



UPDATES TO OMAN INCOME TAX EXECUTIVE REGULATION

CONTACT US

BDO LLC
Suite No. 602 & 601, Pent House,
Beach One Building, Way No.2601
Shatti Al Qurum, PO Box 1176, Ruwi 112,
Muscat, Sultanate of Oman
Tel: +968 24955100 | Fax: +968 24649030
www.bdointernational.com



BACKGROUND

Royal Decree 9/2017 dated 19 February 2017 issued on 26 February 2017 amended the Oman Income Tax Law. In order to give effect to such amendments to the Oman Income Tax law, the Ministry of Finance issued Ministerial Decision 14/2019 dated 10 February 2019 amending the Executive Regulations to the Oman Income Tax Law.

Following are the key amendments bifurcated as per the date from which they are effective:

AMENDMENTS EFFECTIVE FROM 1 JANUARY 2018

TAX EXEMPTIONS

Industrial activity exemption

In February 2017 minimum threshold exemption was abolished and exemption for carrying out industrial activity continued. In addition to the conditions prevailing for claiming industrial activity exemption, following two conditions are introduced:

- Minimum amount of investment in fixed assets for carrying out industrial activity should exceed OMR 1 Million; and
- Omanization should be adequately met for the last three years.

Managerial remuneration

Nature of activity	Pre-amendment	Post amendment
Professional activity	Lower of the following: 1. Actual amount paid; or 2. OMR 3000 per month per member; or 3. %30 of adjustable profit	Lower of the following: 4. Actual amount paid; or 5. OMR 3500 per month per member; or 6. 3%5 of adjustable profit
Non-professional activity	Lower of the following: 7. Actual amount paid; or 8. OMR 1000 per month per member; or 9. %10 of adjustable profit	Lower of the following: 10. Actual amount paid; or 11. OMR 1500 per month per member; or 12. 2%5 of adjustable profit

Donation

Amendment allows deduction of specific donations made in-kind (in addition to cash donations allowed earlier) subject to conditions prescribed in Executive Legislation.

AMENDMENTS EFFECTIVE FROM 11 FEBRUARY 2019

EXPENSES DEDUCTIBILITY

Bad debts

Deductibility of expenses on account of bad debts is made more stringent where a taxpayer is supposed to justify that after decision of relevant court, the taxpayer has made adequate efforts to recover the money.

WITHHOLDING TAX

Withholding Tax in general

As per Article 52 and 53 of the Oman Income Tax Law, overseas payments for certain services, dividends and interest is liable to Withholding Tax. While the term 'services' remains undefined, it has been clarified that foreign payments for following services shall not be liable to Withholding Tax:

- Conferences, seminars or exhibitions;
- Training;
- Transporting, shipping and insurance of goods;
- Air tickets and accommodation expenses abroad;
- Board meeting fees;
- Reinsurance payments;
- Services in relation to property outside Oman.

Withholding tax on interest

Interest for the purpose of Withholding Tax is defined. It has been clarified that following payments shall not be liable to Withholding Tax:

- Interest paid on amounts deposited in banks located in Oman;
- Returns on bonds and sukuk issued by the government or banks located in Oman;
- Benefits of transactions and facilities between banks for the purpose of providing and managing liquidity or financing, where the term for repayment of the debt does not exceed five years.

Withholding tax on dividends

Dividend for the purpose of Withholding Tax is further clarified and includes only dividend paid by the joint stock companies and distribution of investment funds by investment securities. Oman Income Tax Law withholding tax applicability is subject to specific Double Taxation Avoidance Treaty (DTAA) between two countries.

PROCEDURAL CHANGES

Tax card

While the concept of tax cards has been in effect for some time, the present amendment further clarifies the procedure for obtaining such tax card.

Electronic upload of notices, assessment orders etc.

Upload of notices, assessment orders etc. on tax portal shall be construed as deemed service of such correspondence. The date of service of correspondence shall be the date when such notice, assessment order etc. is uploaded on the tax portal.

Electronic submission of returns

While it was mandatory to submit provisional / annual return electronically most of tax payers resorted to manual submission. In light of amendments to Executive Regulation in relation to electronic service of notices, assessments, it appears that online submission of returns is mandatory and should be followed without exception.

Tax inspection, search and seizure

While the tax department is empowered to visit premises of the taxpayer, the amendments to the Executive Regulation lays down procedure to be followed for such visit in case of normal and specific circumstances.

AMENDMENTS EFFECTIVE FROM A DATE TO BE NOTIFIED

PROCEDURAL CHANGES

New compliance requirement for Ministries, Government and Governmental bodies

Private taxpayers dealing with the specified government bodies required to submit contractual / other specified information which shall be filed by the government bodies with the tax department in specified forms.

SMALL TAX PAYERS

Various amendments pertaining to Small Tax Payers have been introduced in the Executive Regulation, following are the key changes:

1. Qualification criteria:

Parameter	Pre-amendment	Post amendment
Share capital	50,000 OMR	60,000 OMR
Gross income	100,000 OMR	150,000 OMR
Average number of people working	15	25

2. Presumptive taxation conditions are prescribed in the Executive Regulation

RESPONSIBILITY ON CONSULTANTS

Amendments to the Executive Regulation empowers the tax department to suspend dealing with tax consultants / consulting firms for assisting clients in furnishing incorrect returns / information / accounts etc.

KEY CONTACTS

BIPIN KAPUR
Managing Partner
E: bipin.kapur@bdo.com.om

ASHISH ATHAVALE
Tax Director
E: ashish.athavale@bdo.com.om

CONTACT US

BDO LLC
Suite No. 602 & 601, Pent House,
Beach One Building, Way No.2601
Shatti Al Qurum, PO Box 1176, Ruwi 112,
Muscat, Sultanate of Oman
Tel: +968 24955100 | Fax: +968 24649030
www.bdointernational.com