

Doing Business in Oman





Preface

This guide has been prepared by Baker Tilly, an independent member of Baker Tilly International. It is designed to provide information on a number of subjects important to those considering investing or doing business in Oman.

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Doing Business in Oman has been designed for the information of readers. Whilst every effort has been made to ensure accuracy, information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. Facts and figures as presented are correct at the time of writing.

Up-to-date advice and general assistance on Oman matters can be obtained from Baker Tilly, contact details can be found at the end of this guide.

March 2015

Baker Tilly is the trading name of Baker Tilly JFC



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1 Fact Sheet

Facts and figures as presented in sections 1 through 4 are correct as at 3 February 2015.

Geography

Location:	Middle East
Area:	309,500km ²
Land boundaries:	Saudi Arabia, United Arab Emirates, and Yemen
Coastline:	Arabian Sea, Gulf of Oman, and Persian Gulf
Climate:	Dry desert; hot and humid along the coast; hot and dry interior; strong southwest summer monsoon (May to September) in the far south
Terrain:	Central desert plain with rugged mountains in the north and south
Time zone:	GMT +4

People

Population:	3.63 million (January 2014 estimate)
Religion:	Muslim (official) 85.9%, Christian 6.5%, Hindu 5.5%, Buddhist 0.8%, Jewish <0.1%, other 1%, unaffiliated 0.2%
Language:	Arabic is the official language

Government

Country name:	Sultanate of Oman
Government type:	Monarchy
Capital:	Muscat
Administrative divisions:	11 governorates

Political situation

The bicameral Parliament consists of the Majlis al-Shura (lower chamber) with 84 seats and the Majlis al-Dawla (upper chamber) with 71 seats. The Head of State and the Head of Government is the monarch. The cabinet is appointed by the monarch.

Economy

GDP – per capita:	US\$21,929 (2013)
GDP – real growth rate:	5.8% (2012)
Labour force:	1,809,462 (2013)
Unemployment:	15% (2011)
Currency (code):	Omani rial (OMR)



2 Business Entities and Accounting

Business forms available in Oman include the limited liability company, the joint stock company, sole proprietorships, joint ventures, and branches.

2.1 Companies

2.1.1 Limited liability companies

A limited liability company may be formed by two or more natural or juristic persons. The maximum number of partners is 40. The capital of a limited liability company is fixed and is divided into equal shares. The liability of partners is generally limited to the nominal value of their shares. Limited liability companies may not offer their shares for public subscription.

The minimum capital requirement is generally OMR20,000 (which may be reduced in certain circumstances), or OMR150,000 in cases where the company has foreign participants.

Limited liability companies are administered by the annual general meeting, and are managed by one or more managers. Managers must be natural persons who may or may not be partners in the company. Limited liability companies are also required to appoint at least one auditor if certain criteria are met.

2.1.2 Joint stock companies

A joint stock company may be formed by three or more natural or juristic persons (exclusions from this rule apply in respect of companies established by the Government). The capital of a joint stock company is divided into equal negotiable shares. The liability of shareholders is generally limited to the payment of their subscribed shares.

The minimum capital requirement for a joint stock company that does not offer its shares for public subscription (closed joint stock company) is generally OMR500,000. The minimum capital requirement for a joint stock company that offers its shares for public subscription (open joint stock company) is generally OMR2m.

Certain business activities may only be undertaken by a joint stock company, including banking, certain financial services, insurance, and commercial air transportation services.

Joint stock companies are administered by the annual general meeting, and are managed by a board of directors. The minimum number of directors is three for a closed joint stock company, and five for an open joint stock company. The maximum number of directors is 12. Joint stock companies are also required to appoint at least one independent auditor.

2.1.3 Company names and registration

The company name must include its organisational form or relevant abbreviation.

Companies are separate juristic persons.

Limited liability companies must be registered in the Commercial Register.

A joint stock company is required to have its memorandum and articles of association approved by the Director General of Commerce, who must also authorise the establishment of the company.

2.2 Partnerships

2.2.1 General partnerships

A general partnership may be formed by two or more natural or juristic persons. Partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership.

A general partnership is a separate juristic person.

A general partnership must be registered in the Commercial Register.

2.2.2 Limited partnerships

A limited partnership may be formed by one or more general partners and one or more limited partners. General partners are jointly and severally liable to an unlimited extent for the debts and obligations of the partnership. The liability of limited partners is generally limited to the amount of their capital contribution. Limited partners are not permitted to take part in the management of the partnership. If they do so, they may become liable for the debts and obligations of the partnership as if they were general partners.

A limited partnership is a separate juristic person.

A limited partnership must be registered in the Commercial Register.

