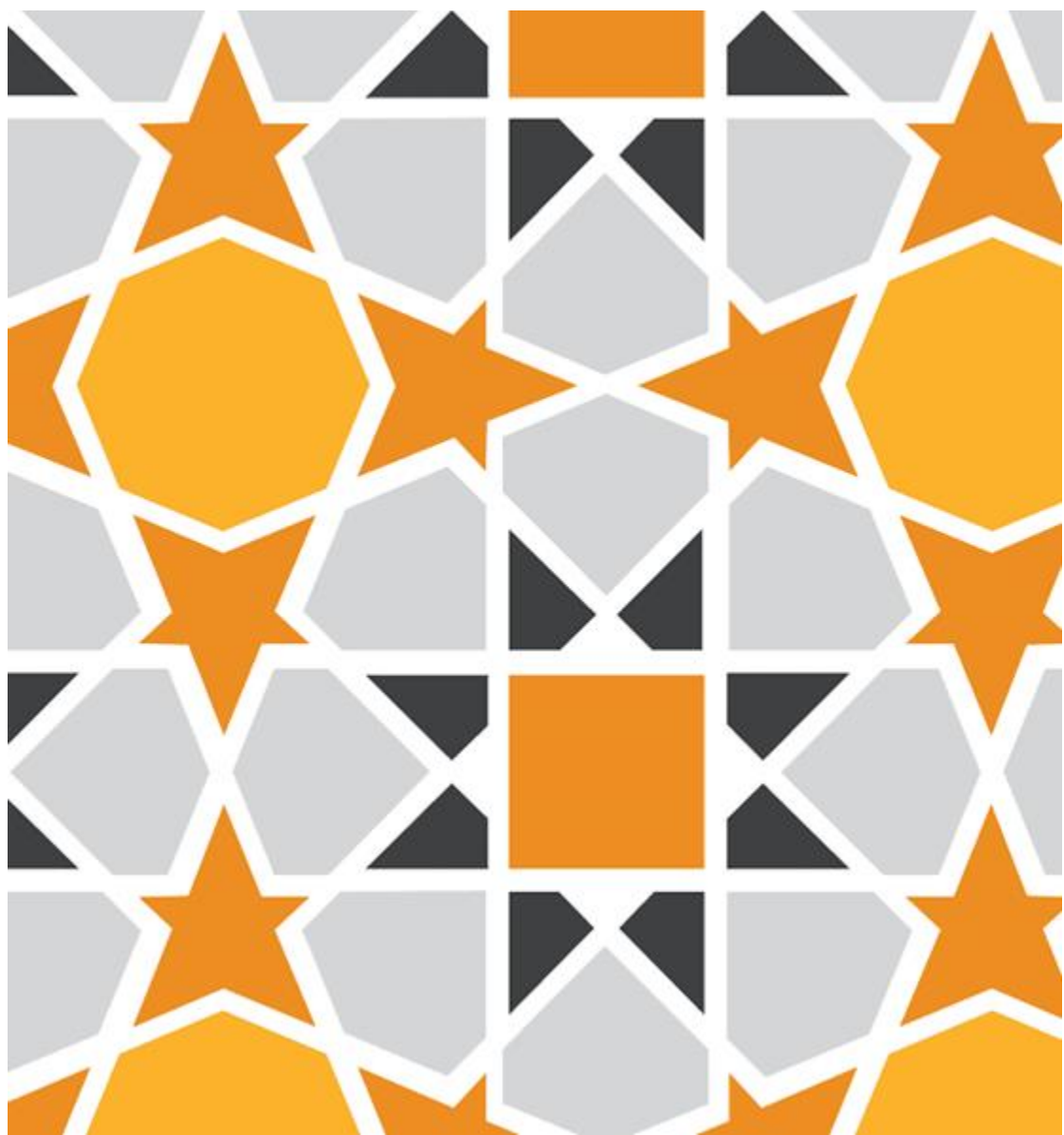


# Oman Treaty Network Updates

April 2025





*“ In recent developments, Oman has signed several agreements to avoid double taxation and prevent tax evasion with various countries.”*

## In brief

Oman has signed new or amended tax treaty agreements to avoid double taxation and prevent tax evasion with various countries.

### New tax treaties with Cyprus and Tanzania

On December 8, 2024, the Sultanate of Oman signed a Double Taxation Avoidance Agreement (DTAA) with the Republic of Cyprus. A week later, on December 15, 2024, Oman also signed a DTAA with the United Republic of Tanzania. These agreements aim to eliminate double taxation on income and prevent tax evasion. Both agreements were ratified in Oman on March 3, 2025, through Royal Decree No. 24/2025 for Cyprus and Royal Decree No. 25/2025 for Tanzania. Although Cyprus has also ratified the agreement, Tanzania have yet to ratify it. The exchange of documents confirming ratification is pending and if this is completed within 2025, these treaties will become effective from 1 January 2026. The DTAA's apply to income tax and tax on capital. The agreements incorporate provisions from both the OECD Model and the UN Model Tax Conventions. Oman, Cyprus, and Tanzania are members of the BEPS inclusive framework and have signed the Multilateral Instrument (MLI) agreement.

