



Doing Business in Oman



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Introduction

The Sultanate of Oman was formed in 1970 upon the accession of Sultan Qaboos bin Said, who has ruled ever since. The current estimated population is 4.1 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 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.

Oman is the second largest country after Saudi Arabia in the Arabian Peninsula. It stretches over 309,500 square kms, encompasses a diverse range of topography, including mountain ranges, arid deserts and fertile plains. It shares borders with the Republic of Yemen to the southwest, the Kingdom of Saudi Arabia to the west and the United Arab Emirates to the north.

Advantages of investing in Oman

Oman offers following advantages to the foreign investors to invest in Oman.

- Political stability.
- Liberal foreign ownership in companies permitted.
- Oman is rich in oil and gas.
- Capital and profits of a business entity is fully repatriable.
- No personal income-tax. All individuals can fully repatriate their savings.
- Committed to privatization, industrialization, economic diversification and development.
- Free trade and open market policy.

- Low income tax rate structure for companies and double taxation relief treaties available with many countries.
- Income tax holiday period of five years renewable for further period of five years, available for business entities engaged in priority areas of economic development.
- Geographically ideally located, proximity to Gulf, Asian and African markets.
- Well regulated stock exchange.
- Industries fulfilling certain conditions can get interest free/ soft loans, exemption from custom duty on import of plant, equipment and raw materials and export credit insurance.
- Government leased land available at a concessional rate with good utilities.
- Modern infrastructure with good roads, airports, sea ports, and state of the art telecommunications and other services.
- English is used widely in day to day business commerce.

Population

The population of Oman is about 2.9 million out of which expatriates are about 900,000.

Communications

Oman is linked with the rest of the world by the most modern telecommunications system. Oman has two International airports i.e. Muscat International Airport at Muscat and Salalah Airport at Salalah. There are several small airstrips located throughout the country. Oman also has an impressive network of roads connecting all the parts of the country and also links Oman with U.A.E. Oman's main sea-ports are Mina Sultan Qaboos at Muscat, Mina Raysut at Salalah and Port of Sohar at Sohar which are fully equipped to handle ships touching these ports.

Business Environment

Law 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.

The highest executive authority is the Council of Ministers deriving its power from His Majesty the Sultan, to whom it is collectively responsible. There are specialist councils, the Majlis A'Shura i.e. the Council of the People, the Government of the Capital and ministries.

The Sharia Law which is based on the Holy Quran is the general laws of the land. To regulate and control its economic affairs; Oman has developed a comprehensive framework of laws and regulations. The Basic Law provides for equality to all its residents and is established on the principles of a free economy and the sanctity of private properties.

The Basic Law ensures the independence of the judiciary and the role of judges in up-holding the law of the country. Commercial disputes are dealt and settled by Commercial Courts. Criminal matters / disputes are dealt and settled by Magistrate Court. A dispute between employers and employees in the private sector is primarily dealt by the Labour department of the Ministry of Social Affairs and Labour and Vocational Training and unresolved disputes are referred to the Commercial Court. Tax disputes are dealt and settled by the Commercial Courts.

The Business Environment

Oman is oil and gas based economy with production of about 757,000 barrels per day, accounting for about 75% of government revenues and contributing about 50% to the Gross Domestic Product (GDP). Fluctuations in the global oil prices result in wide variations in gross revenues and GDP. The GDP has increased from RO.6, 011 million in 1999 to RO.23,296 million in 2008 according to statistics published by the Ministry of National Economy. The ambitious Oman LNG Project was founded to exploit the country's proven gas reserves and is expected to become a major non-oil revenue source, besides giving encouragement for development of gas intensive industries.



Types of Business Entities

The Economic Vision 2020 outlines Oman's development priorities and objectives on a long term basis. These include balancing government finances, omanisation, doubling per capita income, faster adoption of advanced technology, etc. The overall objective is to develop a free diversified economy with a vibrant private sector, along with ecologically sound and balanced economic development of all the sectors. The government strategy for economic development is based on a series of five year development plans, and has the primary goal of a balanced government budget, encouragement of the private sector and diversifying the Economic base of the country.

The government has embarked on an economic diversification policy that lays emphasis on agriculture, fisheries, tourism, mining, public utilities, and manufacturing industries that, use local raw materials and products, help in maximizing value addition and are export oriented. Although the non-oil sectors contribution to GDP has been steadily increasing over the years, Oman's dependence on oil is likely to continue in the years to come.

Oman has been a leader in devising and implementing privatization policy. The government has given impetus to the privatization plans to promote inward investment, develop the basic services and mobilize private sector capital for developing the infrastructure of the country viz. electricity, water, roads, telecommunications, airports, seaports sewerage, etc.

The official language is Arabic and all communication with government is generally required to be made in Arabic. English is generally used for all written communication between businesses.