2.3 Sole Proprietorship

Omani nationals and nationals from Gulf Cooperation Council (GCC) countries may generally conduct business activities in Oman as a sole proprietorship.

Sole proprietorships undertaking a minor profession or trade are not generally required to be registered in the Commercial Register.

2.4 Joint Ventures

A joint venture may be formed by two or more juristic or natural persons. The joint venture contract should establish the objectives of the joint venture, the rights and obligations of the partners, and the distribution of profits and losses.

A joint venture is not a separate juristic person, and is not subject to registration requirements.

2.5 Branches

A foreign company may conduct business activities in Oman through a branch in certain circumstances (eg in respect of certain contracts or projects). A branch of a foreign company is generally required to have an Omani agent.

Branches are generally required to obtain a licence from the Minister of Commerce and Industry, and be registered in the Commercial Register (certain exclusions apply).

2.6 Audit and Accounting Requirements

The manager(s) of a limited liability company is generally required to prepare a balance sheet, profit and loss account, a report on the company's operations, and a proposed allocation of profits (if applicable) within four months after the end of the financial year. If the limited liability company is required to appoint an auditor, the financial statements and reports must be submitted to the auditor within four months after the end of the financial year. The auditor(s) is required to prepare a report within two months of receipt of the financial statements and reports.

The board of directors of a joint stock company is generally required to prepare a balance sheet, a profit and loss account, a report on the company's operations, and a proposed allocation of profits (if applicable) within two months after the end of the financial year. The balance sheet and profit and loss account must be audited by the company's auditor(s). Public joint stock companies are also required to prepare half-yearly accounts, including the balance sheet, profit and loss account, and cash flow statement. Half-yearly accounts do not need to be audited.

Financial statements must generally be prepared in accordance with the International Financial Reporting Standards (IFRS). Oman has not adopted IFRS for SMEs.

2.7 Filing Requirements

Joint stock companies are required to file copies of the balance sheet, profit and loss account, report on the company's operations, and proposed allocation of profits (if applicable) to the Capital Market Authority and the Commercial Registry at least two weeks before the company's annual general meeting. Joint stock companies are also required to publish the balance sheet, profit and loss account, and a summary of the directors' report, in a local daily newspaper within one month of approval of the documents by the annual general meeting.

Public joint stock companies are required to publish their half-yearly accounts in two daily newspapers within three months from the end of the half-year.

Companies are generally required to submit their audited financial statements, including the balance sheet, profit and loss account, notes, and attached or complementary information or schedules, to the tax authority with their final tax return. Certain companies are excluded from this requirement. Final tax returns are generally due for filing within six months of the end of the accounting period.



3 Finance and Investment

3.1 Exchange Control

There are no exchange controls.

Anti-money laundering legislation requires financial institutions, non-financial business and professions, non-profit associations and bodies, and other competent entities, to undertake customer due diligence and to report suspicious transactions to the Financial Intelligence Unit (FIU).

3.2 Banking and Sources of Finance

The Central Bank of Oman (CBO) is responsible for (amongst others) financial stability, payment systems, issuing national currency, and regulating banks and other finance companies.

Commercial banks operating in Oman provide the majority of financial services.

There are generally no restrictions on foreigners opening bank accounts in Oman (certain documentation and a minimum deposit may be required), or on accounts containing foreign currency.

The Muscat Securities Market (MSM) provides a marketplace for listing and exchanging securities.

Private equity and venture capital investors provide investment in Oman.

3.3 Investment Incentives and Restrictions

For business related incentives, see 5.7.

In order to invest in a company in Oman, or to undertake commercial, industrial or tourism businesses in Oman, natural and juridical non-Omani persons are required to obtain a licence from the Ministry of Commerce and Industry. Exemptions from the licence requirement apply in certain circumstances, such as where a company is conducting business in Oman under a special contract or agreement with the Government, or where the business being undertaken is classed as being necessary for Oman. An Omani company with foreign participation is generally required to have a minimum capital of OMR150,000, and the foreign participation may not generally exceed 49%. Foreign participation of up to 100% is permitted in certain circumstances, which may require a minimum capital of OMR500,000. Foreigners are not permitted to undertake business in certain sectors, including real estate services and certain media services.

4 Employment Regulations

For employment tax considerations, see 5.3.

4.1 General Employment Matters

4.1.1 National employment standards

Legislation provides minimum rights and conditions of employment in Oman (certain exclusions apply), including maximum daily and weekly working hours, rest periods, paid annual leave entitlement, paid public holiday entitlement, and maternity leave rights.

A contract of employment must generally be concluded in writing. There must be two copies; one for the employer and one for the employee. The contract of employment should include:

- Name of the employer and establishment, and the work address
- Name of the employee, date of birth, qualification, job or occupation, place of residence and nationality
- Type of work and duration of the contract
- Basic salary and any allowances, and the method and timing of payment
- Notice periods required for terminating the contract of employment, and
- Other particulars required by law.

