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MONTHLY

NEWSLETTER

Capital Market Incentives Program Launch!

Oman's Financial Services Authority (FSA) has launched the Capital Market Incentives Program (CMIP) to stimulate economic growth and investment. This new initiative offers businesses significant tax incentives and access to new market opportunities. With benefits such as reduced tax rates and new listing platforms, the program is set to enhance market presence and contribute to Oman's broader economic development. For more details on how to get involved and take advantage of these opportunities,

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FRS 18: An Overview of Key Areas and Implications for Financial Reporting

The International Financial Reporting Standard (IFRS) 18, effective from 1 January 2027, marks a major shift in financial statement presentation and disclosure. Replacing IAS 1, IFRS 18 introduces comprehensive requirements to enhance the clarity and relevance of financial reporting.

Key Highlights:

- Objective & Scope: Establishes detailed presentation and disclosure standards for all IFRS-compliant entities.
- Definitions: Key concepts include aggregation and disaggregation, general-purpose financial reports, and material information.
- Requirements: Mandates a complete set of financial statements, including a statement of financial performance, financial position, changes in equity, and cash flows.
- Presentation: Emphasizes clear summaries, structured financial statements, and distinct roles for primary statements and notes.
- Profit or Loss: Requires classification of income and expenses into categories like operating, investing, and financing.
- Financial Position: Mandates classified statements to enhance liquidity and solvency assessments.
- Equity Changes: Requires detailed statements showing comprehensive income and reconciliations.

Conclusion: IFRS 18 aims to improve transparency and comparability in financial reporting. Entities should start preparing for its implementation to ensure a smooth transition and enhanced financial statement clarity.

Personal Income Tax in Oman

The Majlis A'Shura has approved a draft law on Personal Income Tax, which could make Oman the first GCC country to introduce personal taxes. This milestone, approved in the 12th regular session of 2023-2024, could set a new standard for fiscal policy in the region.

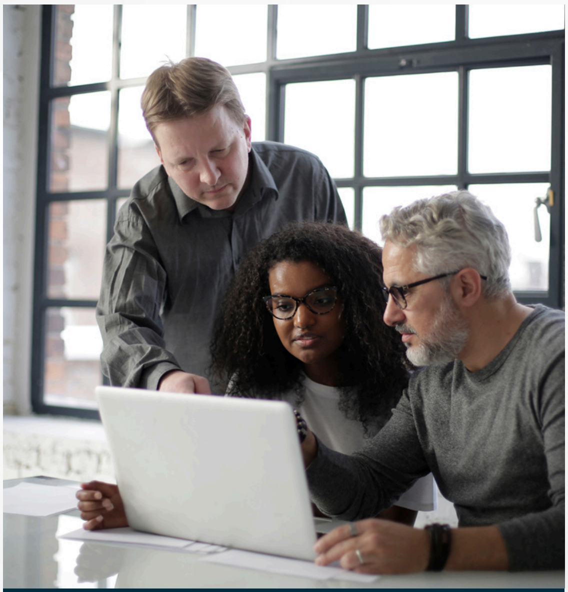
FSA Approves New Digital Insurance Platforms

Oman Expands Digital Insurance Services. The Financial Services Authority (FSA) has approved digital platforms for five additional insurance companies, including Takaful Oman and Liva Insurance. This approval is part of a broader initiative to enhance digital insurance services in Oman.

Key Points:

- Regulation Compliance: Companies must meet the requirements of the Regulations for Electronic Insurance Operations (Decision No. 80/2023) to operate digital platforms.
- Mandatory Platforms: Insurance companies and brokers must establish their own digital platforms to provide services, including policy sales, premium collection, and claims management.
- 24/7 Access: These platforms allow customers to access services anytime, enhancing transparency and efficiency.

The FSA's initiative aims to modernize the insurance sector, boost public trust, and improve service quality through digital transformation.



