Doing Business in Oman 2023

A Tax and Legal Guide

March 2023

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Welcome to this guide

Oman, with its long history as a trading location and its oil based natural resources, has been a destination for foreign investment for many years.

Like other countries in the region, efforts are underway to diversify the economy and government revenues away from petroleum. These drivers will likely result in continued changes to company, investment and taxation laws. We have seen new Commercial Companies Law (“CCL”) and Foreign Capital Investment Law (“FCIL”), which makes significant amendments and much awaited changes aimed at improving business environment and diversifying the economy.

Further, a Royal Decree in relation to the implementation of VAT was issued and VAT has been implemented in Oman since April 2021. Significant amendments to the Labour Laws is expected in the near future.

Company Law aspects sit alongside other fundamental issues such as employment visas, accounting requirements and taxation issues including customs when considering the establishment or changing of businesses in the country.

This guide is intended to provide an introduction to the taxation and legal aspects of doing business in Oman, particularly from the perspective of the items an inbound investor will have in mind.

We hope you find the guide useful.

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Introduction

The Sultanate of Oman was formed in 1970 upon the accession of His Majesty Sultan Qaboos bin Said Al Said, who ruled the country until his demise. He has been succeeded by His Majesty Haitham bin Tariq who is the current Sultan of Oman.

The current estimated population is approximately 4.8 million, of which almost 46 percent are expatriates employed in a range of industries. As an oil rich state, Oman has sought to diversify its economy, particularly in tourism, logistics, mining, fisheries and industrial manufacturing.

Located in the south-eastern quarter of the Arabian Peninsula, Oman is the only member of the GCC situated outside the Gulf. As a historical trading nation, Oman benefited from its strategic location, and now has the goal of becoming a global logistics hub.

Arabic is the first language, with English widely spoken and used in business.

The Sultanate has jumped 10 places in the World Bank ‘Ease of Doing Business 2020’ report, ranking 68th in the world for 2019, while in 2018 it was 78th. There are several other fields in which Oman has achieved globally: Building Permits (47th), Access to Electricity (35th), Property Registration (52nd), Investor Protection (88th), Pay taxes (11th) Contracts (69th).

Legal and Regulatory Framework

The legal system in Oman is based on both civil code principles and on Islamic Shari’a Law. The sources of law for civil matters include:

- The 1996 Basic Statute of the State (‘the Basic Law’)
- Islamic Shari’a

The Basic Law states that ‘Islam is the religion of the state and the Islamic Shari’a is the basis of legislation’. Existing laws and regulations remain in force ‘provided that they do not conflict with any of the provisions of this Basic Law’. The only areas that, according to the Basic Law, are governed by Islamic Shari’a are family law and inheritance.

The Commercial Court has jurisdiction over commercial disputes. As Oman is a civil law jurisdiction, judges have freedom to interpret agreements in a way in which, in their opinion, the original intentions of the parties are reflected. This could extend to amending a contract if the judge feels the amendment would more accurately reflect the parties’ original intentions

Establishing a Business in Oman Introduction

Foreign companies and individual investors may establish operations in Oman via one of the following main forms:

- Limited Liability Company (LLC)
- Joint stock company
- Branch
- Commercial Agency
- Commercial Representative Office

We will look at each one of these potential options in more detail now.

Companies

1. Limited Liability Company (LLC)

The new CCL, issued in April 2019, attempts to create a stronger and more transparent corporate governance regime in Oman. Key changes include introduction of a single person LLC, removal of minimum capital requirements for establishment of LLC. This should also be read in conjunction with amendments to the FCIL, which permits establishment of wholly foreign owned LLC, subject to conditions or restrictions thereon that is imposed in the Executive Regulations to the FCIL.

Eligibility for wholly foreign owned LLC is seen as a significant development relaxing rules and restrictions on foreign investments in Oman. The amended FCIL and CCL also seek to streamline the registration and licensing procedures for foreign investors, as well as procedures relating to dispute resolution.

2. Joint Stock Company

Joint stock companies that do not offer their shares for public subscription are known as privately held joint stock companies (SAOC). The minimum share capital required for an SAOC is OMR 500,000 ($1.3m).

Alternatively, joint stock companies that offer their shares to the public are called publicly held joint stock companies (SAOG). The minimum share capital required for an SAOG is OMR2m ($5.2m). The 30% local Omani shareholding requirement must also be observed in establishing a joint stock company.

