applicability.

But remember the bearer plant are not biological asset (eg: Dates/Oil palms, tea bushes etc.) and shall be treated as plant under IAS 16. Those are living plants used in the production or supply of agricultural

produce; is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce.

Biological asset and agriculture produce are recognized when entity controls assets as a result of past event; Probable that future economic benefit flow to entity; Fair value/cost of asset can be measured reliably.

Unconditional Government grants related to biological asset (measured at FV less cost to sell) shall be recognized in profit and loss account only when grant becomes receivable. If it's conditional, recognize when the conditions relating to those are met.

Biological assets are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell if fair value can be measured reliably. If it is not measurable reliably, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. Similarly, agriculture produce shall be measured at fair value less cost to sell at the point of harvest.

Gain or loss arising on initial recognition and change in fair value less costs to sell relating to a biological asset shall be recognized in the profit and loss account. Similarly gain or loss on agriculture produce are recognized in the profit and loss account for the period in which it arises.

Oman is currently more focused on healthier diets with more inclusion of fruits

and vegetables and there has been a shift in the traditional dietary habits toward organic food. Moreover, the interest in wellness and immunity has spiked as a result of the COVID-19 pandemic, leading to higher demand for dairy products, fruits and vegetables in the domestic market and in partner countries. This is anticipated to influence agriculture production in the country and is likely to have a significant impact on market growth. Further, Oman agricultural market is projected to register a CAGR of 2.4% during the forecast period 2022-2027.



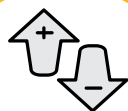
# About us

Crowe Global is ranked among the top 10 global accounting networks with more than 35,000 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.



## Audit

- External Audit
- Reviews and Compilations
- Agreed-upon Procedures
- Corporate Governance Reporting
- Transaction accounting
- Financial reporting
- Personal Net worth
- Employee benefit plan audit
- Performance measurement



## Tax

- Income Tax Advisory
- Withholding Tax Advisory
- Transfer Pricing
- Value-Added Tax
- Corporate Tax Compliance
- International Tax Restructuring
- Tax Filing Obligation
- Tax Assessments
- Tax Disputes
- Double Taxation Avoidance



## Advisory

- Due Diligence
- Transaction Support
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- Purchase Price Allocation
- Feasibility Study
- M & A Advisory
- HTL Advisory (Hotel, Tourism & Leisure)
- Deal Structuring
- Business Planning & Strategy
- Holding Company Structure



## Risk

- Enterprise risk management
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- Financial Risk
- Internal Audit
- External Quality Assessment of Internal Audit
- Independent monitoring
- Regulatory and compliance services
- Board Evaluation



## Forensic & IT

- IT and Forensic Audit
- Fraud Risk Assessment & Compliance Practice
- Piracy and counterfeit
- Fraud & Misconduct
- Anti-Money Laundering
- Anti-Bribery ISO 37001 Consultation & Audit
- Cyber Security Consultation & Audit
- Technology Advisory
- IT Compatibility Reviews

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