Establishment of Business

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 below:

Limited Liability Company (LLC)

Foreign companies and individuals are generally required to have an Omani partner with minimum 30% shareholding in order to form LLC. Minimum share capital of OMR 150,000 (\$ 390,000) is required to register LLC with foreign participation. GCC companies that are 100% owned by GCC nationals, or GCC nationals themselves, may establish LLC without local partner for approved activities. LLC is required to have at least two shareholders.

Pursuant to free trade agreement (FTA) conclude between the US and Oman, US companies may form a subsidiary in Oman without local partner, provided that all ultimate shareholders of the US entity are also US persons. The minimum share capital for LLCs with local or GCC ownership or for those qualifying under the US FTA is OMR 20,000 (\$52,000).

Types of Business Entities

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 (\$ 1.3 M).

Alternatively, joint stock companies that offer their shares to the public are called publically held joint stock companies (SAOG). The minimum share capital required for an SAPG is OMR 2M (\$5.2 m). The 30% local Omani shareholding requirement must also be observed in establishing a joint stock company.

Ownership of stock in SAOGs is through Muscat Securities Market (MSM) 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).

Branch

A foreign company may register a branch in Oman only to execute a contract with the government or 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 importance.

Commercial Agency

Foreign companies without commercial registration in Oman may do business through commercial agents. Agency agreements are formally registered with the Ministry of Commerce and Industry (MOCI) under the Commercial Agency Law.

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 number of steps, and supporting documentation which need to be legalizing, to complete the incorporation process. However, effort has been made in recent months to make the company registration process more efficient and convenient, including the introduction of the ministry of commerce and industry's e – portal, which permits the immediate online registration of a new company, allowing for the submission of establishment documents post- registration.

Basic Documents required for company formation

- Passport (copy) or identity cards of shareholders
- Passport (copy) or identity cards of all intended authorized signatories
- Approved authorized signatory form, on which the names and sample signatories of each authorized signatory must be reproduced
- Standard Company registration forms, including the constitutive contract (the articles of association)
- Applications for any specific licenses, depending on the nature of the proposed activities
- Certificate of initial capital deposit from the bank

Process for Company Set-up

S. No.	Procedure	Time to Complete	Cost to Complete
1	<p>Deposit the legally required initial capital in a Bank</p> <p>The capital of a limited liability company (LLC) must be fully paid up at the time of its registration.</p>	1 Day	No charge
2	<p>Register at the Commercial Registry of the Ministry of Commerce and Industry (MOCI)</p> <ul style="list-style-type: none"> The entrepreneur can check availability of the desired company name online. To register, the entrepreneur submits a duly completed application form along with the following documents at the one stop shop of Ministry of Commerce and Industry (MOCI): Passport (copy) or identity cards of shareholders Passport (copy) or identity cards of all intended authorized signatories Approved authorized signatory form, on which the names and sample signatories of each authorized signatory must be reproduced Standard Company registration forms, including the constitutive contract (the articles of association) Applications for any specific licenses, depending on the nature of the proposed activities Certificate of initial capital deposit from the bank <p>Upon submission of the required documents, the applicant receives a list of fees to be paid according to the specified capital of the company along with the application tracking number, and indicates his/her preference for the notification on the status of the application: by phone, SMS, or email.</p> <p>The following relevant public institutions are housed at the one-stop shop: Ministry of Commerce & Industry, Ministry of Civil Defense, Royal Oman Police, Muscat Municipality, Chamber of Commerce, Ministry of Regional Municipalities, Environment and Water Resources & the Ministry of Manpower. The one-stop shop thus facilitates the registration of the company with the Oman Chamber of Commerce and Industry.</p>	3 days	OMR 40 for business registration (for a duration of 5 years) + OMR 128 for Chamber of Commerce + OMR 15 for registration with Muscat Municipality

Sr. No.	Procedure	Time to Complete	Cost to Complete
2	<p>To register with the Oman Chamber of Commerce and Industry, the applicant submits a completed application form, along with the company statutes and pays the relevant fees depending on the grade of the company. The payable fees are as follows:</p> <ul style="list-style-type: none"> For a company of excellent grade, i.e. startup capital of OMR 250,000 or more, the registration fees are OMR 585 and the annual renewal fees are OMR 279. For a company of First grade, i.e. startup capital between OMR 100,000 and 249,000, the registration fees are OMR 225 and the annual renewal fees are OMR 108. For a company of Second grade, i.e. startup capital between OMR 50,000 to 99,000, the registration fees are OMR 128 and the annual renewal fees are OMR 73. For a company of Third grade, i.e. startup capital between OMR 25,000 to 49,000, the registration fees are OMR 78 and the annual renewal fees are OMR 45. For a company of Fourth grade, i.e. startup capital between OMR 3,000 to 24,000, the registration fees are OMR 33 and the annual renewal fees are OMR 25. <p>The company must then obtain the license from the Municipality of Muscat before commencing business operations and pay the fees of OMR 15. To do so, the applicant must submit a completed application form, along with the following documents:</p> <ul style="list-style-type: none"> Company lease agreement Company statutes (memorandum and articles of incorporation) Chamber of Commerce and Industry affiliation certificate Agency Certification (if applicable) 	3 days	OMR 40 for business registration (for a duration of 5 years) + OMR 128 for Chamber of Commerce + OMR 15 for registration with Muscat Municipality
3	<p>Notification of the Tax Department of the Finance Ministry</p> <p>The company must register at the Tax Department under the Income Tax Law. Registration includes submitting a completed Declaration of Business Particulars form.</p>	1 day	No charge