Ownership of stock in SAOGs is through Muscat Stock Exchange (MSX) trading and regulated by the Capital Market Authority. Foreign investment in banks and other types of financial institutions is governed by the Central Bank of Oman (CBO).

The amendments to CCL also seek to impede better protection of rights of minority shareholders in joint stock companies. It is anticipated that further guidelines and corporate governance compliance rules will be established by the Capital Markets Authority – the competent authority for joint stock companies – and the Ministry of Commerce, Industry & Investment Promotion (“MOCIIP”), in due course.

3. Branch

A foreign company may register a branch in Oman only to execute a contract with the government or a quasi-government body. The branch registration is limited to the duration of the underlying contract. Special dispensation may be given to allow a foreign company to register a branch without a government or semi-government contract if the activity is deemed by the Council of Ministers to be of national economic importance.

4. Commercial Agency

Foreign companies without commercial registration in Oman may do business through commercial agents. Agency agreements are formally registered with the MOCIIP under the Commercial Agency Law.

5. Commercial Representative Office

A foreign firm may open a commercial representative office in Oman solely for the purpose of marketing and promotion of its products or services. A representative office is not allowed to sell products or services or to engage in other forms of commercial activity. However, it may sponsor and hire employees.

Historically, it has taken approximately four to six weeks to incorporate an entity, since there are a number of steps and supporting documentation which need to be legalised, to complete the incorporation process. However, effort has been made in recent years to make the company registration process more efficient and convenient, including the introduction of the MOCIIP's e-portal www.business.gov.om, which permits the immediate, online registration of a new company, allowing for the submission of establishment documents post-registration.

Free Zones

There are currently three free zones (Sohar, Salalah and Al Mazunah) in Oman, as well as a special economic zone in Duqm. Each zone has its own features. Although goods produced in free zones can be sold freely in the mainland, this may affect some of the benefits available on account of operating within the free zones (such as tax exemptions).

The Sultan of Oman has recently issued a Royal Decree No 10/2022 to set up three free zones in Oman: Muscat International Airport Free Zone, Sohar Airport Free Zone and Salalah Airport Free Zone.

Sohar Free Zone

Full exemption from customs duties on goods imported into the free zone. Businesses may be 100% foreign owned and tax exemptions are allowed for up to 25 years for companies established in this free zone. The free zone also allows relaxed Omanisation rates. Located close to Port of Sohar and Sohar Industrial Estate, this free zone is aimed at attracting investment in the metal and steel, food and logistics sectors.

Salalah Free Zone

Located in the south of the country near to Oman's second city, Salalah, this free zone offers competitive labour and infrastructure costs compared to other regions in order to attract investors in the chemical and material processing, manufacturing, assembly and logistics sectors. Income tax exemptions are available for up to 30 years. Full foreign ownership is permitted and customs exemptions are available. There is no minimum capital required to set up a company located in this free zone and there are relaxed Omanisation rates applicable to such companies.

Al Muzunah Free Zone

This free zone is located in the Dhofar region, in the South West of Oman, to attract investors in the trading, light industry and assistant services sectors. Income tax exemptions are available for up to 30 years. Full foreign ownership is permitted and customs exemptions are available. There is no minimum capital required to set up a company located in this free zone and there are relaxed Omanisation rate applicable to such companies. Additionally, Yemeni nationals are permitted to work in the zone without visas or work permits.

Duqm Special Economic Zone (DSEZ)

With its 1777-sq-km area bordered by an 80-km Arabian Sea coastline, the DESZ is strategically placed as a gateway to and key hub for the Middle East, North and East Africa, and South Asia.

The zone is made up of several areas, namely: port and dry dock, fishing port and fisheries industries, industrial and logistics areas, tourism and educational areas, filters and petrochemicals complex, new Duqm town and Duqm airport.

Incentives offered to investors in the special economic zone include competitive land lease rates, a 30 year income tax exemption and full customs exemptions. 100% foreign ownership of businesses is also permitted, along with related Omanisation requirement

Mergers & Acquisitions

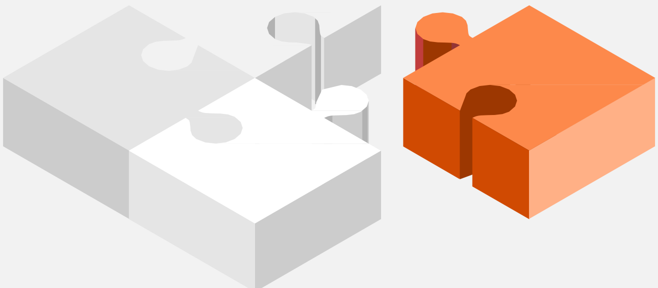
A final market entry strategy for foreign companies is to acquire or invest in an existing local company. Both share and asset purchases are possible in Oman. Particular factors to bear in mind include:

- The very limited amount of publicly available information and so the need for thorough due diligence.
- The impact of the foreign ownership restrictions, if any.
- The absence of a provisional equivalent to the European transfer of undertaking regulations and the resulting need to deal with the transfer of employee contracts as part of any asset deal.
- The absence of any provisions in tax law on mergers and acquisitions.

