

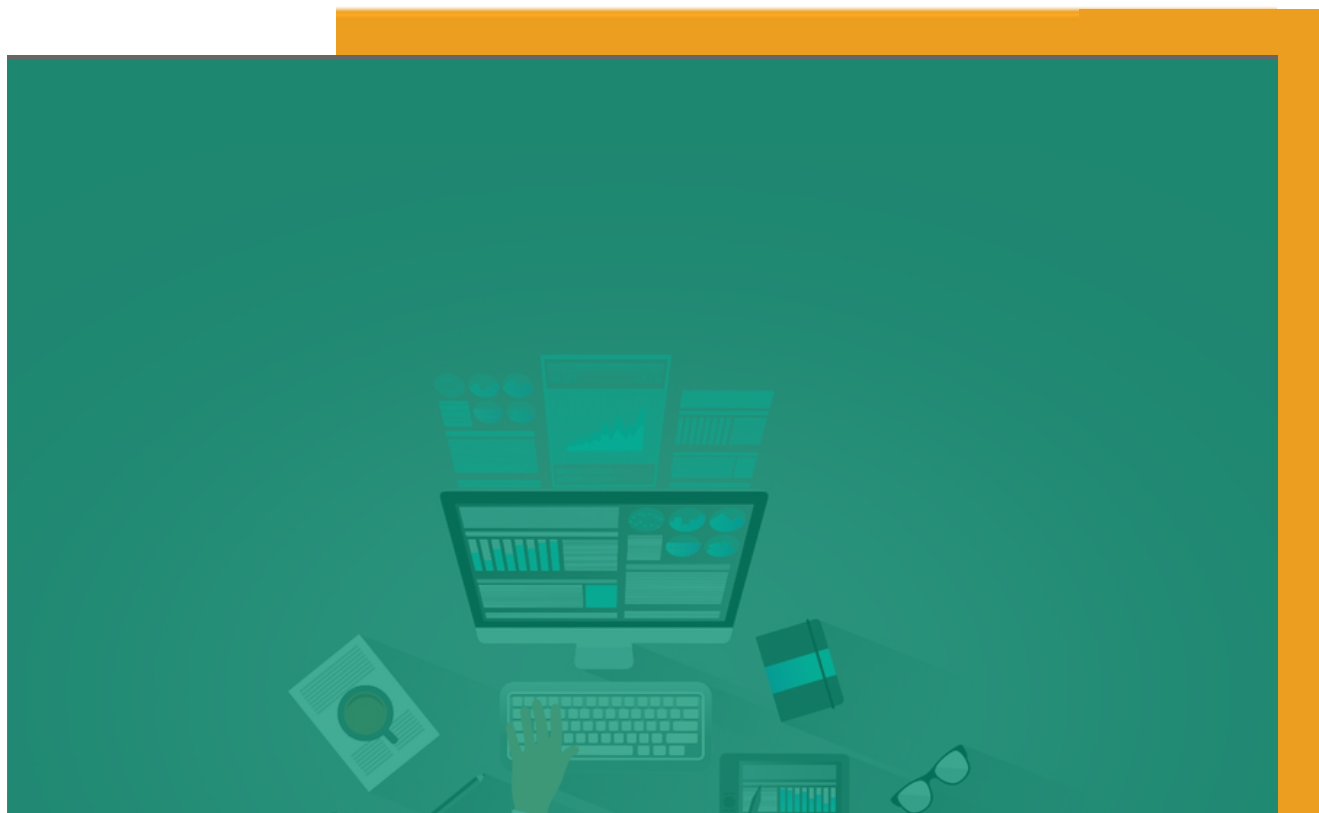
Navigating Corporate Income Taxation in Oman

A TAX GUIDE



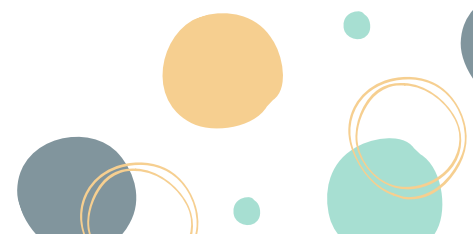
**Premier
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AUDIT | TAX | ADVISORY



NAVIGATING CORPORATE INCOME TAXATION IN OMAN

In the ever-evolving landscape of global business, understanding the intricacies of corporate taxation is crucial for enterprises seeking to thrive and comply with legal requirements. Oman, a nation known for its strategic location and burgeoning economy, has implemented income tax reforms since the beginning of 2022, reshaping the tax landscape for businesses operating within its borders.



