

OMAN CHAMBER OF COMMERCE AND INDUSTRY

THE LAW OF INCOME TAX ON COMPANIES

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Royal Decree No. 47/1981  
**Concerning the Law of Income Tax on Companies**

**We, Qaboos Bin Said, Sultan of Oman,**

Having perused Royal Decree No. 26 of 1975 issuing the Law setting up the Administrative Apparatus of the State and the amendments thereto,

The Income Tax Decree of 1971,

Royal Decree No. 21 of 1975 and the amendments thereto,

Royal Decree No. 65 of 1977,

The Law of Commercial Companies No. 4 of 1974,

And Royal Decree No. 61/1980 continuing the exemption prescribed by virtue of Article (2) of Royal Decree No. 21/1975,

And in accordance with the exigencies of the public good,

**We, decree as follows:**

Article 1

The provision of the attached Law and its four schedules entitled “The Law of Income Tax on Companies” shall have effect.

Article 2

This Decree shall be published in the official Gazette and shall have effect from the date of issue.

**Qaboos Bin Said**  
Sultan of Oman

Issued on: 14<sup>th</sup> Rajab 1401  
Which corresponds to 18<sup>th</sup> May 1981

# THE LAW OF INCOME TAX ON COMPANIES

## **CHAPTER ONE** **INTRODUCTION**

The Law and the date from which it has effect:

### Article 1

1. This Law shall be called the Law of Income Tax on Companies of 1981.
2. This Law shall have effect in all parts of the Sultanate of Oman.
3. Without prejudice to the provisions of Paragraph (3) of the Fourth Schedule to this Law shall have effect as from 1<sup>st</sup> January 1981, and shall apply to income chargeable to Tax for the Tax Year ending on 31<sup>st</sup> December 1980, and the following Tax Years.

### Definitions:

#### Article 2

1. "The Sultan" shall mean His Majesty the Sultan of Oman and his Successors.
2. "Accounting Period" shall in relation to any Company mean the period for which that Company's accounts are prepared.
3. "Business" shall include any profession, trade, industry or any interest of a professional trading or industrial nature or which provides any services.
4. "The Company" shall mean a partnership, limited partnership, Joint-stock Company, Limited Liability Company – as provided in the Law of Commercial Companies of 1974 but nevertheless and notwithstanding the contents of Article (3) of that Law it shall include joint ventures as defined in that Law and any establishment of a permanent nature in Oman which is supported

by a foreign foundation or which the Secretary General deems to be supported by a foreign foundation.

5. "Secretary General" shall mean the Secretary General of Taxation.
6. "The Government" shall mean the Government of His Majesty the Sultan of Oman.
- 6 (bis) "The Secretariat General" shall mean the Secretariat General of Taxation at the Ministry of Finance as stipulated in Article [(4)(bis)] of the Law.
7. "Gross Income" shall mean income chargeable to Tax by virtue of this Law and which has not been ascertained in accordance with Chapter Four.
8. "Loss" shall mean a loss computed in the same way profits or revenues are computed.
9. "The Minister" shall mean the Minister of finance or any person wielding this authority.
10. "Oman" shall mean the Sultanate of Oman.
11. "Permanent Establishment" shall mean the fixed place of business in which an undertaking carried on all or part of its business and the expression "Permanent Establishment" shall include the following in particular:
  - (A) A place of sale
  - (B) A place of management
  - (C) Branches
  - (D) Offices
  - (E) Factories
  - (F) Workshops
  - (G) Mines, quarries or any place for natural materials
  - (H) A building site, place of construction or assembly plant, but theexpression "Permanent Establishment" shall not include the following:

(a) the mere use of facilities for the purpose of storage, display or

delivery of goods or products pertaining to the Company;

(b) the preservation in a store of products or goods pertaining to the

Company alone for the purposes of storage, display or delivery;

(c) the preservation in a store of products or goods pertaining to the

Company for the purposes of their manufacturer alone by means

of another establishment;

(d) storage in a fixed place for a business which does not by its nature

intend to make a profit in order to collect information for a scientific study or similar undertaking of a nature which is preparatory or supplementary to the purpose of the Company.

12. "Person" shall include natural and juristic persons.

13. "Petroleum" shall mean any crude oil, natural gas, asphalt or petroleum derivatives or additives.