Due Diligence

Each of the five options, particularly the appointment of agents and the selection of local partners (if required), requires thorough due diligence to ensure commercial compatibility and avoid future legal difficulties. Particular considerations include the third party's other existing business interests in order to:

- Avoid conflict of interests and competitive business.
- Flush out existing business interests in high risk jurisdictions.
- Ensure the foreign company can continue to comply with its obligations in respect of anti-bribery and corruption.



Anti-Bribery and Corruption

The main, formal piece of legislation on anti-bribery is the Law for the Protection of Public Funds and Avoidance of Conflicts of Interest ("Anti-Corruption Law"). This has stringent anti-bribery/corruption regulations, specifically directed at governmental bodies. It prohibits giving, accepting and mediating bribes, and lists a number of categories under this prohibition such as:

- Granting or facilitating a special benefit or preferential treatment for a natural or juristic person, without a justified reason.
- Receiving any outside consideration (directly or indirectly) for the work an employee performs within the scope of his employment, or as a result of it; and
- Using public funds for the employee's personal benefit or allowing misuse of public funds by others.

With regards to public funds, companies with governmental ownership exceeding 40% are included in the definition of "public funds" for the purposes of this law; therefore, the employees of such companies will be considered governmental officials and employees in application of the law.

Due to the fact that the law is particular to public funds and, therefore, governmental bodies, the applicable penalties are also directed at officials and employees of the relevant government institutes. As such, the scope of this law can extend to cover auditors, if the circumstances require.

The Oman Penal Code defines bribery in the context of government officials as, "any person who accepted a bribe for himself or for another person, be it in cash or a gift or a promise or any other benefit, in order to accomplish an act pertaining to their function, or to abstain from or postponing it accomplishment."

Once again, the act of bribery is considered in the public context, and the penalty of imprisonment (up to ten years) and a fine equivalent to at least the value of the bribe in question, is directed at the government official involved. However, the penalty applies also to the person(s) making the bribe, any mediators and legal representatives involved in the act.

Internationally key legislation includes:

- Foreign Corrupt Practices Act of 1977 (FCPA) – one of its two primary provisions being bribery of foreign officials.
- UK Bribery Act 2010 – again focuses on the issue of bribery of foreign public officials but goes further in some instances, for example extending beyond company employees to include behavior of third parties acting on behalf of a company.

Process and Time for Establishment

All Omanis and foreign individuals and companies intending to undertake business in Oman must register with Ministry of Commerce, Industry and Investor Protection (MOCIIP) and submit all the resolutions and records and other documents which are required to be filed with MOCIIP, within seven (7) days of the day following the date of adoption of the resolution, the convening of the general meeting or realisation of the fact for which the filing is required.

Any change to the constitutional documents or commercial registration certificate of an entity registered with the MOCIIP needs to be approved by the MOCIIP before it takes effect.

The estimated time to complete the registration is between 2 and 4 weeks after receipt of the documents appropriately authenticated by the competent authorities and legalised by the Omani Embassy or Consulate.

Limited liability company (LLC)

This is the most commonly used company form, allowing between two and 50 persons to have limited liability. This company form is not suitable for certain activities where a joint stock company is required, such as banking or insurance. There is no minimum capital requirement to establish an LLC in Oman.

Joint-stock companies (JSC)

A joint stock company is a commercial company with its capital divided into negotiable shares of equal value. A joint stock company must consist of at least three natural persons or legal entities. A joint stock company can be closed or public. The minimum capital requirements are:

- Public: OMR 2 million;
- Closed: OMR 500,000;
- Converted from another form: OMR1 million.

Branch offices

These are offices owned by the parent company. They are only available to foreign companies for the purposes of contracting for a discrete project with the government or a government company. There is no minimum capital requirement.