Employers are required to employ Omani employees wherever possible. The required ratio of Omani employees to foreign employees is established by sector/activity by the Minister of Manpower. An employer may only hire a non-Omani employee if the relevant work permit has been obtained from the Ministry of Manpower.

A contract of employment may include a probationary period not exceeding three months in duration (not exceeding one month in duration if the employee is not paid on a monthly basis). The employer or employee may terminate the contract of employment during the probationary period by providing notice of at least seven days.

A contract of employment of indefinite duration may be terminated by either party by providing the required period of notice in writing. If the required notice period is not observed, compensation is generally payable by the terminating party. Where a contract of employment is terminated, the employer is generally required to pay an end-of-service gratuity to employees who are not covered by

the Social Insurance Law. The amount of the end-of-service gratuity depends on the length of employment, and is not payable in respect of employees who have been employed for less than one year.

An employer may terminate a contract of employment without providing notice and without paying an end-of-service gratuity in certain circumstances, including where the employee has made an error that results in a substantial financial loss to the employer. An employee may terminate a contract of employment without providing notice and without losing their end-of-service gratuity in certain circumstances, including where the employer has failed to perform substantial obligations to the employee under legislation or under the contract of employment.

4.1.2 Pensions and other benefits

Social security contributions (see 5.3.1) generally provide associated benefits.

4.2 Visas

Visas available for entry into Oman include:

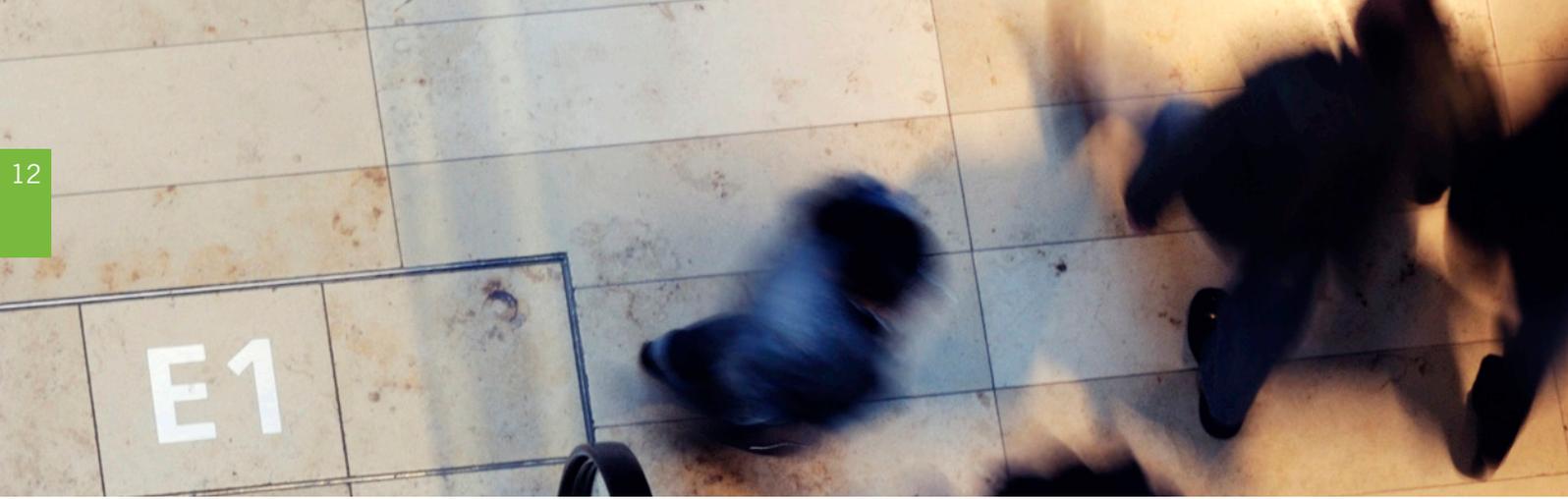
- Tourist visa
- Multiple entry visa
- Transit visa
- Express visa
- Official visit visa
- Employment visa
- Employment contracting visa
- Family residence visa
- Student visa
- Investor resident visa, and
- Scientific research visa.

For further information on Omani visa requirements, visit www.rop.gov.om.

Foreigners may own real property in specified tourist areas of Oman. Foreign investment projects may generally acquire land in Oman that is required for the project by way of usufruct or long-term rental.

4.3 Labour Unions

Employees may form labour unions, and labour unions may form labour associations.



5 Taxation

Facts and figures as presented in section 5 are correct as at 3 February 2015.