14. "Prescribed" shall mean prescribed by virtue of the provisions of this Law.

15. "The Director or Officer Responsible" shall mean when used in relation to any Company, a member of the Board of Directors, an Officer, Manager or any person representing the Company or managing its affairs, or any other person who has a connection with the Company and has received a notification from the Secretary General of his intention that he should deal with him as the Officer Responsible for such Company.

16. "The Repealed Legislation" shall mean the Income Tax Decree of 1971 and all the amendments thereto.

17. "Tax" shall mean any tax which must be paid by virtue of this Law and shall include any fine, interest or any other burden stipulated by virtue of this Law with the exception of any penalty stipulated in Chapter Ten.
18. "The Tax Committee" shall mean the Income Tax Committee at the Ministry of Finance, stipulated in Article 4 of the Law.
19. "Income Chargeable to Tax" shall mean the gross sum of revenues less allowable deductions.
20. "The Tax Year" shall mean the period of twelve months commencing from the 1<sup>st</sup> day of January and ending on the 31<sup>st</sup> December following.

## CHAPTER TWO MANAGEMENT

### Article 3

1. The Secretary General shall be responsible for implementing this Law and for the Secretariat General to exercise its jurisdiction and functions. He shall be responsible also for control and supervision on Directors General, Directors and other employees of the Secretariat General for the purpose of implementing this Law.
2. The Secretary General may authorize Directors General, Directors or other employees of the Secretariat General to assume any of his functions specified in this Law, or to carry out specific assignments entrusted originally to the Secretary General in accordance with this Law.
3. Every officer appointed in order to carry out the prescriptions of this Law shall implement it and ensure complete compliance with the prescriptions of its articles, and that the enquiries necessary with regard thereto proceed and this shall be within the limits of the powers delegated to him by virtue of Paragraph 2.

### **Tax Committee**

#### Article 4

1. The Committee shall be formed from three employees from the Ministry of Finance, other than the President. Appointment of the President and members shall be by a decision from the Minister and more than one Committee may be formed.
2. The committee shall be empowered to view the appeals against the Secretary General's decisions in implementing the provision of Article 46 of this Law, in addition to other functions as stipulated in this Law.
3. Committee operation system shall be issued by a decision from the Minister and Committee sessions shall be confidential.
4. The Committee shall have a technical expert and a Secretary.

#### **Secretariat General**

#### Article 4 (bis)

1. The principal jurisdiction of the Secretariat General shall be to:
  - One) Take necessary procedures for tax assessment or exemption as specified by the Law;
  - Two) Take necessary procedures to collect taxes by implementing the procedures stipulated in the Law to collect taxes, duties and other amounts due to the administrative units of the Government, without prejudice to any provisions or special procedures stipulated in this Law;
  - Three) Assume any other functions specified by a Ministerial decision.
2. Department of Investigation & Assessment, Directorate General of Collection and Directorate General of Tax Survey & Administration, listed in the organizational structure of the Ministry of Finance, shall be under the Secretariat General.

#### Article 5

1. Every employee who, through his job, function or jurisdiction may have an affair in implementing this Law or settling its related dispute is bound to observe the confidentiality of the trade in respect of documents, instruments and data related to any Company, also all the confidential instructions related to the implementation of this Law, which may be in his possession or came to his knowledge while performing his duties.

2. The following shall not be deemed to be breaches of confidentiality:

One) The giving of confidential statements demanded in the Criminal Courts or in the courts connected with this Law or;

Two) Any confidential details given to any person who is attempting to implement or interpret this Law when the provision of such information to him shall be necessary for such purpose.

## Article 6

1. The Secretary General may from time to time prescribe the form for any notification or declaration of income, or any other documents required for the purpose of this Law, and when such prescription has been made any notification or declaration or any other document must be in accordance with such prescribed form.

2. The notifications which the Secretary General issues in accordance with this Law may be signed by any responsible officer having the powers entrusted to him by virtue of paragraph 2 of Article (3) and any notification by a person asserting that he signs by the order of the Secretary General shall be deemed unless the contrary is proved to be signed by an Officer so authorized.

3. Any form or notification or document issued or published or delivered by the Secretary General in accordance with this Law shall be considered an official document if it carries the name or description of the Secretary General or the responsible officer who

is designated by virtue of paragraph 2 of Article (3) and this shall be whether the name or description is printed, stamped or written.