Navigating Corporate Income Taxation in Oman



INTRODUCTION OF INCOME TAX

At the onset of 2022, Oman introduced income tax, marking a significant shift in its fiscal policies. Under these reforms, the income tax rate stands at a uniform 15% for all types of business entities, irrespective of their registration status or corporate structure. This uniformity simplifies tax compliance and fosters transparency in Oman's business environment.

TAX RATES AND SPECIAL PROVISIONS

While the standard income tax rate is 15%, certain exceptions apply. Omani proprietorships and select limited liability companies (LLCs) that meet the criteria for small and medium enterprises (SMEs) enjoy reduced tax rates.

Additionally, non-residents engaged in corporate or commercial activities in Oman may face a similar 15% tax rate. Notably, Oman maintains its tax-free status for residents, underscoring its commitment to economic growth and foreign investment attraction.



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Summary of the Tax Rates for Different Aspects

Aspect	Tax Rate
Corporate Income Tax	Uniform rate of 15%
Branches of Foreign Entities	Flat rate of 15%
SME Tax Rate Conditions	3% for eligible Omani proprietorships and LLCs
Petroleum Income Tax	Special provisions for petroleum income in Oman include a fixed tax rate of 55% specified in Exploration and Production Sharing Agreements, with the government covering income tax on its share of production.
Dividend Income (Foreign Source)	Taxed at corporate income rates
Foreign Income	Worldwide income taxed in Oman, credit for foreign taxes paid limited to Omani tax payable
Local Income Taxes	No regional or local income taxes in Oman.

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SME Tax Rate Conditions

Taxable income in Oman encompasses various revenue streams, including salary, bonus, wages, or commissions, minus applicable deductions. Omani establishments and specific LLCs qualify for reduced tax rates if they meet SME conditions, such as:

- Registered capital not exceeding 60,000 OMR at the beginning of the taxation year
- Gross income not surpassing 150,000 OMR
- Average number of employees not exceeding 25
- Activities excluding specified sectors like air or sea transport, natural resource extraction, banking, or insurance.

Corporate Income Taxation Framework

Oman's corporate income taxation framework encompasses various aspects, including tax assessment, deductions, and exemptions. The Tax Authority assesses taxable individuals or entities based on income returns, with assessments conducted within specified timeframes to ensure compliance.



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Summary of the Corporate Income Determination Guidelines

Income Type	Tax Treatment
Inventory Valuation	Comply with International Accounting Standards
Capital Gains	Exempt for securities listed on Muscat Securities Market; taxable as ordinary income for other assets
Dividend Income	Exempt for dividends from Omani entities; taxable at corporate income rates for foreign-source dividends
Stock Dividends	No provisions in tax law
Interest Income	Taxable as business income
Rent/Royalty Income	Taxable as business income
Unrealised Exchange Gains/Losses	Not taxable for gains or deductible for losses from total taxable income
Exempt Income	<ul style="list-style-type: none"> • Dividends received from Omani company • Profits or gains on disposal of securities listed on Muscat Security Market • Income of Omani marine companies • Income of foreign airlines with PEs in Oman for international transport • Income of investment funds established in Oman or overseas dealing in shares and securities listed on Muscat Security Market • Income of foreign companies engaged in oil and gas exploration with tax obligations discharged by government • Income of foreign companies working for government in national projects with tax protection clause
Foreign Income	Worldwide income taxed in Oman with credit for foreign taxes paid, limited to Omani tax payable; no rules on deferral of foreign income

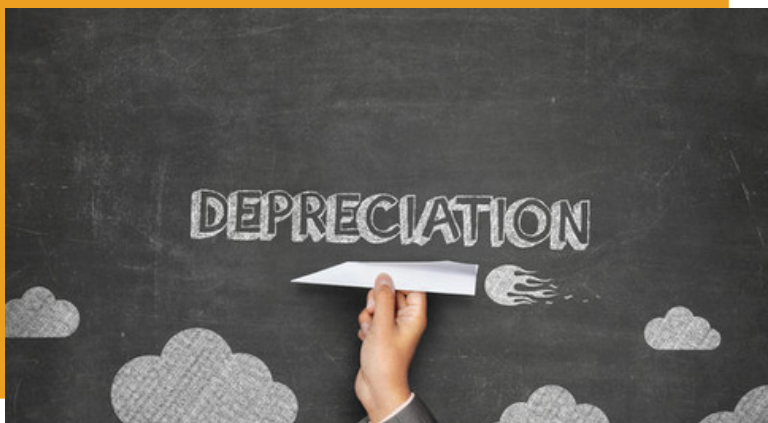
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Summary of the Deductions Guidelines Guidelines