Key considerations

Oman has been making great efforts towards simplifying the company registration processes. The process of actually getting a company registered with the The Ministry of Commerce, Industry & Investment Promotion (MOCIIP) is a matter than can be completed in a few minutes online. All additional documentation, licenses and capital requirements may be submitted post registration, and completion typically takes two to four weeks.

However, potentially high set-up costs still exist, especially those associated with rental costs and high capital contribution requirements (for non-LLCs). Furthermore, there remain stringent compliance requirements relating to manpower and labour regulations, which companies may find quite challenging to comply with, without investing sufficient time and resources in that area.

Companies functioning in the manufacturing industry may find it worthwhile to set-up in the various special economic and free zones described above, as these areas provide the advantages of both lower set-up costs and compliance requirements, as well as an easier and clearer registration processes.

Taxation

Corporate Income Tax

Oman's Income Tax Law ("ITL") seeks to tax the worldwide income of Omani entities and the Oman-source income of branches and other permanent establishments. The tax rate applicable is 15% of taxable income (previously 12% for tax years ending up to 31 December 2016).

The tax rate for companies engaged in petroleum exploration is 55% on income derived from the sale of petroleum products.

The amendments to the ITL introduced a single tax return to be filed within four months from financial year close (along with audited financial statements), for tax years beginning on or after 1 January 2020. This replaces the requirement for submitting separate provisional and final returns of income.

Permanent Establishment

Under Oman ITL, a permanent establishment ('PE') is defined as a fixed place of business through which a business is wholly or partly carried out in Oman by a foreign person. This includes places of sales, places of management, branches, offices, factories, workshops, mines, quarries and buildings sites, places of construction or assembly projects where activities are carried for more than 90 days. However, the use of storage or display facilities, maintenance of a stock of goods, purchase of goods or collection of information for the business, and/or other activities of a preparatory or auxiliary nature will not create a PE in Oman.

The definition of PE also references carrying out business in Oman either directly or through a dependent agent. A 90 day threshold in a 12 month period applies to foreign companies rendering consultancy or other services in Oman, whether directly or through employees or others designated to perform the services. Tax treaties between Oman and its treaty partners may in some cases alter the PE determination resulting under domestic law.

Taxable Income

Corporate income tax is charged on all sources of income (including capital gains) of a company or an establishment or a PE, earned or realised in Oman. Omani companies are also liable to tax on their overseas income. Credit is given for taxes suffered overseas irrespective of whether the country where the activity is carried out has a double tax treaty with Oman. The credit is limited to the Oman taxes applicable to such overseas income.

Introduction of a New Tax Authority

As part of reform initiatives of the Government, a new autonomous Tax Authority was established, marking a significant step towards evolving the tax function in the country in October 2019.

The establishment of a new autonomous and independent Tax Authority will hopefully further enhance tax policy and administration, particularly as the tax landscape continues to evolve in Oman and the wider GCC.

Withholding Taxes ("WHT")

A 10% withholding tax is applied at source to amounts paid or credited to foreign persons that are 'tax non-residents in Oman' (as defined by recent amendments to the ITL) for the following categories of income:

- Royalties.
- Management fees.
- Fees for the performance of services (with defined exclusions for participation in organisations, conferences, seminars and exhibitions / training / transportation and insurance thereon / air tickets and accommodation abroad / board of directors' meetings / reinsurance payments / services in connection with an activity or property outside Oman).
- Consideration for research and development.
- Consideration for the use of or right to use computer software.
- Dividends and interests (temporarily suspended till further notice).

In the context of the above, tax residency has been defined as:

- Natural Person who is present for a continuous or intermittent period of not less than 183 days in a year.
- Legal Person established in Oman / with main or actual headquarter located in Oman.

Again, tax treaties between Oman and its treaty partners may provide for beneficial WHT rates, subject to certain procedural compliances in this regard.

Transfer Pricing & Thin Capitalisation

Oman's ITL does not contain detailed transfer pricing regulations in order to determine an arm's length price although some broad guidelines are expected in the near future. Where related party transactions result in a lower taxable income or higher taxable loss than would have arisen on a transaction between unrelated persons, the tax authority may adjust the terms of the transaction when computing taxable income and losses.

Thin capitalisation rules apply to corporations in respect of interest on loans from related parties. Interest paid to a related party may be deducted for tax purposes only if the debt-to-equity ratio of the borrower does not exceed 2:1. If the debt-to-equity ratio of the borrower exceeds 2:1, only a portion of the interest expense is allowed for tax purposes

Tax Exemptions

Tax exemptions have been generally annulled by the introduction of Royal Decree 09/2017. The only category now eligible for exemption is industrial activities for a maximum up to five years.