#### Article 7

1. If this Law requires that any notification or document issuing from the Secretary General to any Company or officer responsible in the Company should be written or that the notification or document should be delivered to the Company or the officer responsible in it, then the announcement of such notification regarding such Company or such officer responsible in it shall specify that the announcement should be made to the officer responsible in such Company in the following manner:

One) delivery to him in person;

Two) sending it by registered post to his ordinary address or his last known address or to any post office box hired in the name of such person or Company or to the fixed address in the last document issuing from the Company or from the person representing it to the Secretariat General.

2. If the officer responsible refuses to accept the notification or document directed to him, the notification or document shall be considered as though it had been delivered to him.

CHAPTER THREE  
INCOME CHARGEABLE TO TAX

Article 8

(I)

In Accordance with this Law, Tax shall be charged for every Tax year on the taxable income of any Company which has been realized or has arisen in Oman or which the Secretary General presumes to have been realized or to have arisen in this way in relations to the following:

1. Profits or gains of:
  - (a) any business;
  - (b) any right granted to any individual to benefit from or utilize any land;
2. Interest and Liabilities.
3. Royalties
3. **(bis)** Rents of plant, Machinery and Equipment.
3. **(bis) (1)** Management fees, amounts collected against technical expertise transfer or research and development.
4. Any monies considered as income under this Law.
5. Any income from any other sources.

Article 9

In the application of this Law:

1. Any sum which has been obtained in any Tax year by virtue of any contract of insurance against failure to realize profits as compensation for damages or failure to realize profits shall be deemed to be gross income for that Tax year.
2. If when the income of an establishment is determined for any Tax year it should transpire that any expenditure has been deducted any loss has been written off, any bad debt has been allowed to be

written off or a deduction corresponding to any liability has been settled and subsequently all or part of these deductions or bad debts have been recovered in a subsequent tax year or the liabilities have been assigned in whole or in part then any sum which is recovered and any liability which is discharged shall be deemed to be gross income in the tax year during which such sum is recovered.

3. Any sum which any Company obtains in any tax year after closing its business and which could have been included in gross income according to the provisions of this Law had it been received before the Company ceased to trade shall be deemed to be gross income for such tax year.
4. If the Government in reliance on an agreement between it and any Company has the right to receive any royalties either in cash or in kind and the Government chooses to receive the royalties in kind then there shall thereupon and for the purposes of determining the income chargeable to tax of that Company for the tax year in which such royalties were paid to the Government be added a sum equal to these royalties to the gross income of the Company for that tax year.
5. Any surplus amount resulting from any additional adjustment in any tax year in accordance with the First Schedule is deemed to be gross income of that tax year.

#### Article 10

1. If the Secretary General has reasonable cause to believe that the basic purpose or one of the basic purpose in any transaction (whether prior to or subsequent to the coming into force of this Law) was to avert or reduce a tax liability for any tax year, then he may, if he deems it to be just and reasonable, order the necessary settlement in respect of the charge to tax and this shall be as he considers fit to prevent aversion or reduction of the charge to tax which would result from such transaction. But the provisions of this paragraph shall not have effect with regard to any transaction the basic purposes of which is the transfer of a business carried on

by an individual or a group working in common to a Company set up for this purpose.

2. Without prejudice to the generality of the powers contained in paragraph (1) the powers contained therein include:

One) the subjection of Companies to tax to which they would not have originally been subject but for such settlements or but for which they would have been subject to less tax;

Two) assessment to tax in a sum greater than that which would have been possible without such settlement.

### Article 11

If a Company carries out a transaction with another person and it becomes clear to the Secretary General that having regard to the strong link between such Company and such person the transaction was planned so as to lead to an omission by that Company to realize income chargeable to tax or to realize income less than that which would normally be expected but for such planning, then the taxable income of such Company arising from such transaction shall be presumed to be the sum which could have been expected had such transaction not taken place between persons who had not agreed on such a plan.