Overview of the depreciation rates

Asset Class	Depreciation Rate (%)	Pooling Rate (%)
Hospital buildings, educational establishments, etc.	100	-
Semi-permanent buildings	15	-
Aircraft and ships	15	-
Docks, quays, jetties, etc.	10	-
Industrial purpose buildings (doubled rate)	8	-
Permanent buildings	4	-
Tractors, cranes, heavy machinery, etc. (1st pool)	-	33.33
Other machinery and equipment (3rd pool)	-	15
Drilling equipment (2nd pool)	-	10



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Overview of other expenses and deductions

Expense/Deduction	Description
Start-up expenses	Deductible in the first year of commencement of operations.
Meals, entertainment, officers' compensation, etc.	Generally allowed if incurred for generating gross total income; restrictions on directors' fees deductibility.
Interest expenses	Deductible for loans from unrelated parties or banks; subject to arm's length terms for related parties.
Bad debts and other contingencies	Provisions are not deductible until write-off or write back; exceptions apply for licensed banks as per Central Bank regulations.
Social security payments	Deductible for employers.
Pension payments	Deductible for licensed funds that meet specified conditions.
Charitable contributions	Limited to specified institutions/organizations, subject to an overall limitation of 5% of gross income.
Goodwill	Amortisable over the life assigned for IFRS accounting purposes.
Illegal payments	Not deductible.
Fines and penalties	Not deductible.
Taxes	Income taxes not deductible; credit may be available for foreign taxes paid.
Sponsorship fees	Restricted to 5% of net taxable income before fees. Net taxable income is determined after offsetting any losses carried forward.
Charges from head office/other group companies	Limited to 3% of gross income (5% for banks/insurance companies, 10% for high-tech industries).
Tax consultancy or advisory fees	Disallowed.
Insurance company commissions	Restricted to 25% of net premiums collected.
Leasing company provisions	Deductions allowed, subject to Central Bank of Oman limits/recommendations.
Losses on sale of investments	Not deductible for investments listed on Muscat Security Market.
Expenses generating tax-exempt income	Not deductible.
IFRS 16 leases	Amortization of ROU assets and lease liability interest disallowed; actual lease rental payments allowed.
Payments to foreign affiliates	Scrutinized for arm's length basis; proper documentation necessary.
Net operating losses	Carry forward limited to five years, except for mandatory tax-exempt periods where indefinite carry forward is allowed. No carry back permitted.

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About Premier Brains Global

Premier Brains Global (“PBG”) was founded in Dubai (United Arab Emirates) over 12 years back by qualified finance professionals and business advisors with extensive managerial experience in handling audit, assurance, tax, accounting, finance and business consultancy profile engagements.

PBG has been operating in Sultanate of Oman for over 3 years and working with many reputed groups in Oman. We are proud to introduce our local partner, SAID NASSER AL SAADI, who is specializing in taxation and having over 10 years of diverse work experience in both government and private sectors.

And Premier Brains Global holds certification of approval as an official supplier to the Oman Oil & Gas Industry through JSRS. This certification is of paramount importance as it is mandated by the Ministry of Energy & Minerals and the Oil & Gas Operating Companies of Oman, facilitating engagement with procurement opportunities in Oman's Oil & Gas Industry.

PBG is also an independent member firm of Audit International, which is a worldwide active institute that co-ordinates and promotes the global co-operation of certified high-quality, audit, accountancy, tax and legal advisory firms and it has presence in more than 115 countries all around the world.



Our Service Structure

- Audit & Assurance Services
- Tax Consultancy Services
- Tax Agent Services
- Forensic audits
- Liquidation Experts
- Feasibility Studies
- Business Valuation and Due Diligence Services
- Raising Corporate Finance
- Analytics and Business Process Automation
- Business Process / Accounts Outsourcing Services

"Reach out and let's connect!"



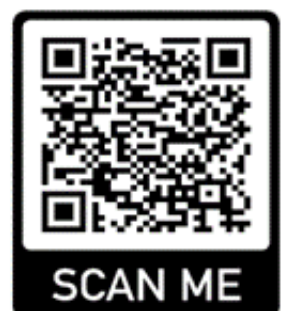
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