Value Added Tax (VAT)

VAT has been implemented in Oman with effect from 16 April 2021. The standard rate of VAT in Oman is 5% and consistent with the GCC Unified Agreement, and there are provisions for zero rating and exemptions in the Oman VAT Law. By global standards, 5% is one of the lowest VAT rates implemented in the world.

Exempt supplies are not subject to VAT, and the input tax in relation to exempt supplies cannot be recovered. Examples of exempt supplies include certain financial services, local passenger transportation services, education services, renting of residential property etc. Zero-rated supplies are subject to VAT at 0%, and the supplier can avail input VAT credit in respect of goods / services used for making zero rated supplies. Examples of zero-rated supplies include export of goods and services outside Oman, international transportation services, basic food items etc.

VAT Registration: registration for VAT is an online process.

- Mandatory registration threshold - If the total value of annual supplies exceeds or expected to exceed OMR 38,500 (USD 100,000).
- Voluntary registration threshold - If the total value of annual supplies / expenditure exceeds or expected to exceed OMR 19,250 (USD 50,000).

Note - There is no threshold applicable to non-resident businesses and hence they need to be VAT registered in Oman from the first day of being obliged to pay VAT.

VAT Returns: Taxpayers are required to file a VAT return and make payment of VAT liability on a quarterly basis, based on self assessment of their inward and outward supplies. The due date for filing of VAT return and making payment of VAT liability is 30 days from the end of the quarter. If the due date falls on a weekend or a public holiday, the due date for filing of VAT return and making payment of VAT will be extended to the next working day.

The late payment of VAT liability is subject to additional tax at 1% per month or part thereof whereas a delayed filing of VAT return is subject to administrative penalty ranging from OMR 500 to OMR 5,000.

Record Keeping: VAT records such as VAT invoices, accounting records, customs documents etc. are required to be maintained for 10 years whereas real estate businesses are required to maintain such records for 15 years.

Statute of Limitations: As per the Oman VAT law, the Oman Tax Authority can not assess the Tax after completion of 5 years from the due date of a tax period (due date is 30 days from the end of tax period). The period will be extended to 10 years in cases where registration is not made within the prescribed time limits.

Excise Tax

Following the adoption of the GCC-wide Common Excise Tax Agreement, excise tax was implemented in Oman from 15 June 2019.

Excise tax (also referred to as ‘Selective Tax’) is a tax on specific goods which are normally seen as harmful to individuals’ health or to the environment. Excise tax applies to importers, domestic producers and stockpilers of excise goods.

Currently, excise tax in Oman is applicable on the following goods:

- Tobacco and tobacco derivatives – 100%
- Carbonated drinks - 50%
- Energy drinks – 100%
- Pork products – 100%
- Sugar sweetened beverages – 50% (with effect from 1 October 2020)
- Alcoholic beverages – 100%

Businesses involved in importing and producing these goods are required to register for and submit periodic Excise Tax returns and discharge the Excise Tax liability to the Tax Authority.

Stamp Taxes

Currently, there are no separate stamp duties levied in Oman.

Tourism Tax

Restaurants/cafes located within a tourist area or managed through franchise agreements are required to levy tourism tax at 4%.

Municipal Tax

Municipal tax in Oman applies to the following items:

- Property rents: 3%.
- Hotel occupancy: 5%.
- Leisure and cinema houses: 10%.

Note - As part of the Economic Stimulus Plan (ESP) announced in March 2021, the Government announced an exemption from collection of Municipal Tax and Tourism Tax up to 31 December 2021. The said exemption has been withdrawn with effect from 1 January 2022 and as a result, a levy of Municipal Tax and Tourism Tax has become effective from such date.

Property Transfer Fee

Stamp duty is not applicable in Oman. However, a property transfer fee is applicable on transfer of land and property at 3% of the value to be paid to the Ministry of Housing.

Customs Duties

In Oman, customs duty is levied at applicable rate of Cost Freight Insurance (CIF) value on most non-GCC sourced goods, unless there is any preferential treatment under the Free Trade Agreement (FTA) signed between Oman and a foreign country.

Standard rate of customs duty is 5%. However, there are certain goods which are subject to customs duty at different rates.

