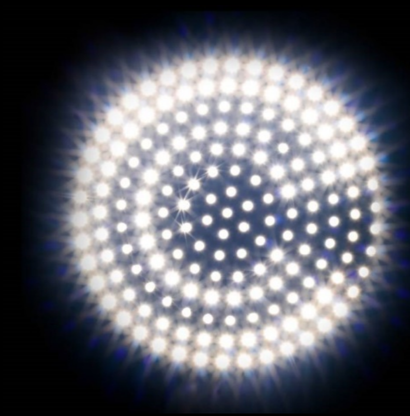
International Tax
Oman Highlights 2017



Investment basics:

Currency – Omani Rial (OMR)

Foreign exchange control – The Sultanate of Oman has a free economy. Although administrative procedures must be followed, there are no exchange controls on inbound or outbound investment or on the repatriation of capital or profits, either by nationals or members of the expatriate population.

Accounting principles/financial statements – A business registered in Oman must maintain full accounting records in accordance with IFRS.

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.

An Omani LLC may be established with Omani share capital participation. Non-Omani nationals wishing to engage in a trade or business in Oman, or to acquire an interest in the capital of an Omani company, must obtain a license from the Ministry of Commerce and Industry.

A foreign business is required to register with the tax authorities by filing a declaration of business particulars and supporting documents. Under current practice, Omani nationals must hold at least 30% of the capital of an Omani company, but waivers allow for up to 100% foreign participation if the project has a minimum capital of OMR 500,000 and contributes to the development of the national economy. (US companies can own up to 100% of the capital under a free trade agreement between the US and Oman.)

Corporate taxation:

Residence – 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.

Basis – An Omani company is subject to tax on worldwide income, with a foreign tax credit granted for certain taxes paid overseas. A PE of a foreign company is subject to tax only on Oman-source income.

Taxable income – Taxable income is gross income for the tax year after deducting allowable expenses, and making adjustments for disallowed expenses or any exemptions under the Oman tax law.

Taxation of dividends – Dividends received by an Omani company from another Omani company are not taxable, but dividends received from a foreign company are subject to tax.

Capital gains – Capital gains derived from the sale of investments, fixed assets and acquired intangible assets are taxed at the same rates as ordinary income. Such gains are not subject to any special tax treatment, but gains from the sale of locally listed shares are exempt.

Losses – 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.

Rate – For financial years beginning on or after 1 January 2017, the corporate tax rate is 15% (increased from 12%) for all businesses, including branches and PEs of foreign companies. The OMR 30,000 threshold has been eliminated. A new 3% rate applies to small companies (as defined). Income from the sale of petroleum is subject to a special provisional rate of 55%.

Surtax – No

Alternative minimum tax – No

Foreign tax credit – 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.

Participation exemption – No

Holding company regime – No

Incentives – The Law for Unified Industrial Organization of Gulf Cooperation Council Countries provides certain incentives to licensed industrial installations upon the recommendation of the Industrial Development Committee. However, as from 1 January 2017, all tax exemptions have been abolished, except for exemptions granted for manufacturing activities, and these are limited to a five-year period.

Withholding tax:

Dividends – Oman introduced a 10% withholding tax on dividend on shares distributed to foreign companies without a PE in Oman, effective 27 February 2017.

Interest – Oman introduced a 10% withholding tax on interest paid to foreign companies without a PE in Oman, effective 27 February 2017.

Royalties – Foreign companies without a PE in Oman that derive Omani-source royalties are subject to a 10% withholding tax on the gross royalty amount. 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.

Technical service fees – As from 27 February 2017, technical service fees paid to a foreign company without a PE in Oman are subject to a 10% withholding tax on the gross amount.

Branch remittance tax – No

Other – 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. As from 27 February 2017, the provision of services also is subject to a 10% withholding tax.

Other taxes on corporations:

Capital duty – No

Payroll tax – No, but see under “Social security.”

Real property tax – No

Social security – 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.

Stamp duty – No

Transfer tax – No

Other – Tourism and municipality taxes may be imposed on certain consumption.

Anti-avoidance rules:

Transfer pricing – Pricing between related entities must be on an arm's length basis.

Thin capitalization – Thin capitalization rules require a debt-to-equity ratio not exceeding 2:1 for interest to be deductible on borrowings between related parties.

Controlled foreign companies – No

Disclosure requirements – Related party transactions must be disclosed in the tax returns.

Other – 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.

Compliance for corporations:

Tax year – 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.

Consolidated returns – 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 taxable income of the PEs.

Filing requirements – 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.

Penalties – Failure to submit a declaration of income to the Director of Taxation may lead to an arbitrary assessment and penalties. A minimum penalty of OMR 100 and a maximum of OMR 2,000 (increased from OMR 1,000 as from 1 January 2017) may be imposed for failure to file a return by the prescribed deadline. Delay in the payment of income tax normally results in additional tax calculated at 1% per month on the outstanding amount.

Rulings – Rulings generally are not issued, although they can be obtained for the application of withholding taxes.

Personal taxation:

Basis – No

Residence – No

Filing status – No

Taxable income – No

Capital gains – No

Deductions and allowances – No

Rates – No

Other taxes on individuals:

Capital duty – No

Stamp duty – Stamp duty applies only to the acquisition of real estate at the rate of 3% of the sales value.

Capital acquisitions tax – No

Real property tax – No

Inheritance/estate tax – No

Net wealth/net worth tax – No

Social security – 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).

Compliance for individuals:

Tax year – No

Filing and payment – No

Penalties – No

Value added tax:

Taxable transactions – Oman does not levy a VAT or sales tax.

Rates – No

Registration – No

Filing and payment – No

Source of tax law: Law of Income on Companies No. 28/2009; Royal Decree 9/2017; 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.

Tax treaties: Oman has 26 income tax treaties and four air transport tax treaties.

Tax authorities: Ministry of Finance and Secretariat General for Taxation

Contact:

Phaninder Peri (pperi@deloitte.com)