5.1 Corporate Income Taxes

Omani companies, which are companies established under Omani legislation, are generally subject to tax on accrued taxable income.

Non-Omani companies are generally subject to tax on income accrued in Oman, subject to the terms of any relevant tax treaty.

The standard corporate tax rate is 12% on taxable income exceeding OMR30,000. Taxable income not exceeding OMR30,000 is not subject to tax. Petroleum exploration companies are generally subject to tax on sales of petroleum at the rate of 55%. Certain activities are tax exempt (see 5.7).

Taxable income must generally include any taxable capital gains, subject to exemptions, eg for profits or gains from the disposal of securities listed on the Muscat Securities Market (MSM). Losses from the disposal of securities listed on the Muscat Securities Market (MSM) cannot be deducted from gross income.

Dividends received by an Omani company from another Omani company are tax exempt.

Unutilised losses can generally be carried forward for up to five years (restrictions apply in certain circumstances). Companies that have been granted a tax exemption for a period of five years (see 5.7.2) may generally carry forward losses incurred during the exemption period indefinitely. Legislation does not provide for the carry back of losses.

Legislation does not provide for group tax consolidation in Oman; consequently losses cannot be offset against the profits of another company in the same group.

The tax year is generally the calendar year. Taxpayers may apply to use an alternative accounting period.

Provisional tax returns are generally due for filing within three months of the end of the accounting period. Final tax returns are generally due for filing within six months of the end of the accounting period. The final tax return must generally be accompanied by the company's audited financial statements, including the balance sheet, profit and loss account, notes, and attached or complementary information or schedules. Certain companies that do not exceed certain minimums of capital, gross income or average number of employees are excluded from this requirement.

Corporate tax as stated in the provisional tax return is payable with the provisional tax return. Corporate tax as stated in the final tax return (minus tax paid with the provisional tax return) is payable with the final tax return. Corporate tax may be paid in instalments in accordance with regulations. In such cases, an additional tax of 1% per month may be payable on the outstanding amount of tax. Taxpayers may request a refund in respect of corporate tax paid in excess of the tax liability in the final tax return.

5.2 Personal Taxes

Legislation does not contain personal income taxes on the income of individuals. However, Omani employees are required to make social security contributions (see 5.3.1).

5.3 Employment Related Costs and Taxes

5.3.1 Social security costs

Employers (in respect of Omani employees) and Omani employees are generally required to make social security contributions. The total rate for employers is 11.5% (including 1% for occupational accidents and diseases). The rate for employees is 7%.

5.3.2 Training levy

Employers may be subject to a training levy in respect of non-Omani employees.

5.4 Withholding Taxes on Payments Abroad

The rates of withholding tax on the following payments made abroad by companies are generally:

	Rate
Dividends	N/A
Interest	N/A
Royalties	10%
Research and development fees	10%
Computer software fees	10%
Management fees	10%

For payments made to recipients in countries with which Oman has a double tax treaty, the rates of withholding tax may be reduced under the terms of the treaty.

5.5 Value Added Tax (VAT)

There is currently no VAT or similar tax in Oman.

5.6 Other Taxes

5.6.1 Municipal taxes

Municipal taxes may be imposed on certain income, including cinema and other leisure activity income (10%), hotel income (5%), and property rental income (3%).

5.7 Tax Incentives for Businesses

5.7.1 Permanent income tax exemptions

Income in respect of certain activities is not subject to tax, including:

- Shipping income accrued by an Omani natural person or by an Omani company
- Shipping or air transport income accrued by a non-Omani natural person or a non-Omani company on the basis of reciprocity
- Income of investment funds established in Oman under the Capital Market Law, and
- Income of investment funds established outside Oman to deal in Oman securities listed on the Muscat Securities Market (MSM).

5.7.2 Temporary income tax exemptions

Income accrued by an establishment or Omani company in respect of certain activities constituting their main business activities (excluding management contracts and project execution contracts), is not subject to tax for a period of five years from the date of commencement of production or from the date of commencement of the business (renewable for a further period of up to five years), including:

- Industry
- Mining
- Export of locally manufactured or processed products
- Hotels and tourist villages
- Farming and processing of farm products, including animals and the processing or manufacturing of animal products and agricultural industries
- Fishing and fish processing, farming and breeding
- University education, college or higher institutes, private schools, nurseries or training colleges and institutes, and
- Medical care by establishing private hospitals.

5.7.3 Salalah Free Zone

Qualifying companies established in the Salalah Free Zone may be 100% foreign owned, and may benefit from incentives, including exemptions from corporate tax and customs duties.

5.7.4 Knowledge Oasis Muscat

Qualifying companies established in the Knowledge Oasis Muscat (KOM) technology park may be 100% foreign owned, and may benefit from incentives, including competitive internet and telecommunication rates.

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