Customs Duties (…cont'd)

The GCC Customs Law sets out the general legal framework for customs regulations and procedures; however, the practical application of the law is subject to the interpretation of the local customs authorities in the GCC member states. This has sometimes led to discrepancies and contradicting practices among the member states.

Generally, the customs clearances in Oman are facilitated by the electronic service portal – the Customs Bayan System. Goods imported into Oman's special zones may be exempt from customs duty.

In July 2019, the Royal Oman Police (ROP), represented by the Directorate General of Customs, launched the Advance Rulings Initiative, allowing importers to obtain consistent customs guidance on how to handle their goods during the import and export process. Traders can apply for advance ruling and obtain guidance in terms of import or export procedures, relating to the origin, classification or valuation of the goods.

Digital tax stamp scheme for Excise products

The Oman Tax Authority has announced a phased implementation of the digital tax stamp scheme for excise products.The scheme will be applied at the beginning of the project on imported cigarettes and then it will be extended to all excise goods in the Sultanate of Oman, according to timetables that will be announced by the Oman Tax Authority (with an aim to apply the scheme to all excise goods from the beginning of 2023).

The key dates for application of the digital tax stamp scheme for cigarettes are mentioned below:

- 30 June 2022 - With effect from such date, local importers can request tax stamps for their manufacturers to place them on cigarette packs.
- 14 October 2022 - With effect from such date, tt is unallowable to import any cigarette products that do not carry the digital tax stamp to Sultanate of Oman.
- 1 February 2023 - It will be unallowable to sell, trade, import or produce any cigarettes in the Sultanate of Oman unless it holds the digital tax stamp.

Authorized Economic Operator (AEO) Program

The AEO program provides traders with the opportunity to partner with the customs authorities and secure benefits within their supply chain. All businesses operating in Oman can apply and benefit from the AEO program, subject to the fulfillment of the required criteria.

Benefits of obtaining AEO certification include simplified verification of documents during customs clearance, exports and imports pass through express lines, priority in inspections and faster cargo clearance process, etc.

We encourage businesses engaged in import and export activities in Oman to explore the advantages of joining the AEO partnership program. This is a fantastic opportunity to ensure compliance with customs regulations, while benefiting from a strong governance of your international supply chain operations across your business.

Personal Taxes for Nationals and Expatriates

Income is currently not subject to personal income taxes in Oman (except that business income of individuals is taxes under corporate tax as detailed above) and there is no requirement to file income tax returns.

Employees who are Omani nationals are subject to a social security regime in Oman. Currently, the social security payment is at a rate of 18.5% of the employee's gross remuneration as stated in an employee's employment contract and applies regardless of free zone tax holidays: 7% is payable by the employee and the remaining 11.5% (including a 1% payment for work related injuries) is payable by the employer. The withholding obligation is on the employer.

Further, from January 2021, a job security scheme has been implemented for Omanis, whereby employers and Omani employees are each required to make a monthly salary contribution at the rate of OMR 1 per OMR 100 of monthly salary (or 1% of payment). The deduction will be taken from gross salary (including any benefits).

The scheme is under Public Authority for Social Insurance ("PASI") and expected to be included in PASI bills for January 2021 onwards. There are no social security payments for expatriates. Expatriates employed by an Omani employer are entitled under the Oman Labour Law to a gratuity payment (or an 'end of service' benefit). End of service benefits are not applicable to Omani national employees.

Accounting and Payroll

Financial statements must be prepared in accordance with International Financial Reporting Standards ("IFRS"). An exception to IFRS can be allowed. The first accounting period of an entity begins on the date of its registration and may cover any length of time up to eighteen months, after which a fixed twelve-month period must be chosen. If an entity wishes to change its accounting period subsequently, it must first obtain prior approval from the Tax Authority.

Accounting records maintained by entities must be recorded in OMR (Omani Rials), although an entity may be permitted to use another currency if it requests and receives permission to do so from the Tax Authority. It is standard for accounts to be recorded in English; no Arabic translation is required. Accounting records must be preserved for a period of ten years.

Whilst there are no personal income tax obligations in Oman, it is important to comply with all labour law requirements together with certain mandatory requirements such as the Wages Protection System (WPS).

Accounting and Payroll (…cont'd)

The WPS applies to employees registered with the Oman's Ministry of Manpower. A key requirement under the WPS is to pay employees' wages in the local currency, by way of bank transfer into their local bank accounts. Employers noncompliant with the WPS could face financial penalties and problems with renewing or processing new visas for their workforce.