**CHAPTER FOUR**  
**DETERMINATION OF INCOME CHARGEABLE TO TAX**

**Section (A)**  
**Accounting and Accounting Periods**

**Article 12**

1. In accordance with this Article income chargeable to tax shall be computed in accordance with one of the generally accepted methods of commercial accounting. The method followed on the part of any Company must be that which it follows itself on a continual basis. All Companies except for those mentioned below must use the method of accruals followed in commercial accounting:
  - One) those for which the Secretary General has determined in a written notification any other method of commercial accounting;  
or
  - Two) those which have presented a written request to the Secretary General and by virtue thereof have obtained his consent to the use of any other method of commercial accounting.
2. Without prejudice to paragraphs 3 & 4, all Companies must prepare their accounts for an accounting period corresponding to a tax year. Tax shall be calculated in the light of these accounts and whatever amendments the Secretary General may see fit to make.
3. Any Company may, provided that it does this regularly and continually, prepare its final accounts for a period of 12 months ending on a day other than 31<sup>st</sup> of December. When a company prepares its accounts for an accounting period ending on a day other than 31<sup>st</sup> December the income chargeable to tax for such Company for such accounting period ending on such other date shall be considered after the entry of the amendments which the Secretary General considers necessary – to be the income chargeable to tax for the tax year in which the said accounting period ends and the tax assessment shall be completed accordingly.

4. A Company may at the commencement of its operations prepare its accounts for an accounting period of less than 12 months or for an accounting period not exceeding 18 months in respect of the first tax year. In the event of a Company being in liquidation the accounting period may be for less than 12 months. If a Company prepared its accounts for an accounting period longer or shorter than 12 months, the Secretary General after carrying out the amendments which he may consider necessary, shall consider the income chargeable to tax for such accounting period as though it were the income chargeable to tax for the tax year during which such accounting period ends and the assessment to tax shall be made accordingly.
5. Every Company shall preserve every register and document needed to clarify any entry in such register for a period of not less than ten years following the accounting period with which such register or document is connected.
6. Provided that the Minister shall so agree the income chargeable to tax of a Company shall be computed in a foreign currency if the registers are kept in such foreign currency.
7. If a method of accounting is used which is not the accruals method of accounting followed in commercial accountancy any reference to expenditure in any tax year or reference to expenditure due in any tax year shall be to the sums which were actually paid in such tax year.

## **Section (B)**

### **Charges which must be deducted in determining Income chargeable to Tax**

#### **Article 13**

1. In accordance with this Law, in determining the income chargeable to tax of any Company in any tax year all actual expenses during such tax year shall be deducted to the extent that such expenses were fully incurred. Such expenses are limited to those necessary to generate the gross income of any Company for that year. With respect to any accounting period ending, on a date

other than 31<sup>st</sup> December, any expenses which were incurred specifically for the purpose of generating gross revenues during such accounting period, shall be deemed to have been the actual expenses incurred during the tax year during which such accounting period ends.

As an exemption from the provisions of the preceding paragraph, it is considered as costs the remuneration of the Chairman and members of the Board of Joint-stock Companies, also salaries and the likes paid to the partners entirely engaged in the management of other Companies. None of these costs shall be deducted from the total income of the Company except in the cases, and in accordance with the provisions, limits, ratios and limitation specified by a Ministerial decision, and without prejudice to the provisions of Articles 10 and 11 of this Law.

2. Without prejudice to generality of paragraph (1) in determining the income chargeable to tax of any Company in any tax year the following charges shall be deemed to be deductible.

One) Any depreciation which must be deducted by such Company in accordance with the First Schedule for such tax year;

Two) The value of any debt due to the Company in computing its gross income if the Secretary General considers that it has become a bad debt during such tax year.

Three) Any sum incurred provided that the Secretary General shall so agree – for the benefit of the employees of the Company and any sum to which such Company makes a contribution during the tax year concerning any pension scheme or any similar scheme approved by the Secretary General the fundamental purpose of which is to provide pensions or any similar benefits to employees in such Company when they leave its service or for persons who rely on the earning capacity of these employees in the event of their death;

Four) Gifts made to organizations specified by the Financial Affairs and Energy Resources Council, provided that the value of such gifts shall not exceed 5% of the Company's gross income;

Five) Any other charges prescribed, including Auditor's fees.