Sr. No.	Procedure	Time to Complete	Cost to Complete
4	<p>Register employees for social insurance</p> <p>Once an employee is recruited, a copy of the contract must be submitted to the Public Authority for Social Insurance for the employee's social security registration purposes. The Social Security Law of Oman requires the LLC to abide by the specified employee retirement benefits contributions to the Authority.</p>	1 day	No charge
5	<p>*Make a company seal</p> <p>The instructions to make the company seal or stamp are issued by the registered authorized signatory of the LLC. When issued to the supplier of the stamp or seal, such instructions should be accompanied by an attested signature specimen confirming the requesting persons' authority to obtain the stamp or seal</p>	2 days, simultaneous with previous procedure	OMR 50

*Takes place simultaneously with another procedure.



Freezones

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. Oman free zones are suitable for foreign companies intending to use Oman as a regional manufacturing or distribution base. Free zones are mainly for import and export oriented companies who only require an office in Oman.

Advantages of free zone (FZ) company formation

- FZ companies may be 100% foreign owned
- There are no minimum share capital requirements for free zone business
- There are no corporate taxes on free zone companies for ten years thanks to a tax holiday incentive
- No duties are imposed on goods imported and exported from free zone
- Oman free trade zone companies are allowed to trade within Oman without local agent. A custom duty of 5% applies in these cases.

Disadvantages of free zone (FZ) company formation

- It is mandatory to rent premises within free zone
- At least 10% of the Free zone company's staff must be local
- Company licenses are renewable annually after FZ laws are complied with including submitting annual audited financial statements to the free zone authority
- The free zones in Oman are still under construction and lack many of the conveniences of those in the UAE. Customer service is poor.

Commercial consideration

1. Free zone activities allowed include:
2. Importing raw materials
3. Manufacturing
4. Processing, assembling and packaging
5. Exporting finished products
6. Storing or warehousing products

Types of 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. 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

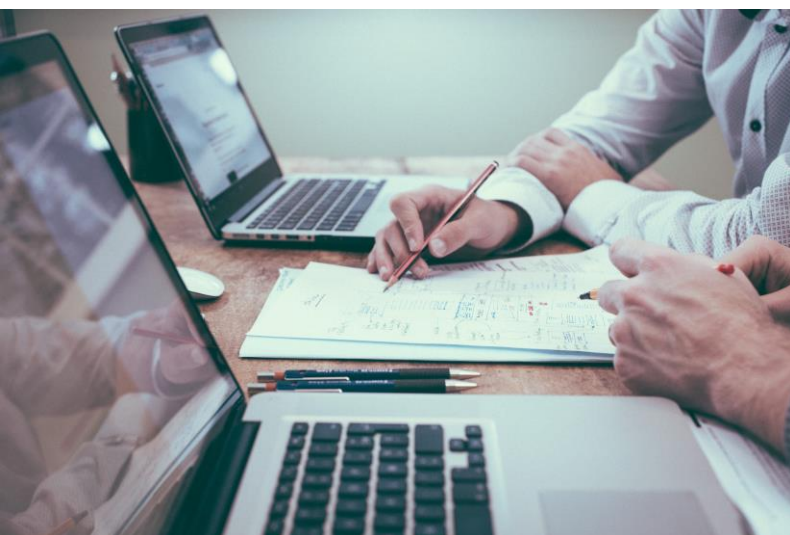
Located in the south of the country near to Oman's second city, Salalah, this free zone offers competitive labour and infrastructure costs compared to other regions in order to attract investors in the chemical and material processing, manufacturing, assembly and logistics sectors. Income tax exemptions 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 omanization rates applicable to such companies.

Freezones

Types of Free zone

Features of the Salalah free zone:

- A lease for 50 years (renewable for another 50 years)
- 100% foreign ownership
- Zero customs duties on imports and exports
- No minimum capital investment requirement
- No taxes on profits or dividends for 30 years
- No tax on personal incomes
- No restrictions on repatriation of capital, profits and investments
- Low Omanisation requirement levels
- Fast track customs handling and processing



• Al Mazunah 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 Omanization rate applicable to such companies. Additionally, Yemeni nationals are permitted to work in the zone without visas to work permits.

• Duqm Special economic Zone

Duqm special economic zone, 1777 sq.km. Area bordered by an 80 Km. Arabian sea coastline, the DESZ is strategically place 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 the dry dock, fishing 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 business is also permitted.