Common Reporting Standards

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 Organisation for Economic Co-operation and Development (OECD) in this matter, the Central Bank of Oman (CBO) issued a circular (Reference: BDD/CBS/CB/2019/2858) implementing the Common Reporting Standard (CRS) regime.

This circular sets the rules for the automatic exchange of information (AEOI) through CRS. The CRS rules force Financial Institutions to identify and report accounts opened and held by persons that are tax residents in a CRS participating jurisdiction (i.e.109 jurisdictions including the Sultanate of Oman are implementing or have committed to implement CRS until now).

Ministerial Decision No 78/2020 was also issued, which mandates that all reporting financial institutions should perform a due diligence and obtain tax residency of account holders. Financial Institutions and TA are both required to maintain confidentiality relating to data shared as part of CRS reporting requirements.

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion & Profit Shifting (BEPS)

Oman became the 91st country to sign the OECD's Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (MLI). The MLI, was developed under action 15 of OECD's BEPS project and makes various changes to existing double tax treaties between signatory countries as recommended by the OECD, thereby lessening the opportunity for tax avoidance by multinational organizations.

Oman has not yet ratified the MLI, nor indicated the date on which it will enter into force.

The ratification of MLI is expected to ensure compliance at a global level and reduce the opportunity for tax avoidance by multinational organisations.

Oman has introduced Country-by-Country Reporting (CbCR) requirements, applicable for reporting years beginning on or after 1 January 2020. The filing / notification obligations trigger for Ultimate Parent Entity (UPE) / Surrogate Parent Entity (SPE) or Constituent Entity which are tax residents in Oman, in cases where the consolidated revenue of the multinational group exceeds OMR 300m / EUR 670m / USD 780m.

Key considerations

Currently, the main tax cost to businesses in Oman is in relation to corporate income tax at the rate of 15% and value added tax at the rate of 5%.

Personal income is not currently subject to income taxes in Oman. Accordingly, there is no requirement for individuals to file income tax returns and the concept of tax residency is not currently defined for individuals.

With regard to customs, it should be considered whether any preferential treatment, suspension arrangement or exemption is available to mitigate cash outflows.

All GCC national employees, whether Omani or otherwise, and their employers, are obliged to make social security contributions.

Additional Legal Considerations

Commercial Agencies

Commercial agencies are utilised as vehicles for importing products and/or services into the Sultanate and not to establish a business presence. The Commercial Agencies Law defines a commercial agency as “any agreement through which a merchant or a commercial company in the Sultanate is assigned to promote or distribute the products or services of a foreign person or entity in consideration for profit or commission”.

Only Omani nationals, both natural and juristic persons, may be appointed as commercial agents. For natural persons, the individual must be above eighteen years of age and a member of the Oman Chamber of Commerce and Industry; legal entities must be properly established in Oman, and be at least 51% Omani owned.

The commercial agency agreement must be in writing and must be duly certified, authenticated and subsequently registered at the Commercial Agencies Register at MOCIIP. This is especially important as no claims can be brought in relation to agency agreements that have not been properly registered.

The agency agreement must include at least the following essential elements:

- Names of the agent and principal and their respective nationalities.
- The products or services making up the subject matter of the agency; and
- The term of the agency and the jurisdiction under which it falls.

The agreement must be directly between the provider of the services, or the manufacturer of the products, and the agent. During the term of the agency, the principal may not engage in the sale of the products and services in the territory, whether directly or through any other intermediary.

Engaging a local agent is a quick and simple process; all that is required is a signed agency agreement between the parties, to be registered at MOCIIP. However, it is important to bear in mind that terminating an agency relationship is significantly more difficult than forming one, as Omani courts tend to be highly protective of local agents and may award terminated agents generous compensatory damages.

Immigration

To live in Oman, a person needs to be sponsored either on the basis of the ownership of a business in Oman, or an employment contract with an employer in the country.

The sponsorship requirements include obtaining a residence visa or work permit.

In addition, holders of a residence visa are permitted to sponsor dependents.

Real Estate

Generally, only Omani natural persons are able to enjoy the benefits of full ownership of freehold and leasehold property. Corporate entities’ ownership of property is restricted to holding real estate for use for the achievement of the company’s objectives, for example, using the property as an administrative office, for staff accommodation, warehousing, etc.
The Law on Foreign Ownership of Land in the Integrated Tourist Complexes was introduced in 2006, and it permits non-Omani individuals and companies to own land/real estate in areas designated as “integrated tourism complexes”. Expats living in the Sultanate and foreigners living abroad can buy properties only in certain areas of the Sultanate, which are defined as ‘touristic areas’ and not in areas close to the national borders.
Pursuant to this law, the government grants usufruct rights to real estate developers over designated lands for their development. The rights and obligations of a developer are recorded in a development agreement.