Tax Benefits for Private Companies Converting to Stock

The Financial Services Authority of Oman is offering tax benefits for companies converting to joint stock entities:

- Pathway 1: For companies over RO 10M market value converting to SAOG—tax reduced from 15% to 5% for five years, payable in 6 installments.
- Pathway 2: For SMEs over RO 0.5M market value converting to SAOC and listing on MSX-AIM—tax reduced from 15% to 10% for five years, payable in 6 installments.
- Pathway 3: For small companies over RO 0.5M market value converting to SAOC—tax reduced from 15% to 10% for two years, payable in 6 installments.

Muscat Stock Exchange Mandates ESG Data Reporting for SAOG Companies

The Muscat Stock Exchange (MSX) has recently introduced comprehensive guidelines mandating Environmental, Social, and Governance (ESG) data reporting for all publicly listed joint stock companies (SAOG). This move aligns with Oman Vision 2040 and aims to foster a sustainable and inclusive financial culture.

While this is not entirely new information, many companies have faced difficulties in understanding the guidelines. It is crucial to note that it is mandatory to report for this financial year, i.e., January 2024 to December 2024, covering the activities of 2024.

The confusion arises from the language:

“Starting in 2025, reporting on ESG activities for the year 2024 will become mandatory. The first mandatory reports are due by March 31, 2025.” This means that March 2025 is the deadline for submitting the report for the data covering activities for the year 2024.

Key Points to Remember

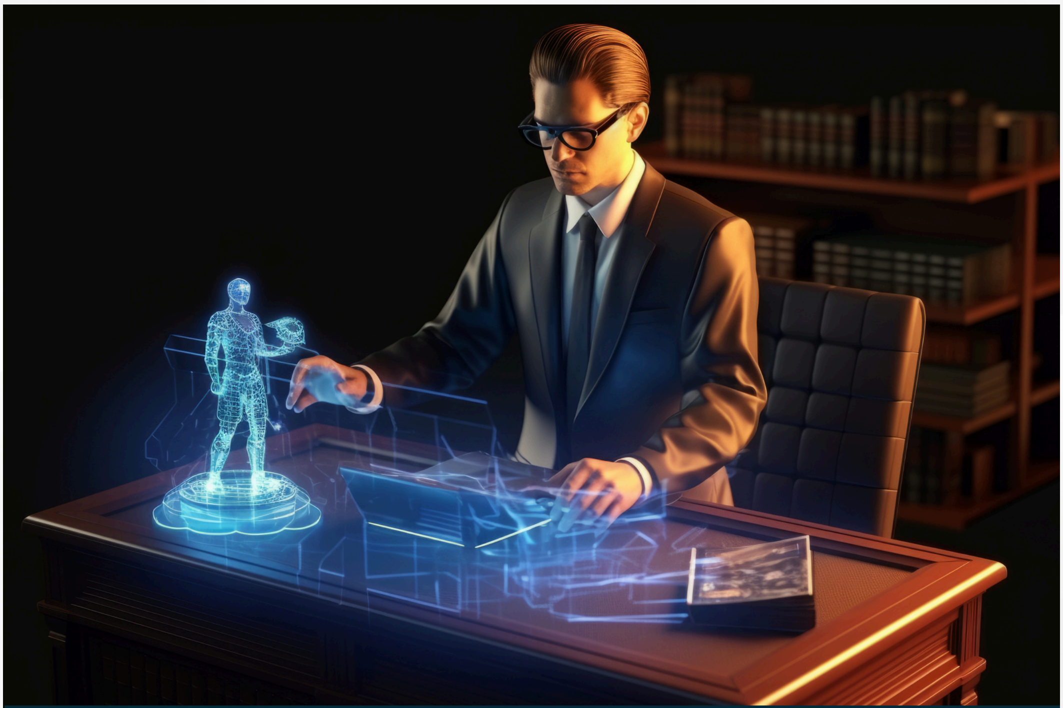
- Mandatory Reporting for 2024: Companies must report on their ESG activities for the year 2024.
- Submission Deadline: The first mandatory reports are due by March 31, 2025.
- Alignment with Global Standards: The guidelines align with GCC ESG Disclosure Metrics and UN Sustainable Stock Exchange (SSE) recommendations.
- 30 ESG Metrics: Companies need to report on 30 specific ESG metrics covering environmental, social, and governance factors.