• Knowledge Oasis Muscat Free Trade Zone

Free Trade Zone Knowledge Oasis Muscat (KOM) offers foreign technology oriented companies' full foreign ownership of their branch in Oman. KOM hosts several bluechip companies such as oracle, Hewlett Packard, Motorola, Microsoft, NCR, Huawei and several other dynamic hi tech start up.

Freezones

KOM is located 30 kilometers west of Muscat and 10 minutes drive from Muscat international airport. KOM is close to Rusayl Industries Estate – the Oman’s largest industrial park- and the sultan Qaboos University.

KOM is building on 20,000 square meters of office and business space is also known as the Muscat Technology park. The area already houses 60 firms. KOM is managed by the Public Establishment for Industrial Estates (PEIE) a government institute.

Features of Knowledge Oasis Muscat Free Trade Zone:

1. 100% foreign ownership (local sponsors not required).
2. Minimum capital investment needed to establish an entity at KOM is
3. Omani Rials 20,000/-
4. High speed Internet access with highly competitive Telco rates.
5. Low Omanisation recruitment levels.
6. KOM tenants can be registered on the Tender Board and bid for
7. Government tenders.
8. No personal income tax for employees and foreign exchange controls.
9. Duty-free access of products from Oman to GCC countries.
10. State-of-the-art offices with plug and play facilities.
11. Networking meetings, events and an environment that encourages
12. Collaboration and mutual support.

Free Trade Agreement with United States of America

Free Trade Agreement (FTA) between the Governments of Sultanate of Oman and the United States of America (USA) has been entered on 2nd December 2008 whereby American businesses and establishments who wants to open a branch to provide goods or services in the Sultanate of Oman can do so even before obtaining contracts or agreement with Government of Sultanate of Oman or any of its business or establishment or others having shareholding of government i.e. as per present practice followed by the Ministry of Commerce & Industry (MOCI) no license is issued to foreign company to have a branch unless they have a direct government contract.

Securities Market

The Capital Market Authority (CMA) regulates the securities market in Oman. The Capital Market Authority Law governs all the listed companies in Oman. CMA ensures strict compliance of this law by making it obligatory for all the listed companies to file periodical returns with CMA and by onsite companies visits by CMA officials.

Muscat Securities Market overseas the flow of funds into securities and develops the local financial market. Membership in the exchange is compulsory for Omani licensed banks, public joint stock companies, specialized loans institutions whose shares are listed in the securities market.

Muscat Securities Market is the stock exchange of Oman. It was set up in 1989 with the main objective to bring about the flow of funds in stocks for serving the national economic interest.

Freezones

It regulates the primary and secondary market of shares and bonds issued by joint stock companies (SAOG) registered in Oman. All joint stock companies are required to be members of Muscat Securities Market (MSM) and have their shares and bonds listed with MSM.

The market operates through licensed brokers and the activities of these brokers are limited to portfolio management and underwriting primary issues. In 1999 Muscat Securities Market was reorganized into three separate entities as under:

The Capital Market which handles the regulatory and supervisory functions.

The Stock Exchange which is Muscat Securities Market.

Muscat Share Registration and Depository which acts as the central registrar and

Depository for all listed companies with Muscat Securities Market.

Export Credit Guarantee Agency

The Export Credit Guarantee Agency SAOC (ECGA) promotes the growth of Omani non-oil exports by providing export credit insurance to exporters. The export credit policy minimizes the risk for the exporters by covering both the country risk and the buyers risk. Export credit policy also assist the exporter in export financing as it can be assigned to the financing bank as an additional collateral.



Comparison of Freezones

Particulars	Al Mazunah	Salalah	Sohar
License cost	Various	Various	Various
Share Capital	US\$1	US\$1	US\$
Warehouse space 2000 sq. meters	US\$2,600	US\$2,600	US\$2,600
Customer service	Poor	Poor	Poor
Office space availability	Limited	Many	Many
Public registrar of companies?	Yes	No	No
Open 24 hours a day?	Yes	Yes	Yes
Company shareholders allowed?	Yes	Yes	Yes
Must rent a free zone office?	Yes	Yes	Yes
Incorporation period	4 weeks	4 weeks	4 weeks
Shelf companies allowed?	No	No	No
Minimum Directors allowed	1	1	1
Wholly foreign owned?	Yes	Yes	Yes
Corporate directors allowed?	Yes	Yes	Yes
Oman resident company secretary required?	Yes	Yes	Yes
Can apply for immigration visas?	Yes	Yes	Yes
Type of company	Limited Liability	Limited Liability	Limited Liability
Annual audited financial statements?	Yes	Yes	Yes
Annual license renewal?	Yes	Yes	Yes

Legal & Compliance Audit

It is obligatory for all business activities to register with the Ministry of Commerce & Industry and also become members of the Oman Chamber of Commerce and Industry.