Dispute Resolution

There are three different courts in Oman:

- The Court of First Instance
- The Court of Appeal
- The Supreme Court

Oman is a civil law country and, therefore, unlike common law jurisdictions, case law does not act as binding precedent, and the courts do not need to decide future cases based on a previous court’s decision.

Court proceedings are conducted in Arabic, and there are various rules and conditions describing those permitted to attend the proceedings, as well as the qualifications of the lawyer relative to each type of court. Arbitration is a well-established method of dispute resolution, especially in relation to large-scale industrial, construction, oil and gas, etc. contracts.

Key considerations

Oman has strong laws and regulations, which are constantly amended to provide a flexible and up-to-date legal framework to do business in. Business disputes are adjudicated by the commercial courts.

To live and work in Oman a foreign person must be sponsored either on the basis of the ownership of a business in Oman or an employment contract with an employer in the country. All immigrants (non-GCC nationals) must have a residency card/work permit issued by the Royal Oman Police. An employer must process and obtain any visas and work permits required for its employees.

Key Tax Indicators in Oman

Tax Indicators	Resident	Non-Resident *
Typical fiscal year end	Calendar year. However, another year end can be used provided permission is granted in advance by the Omani Tax Authorities	Calendar year. However, another year end can be used provided permission is granted in advance by the Omani Tax Authorities
Companies		
Income Tax	15%	Not applicable, unless the foreign company has a permanent establishment in Oman (refer to comments)
Tax on Capital Gains	Taxed as ordinary income. Gains on the sale of listed shares are exempt from tax	Not Applicable
General Sales Tax	Not applicable	Not applicable
Value Added Tax	5% VAT on standard rated supplies in Oman. Note – Specified goods and services are exempted / zero rated under Oman VAT law. Exempted goods and services will not be subject to VAT whereas zero rated goods and services will attract VAT at 0%	Non resident businesses are required to register under Oman VAT from the first day of being obligated to pay VAT in accordance with the provisions of Oman VAT law.
Excise Tax	Applicable to importers, domestic producers and stockpilers of excise goods. Rate of excise tax: • Tobacco and tobacco derivatives – 100% • Carbonated drinks - 50% • Energy drinks – 100% • Pork products – 100% • Sugar sweetened beverages – 50% (from 1 October 2020) • Alcoholic beverages – 100%	Not Applicable
Individuals		
Individual Marginal Tax Rate (Max)	Not applicable	Not applicable
Basis of Taxation	Not applicable	Not applicable
Withholding Tax		
Dividends	Not applicable	10% (Not Applicable to GCC nationals and subject to tax treaty) (temporarily suspended for 5 years upto 5 May 2024).
Interest	Not applicable	10% (Subject to tax treaty) (temporarily suspended for 5 years upto 5 May 2024).
Royalties	Not applicable	10% (Subject to tax treaty)
Management Service Fees	Not applicable	10% (Subject to tax treaty)
Performance of services	Not Applicable	10% (Subject to tax treaty) (with defined exclusions)
Customs	Standard rate of Customs duty is 5%. However, there are certain goods which are subject to Customs duty at different rates.	
Exchange Controls	Not applicable	
Thin Capitalisation	Debt-to-equity ratio should not exceed 2:1 for interest to be deductible	
Transfer Pricing	Arm's length principle applies, but there are no prescribed transfer pricing methodologies. OECD guidelines are normally accepted	
Double tax treaties in force	Algeria, Belarus, Brunei, Canada, China, Croatia, France, Hungary, India, Iran, Italy, Japan, Korea, Lebanon, Mauritius, Moldova, Morocco, Netherlands, Pakistan, Portugal, Seychelles, Singapore, South Africa, Spain, Sri Lanka, Sudan, Switzerland, Syria, Thailand, Tunisia, Turkey, United Kingdom, Uzbekistan, Vietnam, Yemen	

* Not tax resident in Oman and no permanent establishment in Oman.

About PwC Middle East

Established in the region more than 40 years, PwC has more than 7,500 people in 12 countries across the region: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, the Palestinian territories, Qatar, Saudi Arabia and the United Arab Emirates.

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