Understanding and adhering to these guidelines will not only ensure compliance but also enhance transparency and sustainability in Oman’s financial markets. Companies are encouraged to embrace these changes and contribute to a more sustainable future.

If you have any questions or need further assistance with ESG reporting or ESG Audit feel free to reach out!

Internal Audit and Artificial Intelligence (AI) : Transforming the Future of Auditing

In today's rapidly evolving business landscape, organizations are increasingly turning to advanced technologies to enhance their operational efficiencies and improve decision-making processes. Among these technologies, Artificial Intelligence (AI) stands out as a transformative force, particularly in the realm of internal auditing. By integrating AI into internal audit functions, organizations can significantly improve their auditing processes, enhance risk management, and derive deeper insights from their data.



The Role of Internal Audit

The primary function of internal audit is to provide independent assurance that an organization's risk management, governance, and internal control processes are operating effectively. Internal auditors are tasked with evaluating the effectiveness of these processes and identifying areas for improvement. Traditionally, internal audit relied heavily on manual processes, which could be time-consuming and prone to human error. However, the advent of AI offers the potential to revolutionize this function.

Enhancing Efficiency with AI

One of the most significant benefits of incorporating AI into internal auditing is the enhancement of efficiency. AI can automate routine and repetitive tasks, such as data collection and analysis. For instance, instead of manually reviewing thousands of transactions, AI algorithms can quickly analyze large datasets to identify anomalies, trends, and potential risks. This automation not only saves time but also allows auditors to focus on more strategic tasks, such as evaluating controls and providing actionable insights to management.

Moreover, AI can facilitate continuous auditing, a shift from traditional periodic audits. With AI-driven tools, organizations can monitor transactions in real-time, enabling auditors to detect issues as they arise. This proactive approach helps organizations address risks promptly, reducing the likelihood of significant issues developing over time.

Improved Risk Assessment

AI also enhances risk assessment processes within internal audit. By utilizing machine learning algorithms, auditors can analyze historical data to identify patterns and predict future risks. These predictive analytics enable organizations to take a more proactive stance in risk management, allowing them to allocate resources more effectively and focus on high-risk areas.

Additionally, AI can improve fraud detection capabilities. By employing sophisticated algorithms, auditors can detect unusual patterns in financial transactions that may indicate fraudulent activity. This capability is particularly crucial in today's environment, where organizations face an increasing threat of cyber fraud and other financial crimes.

Data Analytics and Insights

AI-powered data analytics tools provide auditors with enhanced capabilities to analyze and interpret vast amounts of data. These tools can identify correlations and insights that may not be immediately apparent through traditional methods. By leveraging advanced analytics, auditors can offer valuable recommendations to management, driving strategic decision-making and operational improvements.

Furthermore, AI can enhance reporting processes. Automated reporting tools can generate insightful reports that are not only visually appealing but also tailored to the needs of different stakeholders. This level of customization ensures that the right information reaches the right people, facilitating informed decision-making at all levels of the organization.

Challenges and Considerations

While the benefits of integrating AI into internal audit are substantial, organizations must also consider the challenges associated with this transition. Implementing AI technologies requires significant investment in training, technology, and change management. Additionally, auditors must maintain a strong understanding of AI tools and their implications to ensure effective use.

Moreover, ethical considerations must be taken into account when utilizing AI in auditing. Organizations must ensure that AI algorithms are transparent, unbiased, and compliant with relevant regulations to maintain trust and integrity in the auditing process.

Conclusion

In conclusion, the integration of AI into internal audit functions represents a significant opportunity for organizations to enhance their auditing processes and improve overall governance. By embracing AI, internal auditors can increase efficiency, improve risk assessment, and provide deeper insights that drive strategic decision-making. While challenges exist, the potential rewards make it essential for organizations to consider the role of AI in shaping the future of internal auditing. As technology continues to evolve, those who adapt and leverage these advancements will be better positioned to navigate the complexities of the modern business environment.

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"Reach out and let's connect!"




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