Sr. No.	Particulars	Remarks
1	Company Information	<p>All the receipts, notices, contracts and documents of the company should bear the following:</p> <ul style="list-style-type: none"> ▪ Company's Name ▪ Form of the company ▪ Place of Business ▪ Registration No. ▪ Place of Registration
2	Foreign Investment Law	Compliance of foreign investment law is mandatory for all companies with Non Omani partners.
3	Third parties compliance	Partners of companies are not allowed to do business similar to that of company for third parties or on their own account without prior consent of all the partners. (except Joint ventures and shareholders of joint stock companies)
4	Contribution of Partners	The contribution of partners of a Commercial company may consist of money or contribution in kind or intangible property rights or services of one or more partners subject to special provisions governing each form of company. The value of contribution shall be stated in MOA and AOA in terms of money. In case of disputes, if it is found by the authority that partners' contribution is overvalued, the partner shall then pay to company in cash the difference between the estimated value and true value at the time of contribution.

Sr. No.	Particulars	Remarks
5	General Meeting	<p>The annual General Meeting shall be held each year within four months of the end of the Company's financial year.</p> <p>A copy of the balance sheet, the report of the Board of Directors and the report of the auditors shall, likewise, be sent to each shareholder together with the invitation to attend the meeting of the ordinary annual General Meeting.</p> <p>The ordinary General Meeting may decide the establishment of optional reserve accounts which shall not exceed 20% of the net profits for that year after deduction of taxes and the legal reserve, provided that total amount deducted as an optional reserve shall not exceed half the capital of the Company except in the case of Banks and Insurance Companies.</p> <p>The Board of Directors may convene the General Meeting at any time and such meeting shall be convened whenever required by the Law or the Company's Articles of Association, or upon request of one or more shareholders who represent at least 25% of the capital of the Company.</p> <p><u>Notice:</u></p> <p>Notice to attend a meeting of the General Meeting shall not be valid unless it includes the agenda and such notice, shall be published after its attestation by the Company Affairs Department, and an attested copy thereof has been deposited with Muscat Securities Market, in two daily newspapers and for two consecutive days, at least.</p> <p><u>Minutes:</u></p> <p>The minutes of the General Meeting shall be deposited with the Ministry after their approval by the Chairman and the Auditor, within 15 days of the date of the meeting of the General Meeting.</p> <p><u>Fine:</u></p> <p>The Chairman and Members of the Board of Directors or auditors in case of failure to board of directors by virtue of their personal capacity, shall be penalized by a fine of not less than RO 5,000/- (Rials Omani Five Thousand) on their failure to convene the annual ordinary general meeting of the Company on the time provided for such meeting</p> <p><u>Quorum:</u></p> <p>The resolutions of the ordinary General Meeting shall be void unless the meeting is attended by shareholders of their proxies who represent, at least, half the capital of the Company.</p>

Sr. No.	Particulars	Remarks
6	Legal Reserve	<p>The Board of Directors shall deduct 10% of the Company's net profits after the deduction of taxes as a legal reserve for each financial year until such legal reserve amounts to, at least, one third of the Company's capital.</p> <p>The legal reserve shall not be distributed to the shareholders as dividends.</p>
7	Auditors	<p>The Joint-stock Company shall have, at least, one auditor who shall be appointed by the ordinary General Meeting to perform his duties until the next meeting of the ordinary annual General Meeting which may re-appoint such auditor.</p> <p>Auditors shall be persons licensed to practice accountancy and auditing profession in accordance with the provisions of the Law. Auditors shall be independent from the Company, hence, they shall not be promoters or directors or employees of the Company or its affiliates. Such auditors shall not provide, regularly, the Company or its affiliates with technical or administrative or consultative services.</p>
8	Shares	<p>The Joint-stock Company shall not issue "Promoters' Shares" or any other securities that grant the promoters or any other person a right to a share in the Company's earnings or profits without having made an appropriate advance contribution to the capital.</p> <p>Shares of a Joint-stock Company shall be represented by negotiable certificates. They shall be nominal shares and each one shall bear a special number.</p> <p>The promoters shall not withdraw from the Company or dispose of their shares before the Company has published two balance sheets for two consecutive financial years except in the conditions specified by the law.</p> <p>The Company shall register the ownership of such shares without any restriction or condition except in the circumstances mentioned in the law.</p> <p>Shares shall not be issued at a price less than their nominal value. An additional amount within 2% of the nominal value of share may be collected for each share as issue fees. If the shares are issued at a value higher than the nominal value, the excess amount, after backing issue expenses, shall be added either to the legal reserve or a special reserve as provided under Article 106 of the law.</p>