#### Article 14

If the account of income chargeable to tax for a Company in any tax year should result in a loss then such loss shall be carried forward to the following year and shall be deducted in the computation of income chargeable to tax for such company in the following tax year and any part of such loss which is not feasible to deduct in the said following tax year shall be carried forward and deducted in the computation of income chargeable to tax for the following tax years. But a loss may not be carried forward for more than five years after the expiry of the tax year in which it was incurred.

The loss sustained during the tax exemption period shall not be carried forward or deducted. Exempted from this shall be the Companies, which are exempted from paying tax due to carrying out activities prescribed in paragraph (1) of Article 51(B) of the Law. The net loss sustained during the mandatory exemption years may be carried forward and deducted for any number of the tax years until such losses have been finally settled.

### **Section (C)** **Charges Not Deducted**

#### Article 15

Despite the provisions of the previous Chapter, in the computation of income chargeable to tax for a Company in any tax year there may not be deducted sums which:

1. are connected with any tax stipulated by virtue of this Law or paid on account for any tax on the profits of Companies or tax of a similar nature;
2. are connected with any capital expenditure which such Company has incurred in accordance with the First Schedule;
3. are connected with any expenditure which the Secretary General deems to be inappropriate and unreasonable in relation to the value of the services offered or for any other considerations connected therewith;

4. are connected with any expenditure or loss which may be recovered by virtue of any insurance of contract or claim for compensation.

**CHAPTER FIVE**  
**DECLARATIONS AND NOTIFICATIONS**

**Article 16**

1. Every Company shall every tax year present a provisional declaration of its income on the form prescribed for this purpose setting out its revenue chargeable to tax in such tax year as estimated by the Company and the value of the tax due in respect of such revenue within the time determined for the presentation of the declaration.
  
2. Every Company shall present on the form prescribed for that purpose a declaration of its income for each tax year setting out the income chargeable to tax in respect of such Company for such tax year and the value of the tax due by the Company, in respect of such income in such tax year, and in the case of Companies the capital of which exceeds RO 20,000/-, such declaration of income must be accompanied by final audited accounts bearing the certificate signed by a legal independent Auditor stating subject to any qualifications that he considers the accounts to represent a true picture of the income chargeable to tax of such Company for such financial year, but the said declaration of income must contain:
  - One) confirmation by the Company that the declaration of income presented is a true declaration representing the true income of the Company chargeable to tax and the tax payable by virtue thereof;
  - Two) any other details prescribed.
  
3. The provisional declaration of income referred to in paragraph (1) must be presented within three months from the date on which the accounting period, with which it is connected, expires.
  
4. The declaration of income referred to in paragraph (2) must be presented within six months from the date on which the accounting period with which it is connected, expires.

**Article 17**

The Secretary General may at any time and by virtue of a written notification demand from any office responsible to any Company that he should present a declaration of income for any tax year or part thereof or any other document connected with the income of the Company and this shall be within a period defined in the notification but such period shall not be less than 14 days from the date of the notification.

### **Declarations & Notifications in case of discontinuing Company Activities**

#### **Article 17 (bis)**

Every Company, in case of terminating, discontinuing or suspending its activity, totally or partially, undertakes to notify the Secretariat General of terminating or suspending the activity within one week at the most from the date of termination or suspension, also undertakes to submit the tax return for the year, or part therefrom, when the activity was terminated or suspended, in addition to the closing audited accounts or any other documents related to the Company's income, during the period specified by the Secretary General.

#### **Article 18**

In order to obtain complete information concerning any income of any Company, the Secretary General, may demand from any officer responsible in such Company during ordinary hours of business and by means of a written notification to such officer responsible:

1. that he should disclose to the Secretary General at the time and place set out in the notification and for purpose of investigation any accounts registers or inventories of assets and liabilities or any other documents which the Secretary General deems for such purpose;
2. that he should at once present to the Secretary General so that the latter may keep them for an appropriate period of time to inspect any accounts or files or schedules of assets and liabilities or any other documents which the Secretary General determines in such notification;

3. that he should attend in person at the time and place set out in the notification in order to be interrogated in connection with any income of the Company for which he works or any income of any other Company or any transaction or order which appears to be connected with such income.

