

# Current News – Oman - 2019

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*With a drive to achieve the fastest growing economy in the GCC region and with a zeal to achieve the Vision 2040, Sultanate of Oman introduced some of the significant changes in the existing laws and further introduced new laws such as Foreign Capital Investment Laws to increase growth opportunities in Oman. With the decrease in oil prices effecting Oman's economy, the Sultanate introduced the Excise Tax to increase the revenue generation and thereon adding to the economic growth of Oman. Further the New Commercial Companies Laws were implemented in the Sultanate to develop a sturdier governance in Oman and making it easier to do business in Oman.*

### **Foreign Capital Investment (FCI) Law:**

*With a goal to boost the Sultanate's economy a new FCI law is implemented which would not only ensure a growth in Oman's economic conditions as well as create greater job opportunities for the national workforce.*

*The Royal Decree 50/2019, Foreign Capital Investment Law permits to start foreign investment by offering various advantages and incentives within Sultanate of Oman through the Investment Services Center of the Ministry of Commerce and Industry.*

*The law also lets the investors to gain a long-term lease over the land and real estate assets required for the investment projects in accordance to the rules and provisions set out by the regulating authorities.*

*One of the noteworthy points in the new law is that the investment project shall enjoy all the privileges, incentives and guarantees enjoyed by the national project in accordance with the laws in force in the Sultanate. The Council of Ministers may also grant a set of additional advantages to foreign investment projects established in the less developed regions of the Sultanate.*

*The law also provides a flexibility by letting the investment project to import in itself or through third parties what it needs to establish, expand or operate from the production requirements, materials, machinery, spare parts and means of transportation appropriate to the nature of its activity without having to be registered in the register of importers. The Ministry or the competent authorities shall determine the requirements of the investment project of the materials referred to at the request of the foreign investor.*

*The other attraction in the new law is that the investment project shall be exempted from taxes in accordance with the provisions of the Income Tax Law.*

*The Foreign Capital Investment Law shall enter into force six months after publication thereof. The main bodies concerned with the Law are the Ministry of Commerce and Industry and Ithraa.*

*With the above extracts from the new law it makes it evident that the Sultanate of Oman is competing to become a destination for the Foreign investors. The complete details on the Royal Decree 50/2019 could be downloaded from the Ministry of Legal affairs website [www.mola.gov.om](http://www.mola.gov.om)*

### **Amendments Tax Laws & Introduction of Excise Tax:**

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*One of the Major Amendments in 2019 was to the Withholding Tax (WHT) which were introduced in Royal Decree (RD) 9/2017. Among the changes was an extension of the scope of WHT to apply to dividend payments, interest and payments for services.*

*Clarifications were issued and the Ministerial Decision 14/2019 confirmed the applicability of withholding tax on Dividends restricted to Joint-Stock Companies only.*

*Oman's Capital Market Authority subsequently has suspended the implementation of a withholding tax on dividends and interest with effect from 6<sup>th</sup> May 2019.*

*The other significant changes were the Implementation of Excise tax in Oman as the nation seeks to boost state revenues strained by years of low oil prices.*

*The introduction of excise tax (Royal Decree 23/2019) in Oman brings a significant change for all business that import, manufactures or trade Excise goods in Oman.*

*The law is applicable to importers, stockpilers and local producers of the relevant excise goods.*

*The goods subject to excise tax are as mentioned below.*

- 1. Tobacco & tobacco derivatives.*
- 2. Carbonated drinks.*
- 3. Energy drinks.*
- 4. Special purpose goods (including Alcohol & pork products)*

*Further Oman had originally planned to introduce a 5 per cent value-added tax in 2018, which is now expected to start in 2020.*

*The Royal Decree 23/2019 illustrates the complete details on excise tax can be obtained through the Ministry of Legal affairs website [www.mola.gov.om](http://www.mola.gov.om)*

### **New Commercial Companies laws:**

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*The new commercial companies laws promulgated by Royal decree 18/2019 was introduced in April 2019, with an inkling of enabling Oman's market to be robust and to adapt to the rapid changes imposed by the technological revolution that necessitates easing the procedures and providing simple methods to create economic entities and attract investments.*

*In general, the new law enables this flexibility and offers the private sector to take the lead by effectually contributing to the Oman's economic growth.*

*Apart from enabling easier registration of entities the law also adds another form of commercial companies viz. the one-person company, which means that the share capital of the limited liability company is wholly owned by only one person, whether natural or juridical.*

*Previously, the holding company in Sultanate of Oman had an option of being a limited liability company or a joint stock company. However, with the new law, the holding company will have to take the form of Joint stock company. This amendment comes with an idea to fine tune the administrative area by curbing the misuse of any commercial practices or unethical approach in financial transaction as the practices followed for the Joint stock companies involve more extensive controls by covering all the aspects of the Management of subsidiaries. And for this reason, the new law encourages the companies to transform to Public Joint Stock Companies which would be under the supervision of Oman's Capital Market Authority, the governing body which has the power to implement procedures required to establish such forms of companies.*

*With the current revolution in the Technology the new law adds to the widespread use of technology by introducing electronic publishing and electronic communication with the Shareholders whatever be the form of the entity. The law has made an amendment to the provisions relating to quorum for the general meeting. The law impulses the Joint stock companies to disseminate information and financial statements through a central site by enabling the public to access the information on Joint stock companies.*

*The new law makes it obligatory for companies which carry out their businesses according to the provisions of Islamic Sharia to comply with Islamic Sharia in all the acts performed by them and the Concerned Body shall issue a special regulations containing the constitution of an Islamic Sharia Committee, its organization and functions.*

*The new law also permits establishment of companies outside the borders of Sultanate i.e. in the free zones and the regulations of such companies and the rules and procedures that govern their performance shall be approved by the Council of Ministers.*

*The above mentioned are few of the notable additions in the law which gives a light on the significant changes that Sultanate is preparing to achieve the 2040 vision, which is a national project that aims to create an insightful vision that foresees the future and strives for more progress and development, aligned with an ambitious work system that all social segments participate in formulating, in order to define the Sultanate's future goals and map out the action plan and implementation and conceptualization mechanisms until 2040.*

*The complete details on the Royal Decree 18/2019 illustrating the new commercial companies law can be obtained through the Ministry of Legal Affairs website : [www.mola.gov.om](http://www.mola.gov.om).*