Sr. No.	Particulars	Remarks
9	Compliance related to Joint Stock company	<p>The Joint-stock Company shall not be established without authorization from the Directorate General of Commerce together with his approval of the Memorandum and Articles of Association of the Company.</p> <p>The capital of the Joint-stock Company shall not be less than RO 150,000/- (Rials Omani One Hundred and Fifty Thousand only) for Companies which do not offer their shares for public subscription, and shall not be less than RO 500,000/- (Rials Omani Five Hundred Thousand only) for Companies which offer shares for public subscription.</p> <p>The nominal value of each share shall not be less than RO 1.000 (Rials Omani One only). Half the nominal value of the issued shares, at least, must be paid up on subscription, provided that the full value of the shares is paid up in full in not more than a three year period from the date of the foundation of the Company.</p> <p>Contributions to the Capital of the Joint-stock Company shall be in cash or in kind and shall not consist of services or labour of any person.</p>

Taxation

Corporate Income Tax

Oman's income tax law seeks to tax the worldwide income of Omani entities and the Oman-source income of branches and other permanent establishments. The income tax rates are as follows:

- First OMR 30,000 of taxable income: 0%
- Above OMR 30,000:12%

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

Permanent Establishment

Under Oman tax law, 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. 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 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.

Withholding Taxes

A 10% withholding tax is applied at source to payments for the following services to foreign persons that do not have income attributed to a permanent establishment in Oman:

- Royalties.
- Management fees.
- Consideration for research and development; and
- Consideration for the use of or right to use computer software.

Taxation

Transfer pricing and thin capitalization

Oman's tax law does not contain detailed transfer pricing regulations in order to determine an arm's length price. 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.

Legislative guidance on thin capitalization is only given in relation to 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

Oman offers various categories of tax exemptions.

1. Income from securities

- Dividends received from other Omani companies are tax exempt.
- Profits or gains from the disposal of securities listed in the Muscat Securities Market are exempt.

2. Omani companies engaged in certain activities may be eligible for 5-year tax exemptions. The prescribed activities are:

- Industry in accordance with the Law for Unified Industrial Organization of Gulf Cooperation Council Countries.
- Mining in accordance with the Law on Mining.
- Export of locally manufactured or processed products.
- Farming and processing of farm products including animals and the processing or manufacturing of animal products.
- Fishing and fish processing, farming or breeding.
- University education, college or higher institutes, private schools, nurseries or training colleges and institutes.
- Medical care by establishing private hospitals.

3. The initial 5-year exemption may be extended by a further 5 years if prescribed conditions are met.

- Income accruing to any Omani company from carrying on shipping activities shall be tax exempt.
- Income accruing to any foreign company from shipping or air transport shall be exempted from tax, provided that reciprocal treatment is available in the country where the foreign company is incorporated or effectively managed.
- Income realized by Oman investment funds (regulated by Capital Market Law) or foreign investment funds to deal with Omani securities registered with Muscat Securities Market are exempt from tax.

Taxation

Value Added Tax (VAT)

There is currently no VAT or similar tax system in Oman. However, given the need for diversifying government revenues, a potential introduction of a VAT system has been considered by the Gulf Cooperation Council (GCC) countries (i.e. United Arab Emirates, Oman, Qatar, Kuwait, Bahrain and the Kingdom of Saudi Arabia). Similar to the corporate income tax, there has been no official communication or announcement confirming a VAT implementation in the near future, although the recent fluctuations in oil prices may constitute an extra push to seek a more imminent implementation.

Stamp taxes

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

Hotel tax and tourism levies

See the section above on Municipal taxation.

Custom duties

Oman is part of the GCC Customs Union, which was established in 2003 to remove customs and trade barriers among the GCC member states. The implementation of the GCC Customs Union is still in progress.

The GCC member states apply a Common Customs Law and a Unified Customs Tariff with a standard customs duty rate of 5% of goods' cost, insurance and freight value, with a few exceptions, such as tobacco and alcoholic goods being subject to a customs duty rate of 100%.

The GCC Customs Law does not levy export customs duties.

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.

Goods imported into Oman's free zones and special economic zones may be exempt from customs duty.

Personal taxes for nationals and expatriates

Income is currently not subject to personal income taxes in Oman and there is no requirement to file income tax returns.

Employees who are Omani nationals are subject to a social security regime in Oman. Generally, 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. 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.

Taxation

S. No.	Particulars	Implication
1	Currency	Omani Rial (OMR)
2	Foreign exchange control	The Sultanate of Oman has a free Economy. Although administrative procedures must be followed, there are no exchange controls on inward or outward investment or on the repatriation of capital or profits, either by nationals or members of the Expatriate population.
3	Accounting principles/financial statements	Business registered in Oman must maintain full accounting records in Accordance with IFRS.
4	Principal business entities	These are the joint stock company (general or closed), limited liability company (LLC), partnership (General or limited), joint venture and branch of a foreign company.
5	Corporate taxation	<p><u>Residence</u> Residence is not defined in Oman for corporate tax purposes. A foreign company will be deemed to have a permanent establishment (PE) in Oman if it provides consultancy and other services in Oman for 90 days or more in the aggregate within a 12-Month period or if it has a dependent agent in Oman.</p> <p><u>Basis</u> An Omani company is subject to tax on worldwide income with a foreign tax credit granted for certain taxes paid overseas. A PE is subject to tax only on Oman-source income.</p> <p><u>Taxable income</u> Taxable income is gross income for the tax year after deducting allowable expenses, adjustments for disallowed expenses or any exemptions under the Oman tax law.</p>