### Amendment to the existing treaty with India

On March 27, 2025, His Majesty Sultan Haitham bin Tarik issued Royal Decree No. 36/2025, ratifying a protocol amending the agreement between Oman and India. Signed in Muscat on January 27, 2025, this protocol focuses on avoiding double taxation and preventing fiscal evasion with respect to income taxes. The ratified protocol was published in the Official Gazette No. 1590 on April 6, 2025. It includes changes to definitions, terminologies, tax rates, and procedures for mutual agreement and information exchange.

### Summary of relevant WHT rates

In this news alert, we provide our preliminary analysis of the DTAA. Further, below are the relevant WHT rates provided in the DTAA's:

Category	Oman-Cyprus D TAA	Oman-Tanzania DT AA	Oman-India DTAA
Interest	0%	10%	10.0%
Services (other than technical)	Exempt	10%	10.0%
Royalties	8%	10%	10.0% (Reduced from 15%)
Technical Services	Exempt	10%	10.0% (Reduced from 15%)
Dividends	0%	10%	10.0% (If the beneficial owner is a company owning at least 10% of the shares) / 12.5% (In all other cases)



## In detail

### Summary of Key Provisions of the Oman and Cyprus and Oman and Tanzania DTAA's

#### Persons Covered (Article 1)

The DTAA agreements between Oman and Cyprus, and Oman and Tanzania, cover resident individuals and companies in the contracting states. Residency for DTAA purposes is not limited to nationals of Oman, Cyprus, and Tanzania; foreign nationals who are tax residents in these countries may also benefit. Residents covered by the DTAA include:

- ☐ Any person liable to tax by reason of domicile, residence, place of incorporation, or place of management.
- ☐ The contracting states and their public law persons.
- ☐ Private institutions of public interest.
- ☐ Investment funds.

The DTAA contains a tie-breaker rule for corporate tax residence based on the place of effective management of the company. The current rule for determining DTAA residence under the 2017 OECD Model Tax Convention is the mutual agreement procedure.

#### Taxes Covered (Article 2)

The DTAA covers taxes on income and capital, including taxes on profits from the disposal of movable and immovable property, taxes on wages or salaries paid by projects, and taxes on capital appreciation.

#### Permanent Establishment (PE) (Article 5)

The definition of a PE under the DTAA is similar to the OECD Model Tax Convention, including the determination of a dependent agent PE. The DTAA does not contain a "service PE" clause but provides that a PE would arise if a building site, construction, assembly, or installation project in the other contracting state lasts for more than six months (Cyprus) or 183 days (Tanzania).

#### Business Profits (Article 7)

The DTAA stipulates that profits of a company are not subject to tax in the other contracting state unless the company carries on its business through a PE in that state. Items of income not specifically dealt with in the DTAA are taxable only in the contracting state where the recipient is resident. Income from services not delivered through a PE in the other contracting state should be exempt from withholding tax and other forms of taxation in that state. The DTAA provides guidance on attributing profits to a PE.

#### International Shipping and Air Transport (Article 8)

Profits derived by an enterprise in a contracting state from the operation of ships and aircraft in international traffic are only taxable in that contracting state.





## In detail

### Summary of Key Amendments to the Oman India DTAA

#### Specific Provisions for India

The amendments to the DTAA between Oman and India reflect changes to the OECD Model Convention, particularly in the following articles:

- Article 10: Associated Enterprises
- Article 25(A): Non-discrimination
- Article 26: Mutual Agreement Procedure
- Article 27: Exchange of Information
- Article 27A: Assistance in Collection of Taxes
- Article 27B: Entitlement to Benefits

#### Changes to Specific Articles

##### Article 4 (3) - Resident

- Old provision: A person other than an individual is deemed to be a resident of the state where its place of effective management is situated.
- Amended provision: The competent authorities of the contracting states will determine by mutual agreement the state of residence, considering the place of effective management, place of incorporation, and other relevant factors. In the absence of agreement, the person will not be entitled to relief or exemption except as agreed by the competent authorities.

##### Article 13 (2) - Royalties

- Although the definition of Royalties has not undergone a change, the rate of withholding tax has reduced from 15% to 10%.

##### Article 14 (2) - Technical Fees

- Although the definition of Technical Fees has not undergone a change, the rate of withholding tax has reduced from 15% to 10%.

# The takeaway

The DTAA's between Oman with Cyprus, Tanzania and India are expected to facilitate further cross-border trade and investment between these countries.

It provides for some important changes to the taxation of payments (e.g. interest, royalties, service fees) between these countries and includes a definition of the types and levels of activities that would create a taxable presence in the other country. This may reduce taxation and compliance obligations and provide taxpayers with greater certainty.

Businesses should review their operating structures in light of the DTAA, assess the impact of it on their activities, and determine how can they make best use of the tax benefits provided by the DTAA.

## Let's talk

For a discussion on the new Executive Regulation and its potential impact on your business, please contact us::

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If you wish to discuss the above, please feel free to reach out to **the point of contact listed above** directly.

# Thank you