

# Setting up your Business in Oman

## Issues to consider



The Sultanate of Oman is an Arab State situated in the Middle East and is considered as one of the safest countries with no external or internal strife. It is one of the founder members of the Gulf Cooperation Council (GCC). The main source of income is the extraction of Hydro-carbon reserves. It gives high priority to growth of agriculture and industries so as to diversify its sources of revenue. It is an ideal place for doing business.

However there are a number of issues which need consideration when setting up a business in Oman. This document lists out some of the common questions we come across and gives practical information.

### **What type of Business Structure should we use?**

Brief overviews of the main structures are as discussed below:

- A. **WHOLLY OWNED OMANI COMPANY – With a MOU with the Foreign Investor**
  - Sole Proprietorship (with any amount of capital)
  - Partnership Company (2 or more Omani partners with any amount of capital)
  - Limited Liability Company (with a minimum of R.O. 20,000/- as capital and at least 2 Omani shareholders)
  
- B. **MIXED OWNED COMPANY**
  - An Omani National/s or Entity/ies should hold a Minimum 30% share capital
  - Foreign Nationals or Entity/ies can hold a minimum of 10% or R.O. 15,000/- (whichever is lower), to a maximum of 70% of the share capital.
  - Minimum capital required is R.O.150,000/- equivalent to US\$ 390,000 approx.
  
- C. **GCC NATIONAL OWNED PROPRIETORSHIP – For a GCC National**
  - GCC National as a Proprietor with no Minimum capital.
  
- D. **GCC NATIONALS OWNED LLC – For 2 or more GCC Nationals**
  - Two or more GCC Nationals with a Minimum capital of R.O.20,000/-.
  
- E. **GCC NATIONAL AND OMANI OWNED LLC – For a GCC National with an Omani Investor**
  - A maximum of 50% shareholding by a GCC National and the balance by an Omani National/s or Entity/ies.
  - Minimum capital required is R.O.20,000/-.
  
- F. **FOREIGN BRANCH OFFICE**
  - A Foreign Company can set up a Branch Office if it has a valid job order from Government, Semi-Government, Municipality or PDO.
  - If the job order is from other than above mentioned, the registration of branch will be purely for administrative purposes and has to have a local sponsor.
  
- G. **100% FOREIGNER OWNED COMPANY**

This entity is a wholly Foreigner owned Company essentially for manufacturing or for large infrastructure projects with specific conditions imposed.

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### How much Corporation Tax will the business pay?

Current Corporation Tax rates for establishments, Omani companies and permanent establishments in Oman are:

Taxable Income R.O.	Tax%
0 to 30,000	Nil
30,001 and above	12

The taxpayers engaged in Petroleum exploration are subject to 55% of the income realized from sale of petroleum.

Income Tax is governed by Income Tax Law (Royal Decree No.28/2009). There is no personal Income Tax in Oman. All permanent establishments in Oman are liable for Income Tax. A Provisional Income Tax Return should be filed within three months and the Annual Return along with the audited financial statements (based on IFRS) within six months from the end of the financial year. The entity has the liberty to choose its financial year end at the time of registration of the entity with the first accounting period not exceeding 18 months. Returns submitted are subject to scrutiny and assessment by Tax Officials.

### What if we use Oman to set up our holding company?

The tax legislation ensures that it is a very attractive place to set up a holding company. Oman has signed DTAA – Double Taxation Avoidance Agreements with 38 Countries.

### Taxation of Dividend

There is no tax on dividend income. Dividends received by a corporate from other companies are exempt from tax. Foreign dividend income received is taxable in Oman.

### Withholding Tax

The Tax Law provides that Foreign companies which do not have a Permanent Establishment in Oman and that derive income from Oman through royalty, management fees, consideration for the use or the right to use computer software and consideration for R&D are subject to a 10% withholding tax on the gross amount of consideration, which should be deducted by the paying entity and remitted to the tax authorities.

### What if we make cross-border transactions between group companies?

Oman follows internationally recognized **Transfer Pricing** (TP) rules where cross-border trading and financial transactions between affiliated entities have to be conducted on an arms-length basis. The price and terms should be the same as if the transactions had been between completely independent parties.

However even if an entity is exempt from the Oman’s transfer pricing regime it may fall under



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the scrutiny of the other international tax jurisdictions where it transacts. There may also be other tax regulations which ensure transactions are undertaken at a commercial value.

### **Omanisation Targets**

The Government in its endeavour to provide jobs to the locals and to reduce the dependence on expatriate employees, has set dynamic Omanisation targets based on categories of professions as well as on percentage terms. Omani employees are to be paid salaries with predefined minimums.

### **What Employment Taxes and Social Security will need to be paid?**

There is no personal income tax in Oman, and no return of income needs to be filed by individuals. However Omani employees need to be compensated in lieu of their end of service benefits by monthly contributions to a Government owned Social Insurance Scheme. Expatriate employees are required to be paid a compulsory leave salary of 30 days per year and also an end of service gratuity of 15 days salary for the first 3 years of service and thereafter at 30 days on the last drawn basic salary.

### **Current Social Insurance rates applicable to Omani employees are:**

Employer's contribution	11.5 % of Gross Salary
Employee's contribution	7.0 % of Gross Salary

It is the employers' legal responsibility to deduct from the salary and pay social security insurance along with employer's contributions to the PASI on a monthly basis

### **What is Value Added Tax (VAT) and should the business be registered?**

There is no VAT applicable in Oman in respect of Sale of Goods. However Customs Duty on imports is levied on goods manufactured outside the GCC countries at rates generally of 5%.

### **Can we provide Share option plans to our staff?**

There is no provision for share option plans to employees.

### **How else can we compensate our employees?**

Oman has legislation that requires employers to pay a very comprehensive range of compensation and benefit options which include Basic Salary, Social Insurance, Accommodation, Airfare, Leave Salary, Gratuity, Medical Benefits, Bonuses, Incentives, etc...

**To discuss your requirements please contact the International Office on +44 (0) 1245 449266 or email us directly.**



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