S. No.	Particulars	Implication
5	Corporate taxation	<p><u>Taxation of dividends</u> Dividends received by an Omani company from another Omani company are not taxable, but dividends received from an overseas foreign company are subject to tax.</p> <p><u>Capital gains</u> Capital gains derived from the sale of investments, fixed assets and acquired intangible assets are taxed at the same rates as ordinary income. There is no special tax treatment of such gains. Gains from the sale of local listed shares, however, are exempt.</p> <p><u>Losses</u> Losses may be carried forward and set off against taxable income for five years. However, net tax losses incurred for the first five years during a tax exemption period by any establishment or Omani company benefiting from an exemption under the Oman tax law generally may be carried forward indefinitely. The carryback of losses is not permitted.</p> <p><u>Rate</u> A flat 12% rate applies to all businesses, including branches and PEs of foreign companies, with taxable income exceeding OMR 30,000. Income from the sale of petroleum is subject to a special Provisional rate of 55%.</p> <p><u>Surtax</u> No</p> <p><u>Alternative minimum tax</u> No</p> <p><u>Foreign tax credit</u> The tax authorities may allow a credit for foreign taxes paid on a case-by-case basis. For certain taxes paid overseas, the credit may be granted up to the amount of the Omani tax liability regardless of whether Oman has concluded a tax treaty with the Source country, subject to the approval of the Director of Taxation.</p> <p><u>Participation exemption</u> No</p> <p><u>Holding company regime</u> No</p>

S. No.	Particulars	Implication
6	Withholding Tax	<p><u>Dividends</u> Oman does not levy withholding tax on dividends.</p> <p><u>Interest</u> Oman does not levy withholding tax on interest.</p> <p><u>Royalties</u> Foreign companies without a PE in Oman that derive Omani-source royalties are subject to a 10% withholding tax on the gross royalty. The tax is withheld by the Omani payer and remitted to the tax authorities. The definition of royalties includes payments for the use of, or the right to use, software, intellectual property rights, patents, trademarks, drawings and equipment rentals</p> <p><u>Technical service fees</u> Oman does not levy withholding taxes on technical service fees provided that it does not include transfer of “technical know-how”.</p> <p><u>Branch remittance tax</u> No</p> <p><u>Other</u> Foreign companies that do not have a PE in Oman and that derive Omani-source income through management fees, consideration for the use of, or the right to use, computer software and consideration for R&D are subject to a 10% withholding tax on the gross amount, which is withheld by the Omani entity and remitted to the tax authorities.</p>
7	Other taxes on corporations	<p><u>Capital duty</u> No</p> <p><u>Payroll tax</u> No, but see under “Social security.”</p> <p><u>Real property tax</u> No</p>

S. No.	Particulars	Implication
7	Other taxes on corporations	<p><u>Social security</u> The employer must contribute an amount equal to 10.5% of the monthly salary of its Omani employees for social security (covering old age, disability and death); and 1% of the monthly salary for industrial illnesses and injuries. The contributions are required for Omani employees between the ages of 15 and 59 who are permanently employed in the private sector. A unified system of insurance protection coverage is in effect for Gulf Co-operation Council (GCC) citizens working in other GCC countries</p> <p><u>Stamp duty</u> No</p> <p><u>Transfer Tax</u> No</p> <p><u>Other</u> Tourism and Municipality taxes may be imposed on certain consumption.</p>
8	Anti-avoidance rules	<p><u>Transfer pricing</u> Pricing between related entities should be on an arm's length basis.</p> <p><u>Thin capitalization</u> Thin capitalization rules require a debt-to-equity ratio not exceeding 2:1 for interest to be deductible with respect to borrowings between related parties.</p> <p><u>Controlled foreign companies</u> No</p> <p><u>Disclosure requirements</u> Related party transactions must be Disclosed in the tax returns.</p> <p><u>Other</u> If a related party transaction results in a lower income or higher costs, the transaction may be set aside and the taxable income will be computed as if the transactions were with unrelated parties.</p>

S. No.	Particulars	Implication
9	Compliance for corporations	<p><u>Tax year</u> The tax year is the calendar year, which taxpayers generally are expected to use as their accounting year in drafting financial statements (a different accounting year is acceptable if followed consistently). On start-up, taxpayers may be able to use an opening account period of 12 months or a maximum period up to 18 months. Accounts usually are maintained in OMR, but also may be maintained in foreign currency, subject to the approval of the Director of Taxation.</p> <p><u>Consolidated returns</u> Consolidated returns are not permitted; each company must file its own return. A foreign person that has multiple PEs in Oman must file a tax return that covers all of the PEs and the amount of tax payable will be based on the aggregate of the taxable income of the PEs.</p> <p><u>Filing requirements</u> Companies must file a provisional tax return within three months following the end of the accounting year and make a payment of the estimated tax. An annual income tax return, accompanied by audited financial statements, must be filed within six months of the end of the accounting year, and any tax due must be paid at that time.</p> <p><u>Penalties</u> Failure to present a declaration of income to the Office of the Director of Taxation may lead to an arbitrary assessment and penalties. A minimum penalty of RO 100 and a maximum of RO 1,000 may be imposed upon failure to file a return within the prescribed deadline. Delay in the payment of income tax normally results in additional tax calculated at 1% per month on the outstanding amount.</p> <p><u>Rulings</u> Rulings generally are not issued, although they can be obtained for the application of withholding taxes.</p>

S. No.	Particulars	Implication
10	Personal taxation	<p><u>Basis</u> No</p> <p><u>Residence</u> No</p> <p><u>Filing status</u> No</p> <p><u>Taxable income</u> No</p> <p><u>Capital gains</u> No</p> <p><u>Deductions and allowances</u> No</p> <p><u>Rates</u> No</p>
11	Other taxes on individuals	<p><u>Capital duty</u> No</p> <p><u>Stamp duty</u> Stamp duty applies only to the acquisition of real estate at the rate of 3% of the sales value.</p> <p><u>Capital acquisitions tax</u> No</p> <p><u>Real property tax</u> No</p>

S. No.	Particulars	Implication
11	Other taxes on individuals	<p><u>Real property tax</u> No</p> <p><u>Inheritance/estate tax</u> No</p> <p><u>Net wealth/net worth tax</u> No</p> <p><u>Social security</u> Omani private sector employees who are between 15 and 59 years of age must contribute 7% of their monthly salary for social security purposes (old age, disability and death).</p>
12	Compliance for individuals	<p><u>Tax year</u> No</p> <p><u>Filing and payment</u> No</p> <p><u>Penalties</u> No</p>
13	Value added tax	<p><u>Taxable transactions</u> Oman does not levy a VAT or sales tax.</p> <p><u>Rates</u> No</p> <p><u>Registration</u> No</p> <p><u>Filing and payment</u> No</p>

S. No.	Particulars	Implication
14	Source of tax law	Law of Income on Companies No. 28/2009; Commercial Companies Law No. 4/1974; Social Securities Law; Law for Unified Industrial Organization of Gulf Cooperation Council Countries; Foreign Business and Investment Law; Law of Organizing and Encouraging Industry and Mining.
15	Tax treaties	Oman has 26 income tax treaties and four air transport tax treaties.
16	Tax authorities	Ministry of Finance and Secretariat General for Taxation.

Currently, the main tax cost to businesses in Oman is in relation to corporate income tax, applicable at a rate of 12% on all taxable profits above OMR 30,000. However, it should be taken into account that a VAT or other tax may be implemented in the future. The corporate income tax rate, or the OMR 30,000 exempt threshold, may also be changed. 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 contribution.

Financial Planning & Auditing requirements

Import and Export Regulations

Oman is the second largest state in the Arabian Peninsula and is a founding member of the Gulf Cooperation Council (GCC). Around 44% of Oman's populations are expatriates.

The energy sector makes up over 50% of Gross Domestic Product (GDP) and 75% of its export earnings. UK companies operating in Oman include Carillion, Interserve, Taylor Woodrow, Atkins, Mott McDonald, Petrofac, Jacobs, Turner & Townsend, Shell, BP, Ultra Electronics, Babcock, CfBT, BAE and Rolls Royce. A number of British banks, law and accounting firms and smaller service organizations also operate successfully.

Benefits for UK businesses exporting to Oman include:

UK is Oman's biggest foreign investor

- English is widely spoken and accepted as a business language
- British standards are widely used
- 7,000 UK residents make up the largest Western expatriate segment
- majority of western tourists come from the UK

Strengths of the Omani market include:

strong government investments in infrastructure, healthcare and education

- no personal income tax
- full repatriation of capital, net profit and royalties
- proximity to other Gulf markets

Auditors and Accountants

Financial statements must be prepared in accordance with International Financial Reporting Standards. 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 approval from the Secretary General for Taxation at the Ministry of Finance.

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 Ministry of Finance. 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).

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 non-compliant with the WPS could face financial penalties and problems with renewing or processing new visas for their workforce.

Financial Planning & Auditing requirements

Due Diligence

Each of these options, particularly the appointment of agents and distributors or joint venturing, 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. However, there is a penalty involving a two-month to two-year prison sentence, for anyone found to dispose of the funds in any manner that is in contravention of the law. 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 its 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 briber, any mediators and legal representatives involved in the act.

Disclaimer: Whilst every effort has been made to ensure that the details contained herein are correct and up-to-date, it does not constitute legal or other professional advice IMC does not accept any responsibility, legal or otherwise, for any errors or omission.



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