#### Article 19

The Secretary General may in accordance with the agreement of the Minister and his instructions enter any place during ordinary working hours in order to proceed with any investigation which he deems necessary in relation to tax liabilities when he has reason to believe that a Company is keeping any accounts or registers or schedules of assets and liabilities or any other documents concerning the Company, and he may in accordance with the agreement of the Minister demand the production and search for or investigate any of such accounts, registers or schedules of assets and liabilities, or any other documents present within the building, and he may take them and keep them for any period he deems fit for the same of investigating them or for the purpose of bringing an accusation.

#### Article 20

Any declaration of income or account or register or schedule of assets and liabilities or any other document which must be presented by any Company or officer responsible therein by virtue of this Chapter must be delivered to the office of the Secretary General in accordance with the instructions.

#### Article 21

The Secretary General may by offering sufficient reasons postpone the date fixed for the presentation of any declaration or accounts or registers or schedules of assets and liabilities or any other documents which must be presented by virtue of this Chapter.

**CHAPTER SIX**  
**PERSONS IN WHOSE NAME TAX IS ASSESSABLE**

**Article 22**

If the income of any Company is chargeable to tax, then such income in accordance with this Law must be taxed and assessed in the name of the Company.

**Article 23**

Any income chargeable to tax of any Company in liquidation must be taxed and assessed in the name of the liquidator in the same way and to the same amount as the Company would be charged and assessed were such Company not in liquidation.

**Article 24**

If two or more persons are designated as liquidators by virtue of the Law of Companies or as representatives of any Company then any income chargeable to tax in respect of such Company shall be taxed and assessed concerning any of such liquidators.

**Article 25**

Any officer responsible of any liquidator in any Company shall be responsible for the performance of all acts, which are required on the part of the Company whose income is chargeable to tax.

**CHAPTER SEVEN**  
**TAX ASSESSMENT MADE BY THE SECRETARIAT GENERAL**

**Article 26**

1. The Secretariat General shall estimate tax assessment (arbitrary) on any Company and for any tax year, or part therefrom, in the following two circumstances:

(One) If the Company fails to submit preliminary of final tax return for this tax year, or part therefrom, during the time specified in this Law.

(b) If the Company fails to submit tax return for this tax year, or part therefrom, or the final audited accounts or other documents related to the Company's income during the time specified in accordance with Article 17 (bis) of this Law.

In both these circumstances assessment shall be made in accordance with a written notification.

2. The Secretariat General shall carry out tax assessment on any Company and for any tax year, or part therefrom, in case of the Company submits the final income statement or income statement on time as specified in this Law, assessment shall be made in accordance with the written notification that includes either:

(One) Assessment on the basis of the return if correct and in accordance with the provisions of the Law.

(Two) Correct or amend taxable income specified in the return to be in accordance with the provisions of the Law, or estimate taxable income without considering the content the return in any of the following cases:

(a) In case the Company Manager, Officer or liquidator fails to submit the closing audited accounts in accordance with item 2 of Article 16 of this Law.

(b) In case the Company Manager, Officer or liquidator declines to

respond to a written notification issued in accordance with Article

18 of this Law.

(iii) If it became apparent to the Secretariat General that the Company did not clarify its real income in the tax return submitted for the tax year, or part therefrom, or refused to submit correct details related to the income or to any of this factors that may impact its tax liabilities in general.

3. If it became apparent, after tax assessment on any the Company for any tax year, or part therefrom, that the income assessed is less than the actual income of the Company, the Secretariat General should perform an additional assessment for this tax year, or part therefrom. Additional tax assessment shall be in accordance with a written notification.
4. If while considering an appeal or case raised by the Company in implementing the provisions of Chapter 11 of this Law, it became apparent that the income assessed for any tax year is less than the real income of the Company, then the Secretariat General shall perform an additional assessment on this Company.
5. Secretariat General shall perform assessment on the Company to implement to any decision or sentence issued in accordance with the provisions of Chapter 11 of this Law.
6. The Secretariat General shall specify the value of due and payable tax on the basis of any income estimation or assessment performed in accordance with the provisions of this Article.
7. Any tax assessment made in accordance with the provisions of this Article shall be issued under the name of the Secretary General, provided that it is notified to the officer or manager concerned at the Company that has been assessed. The notification shall be considered as a notice for settlement in accordance with the provisions of Article 29 of the Law.

### **Specified Date for Assessment**

#### **Article 26 (bis)**

1. The Secretariat General shall perform tax assessment at any time without any specified date in the cases listed in item 1, Article 26 of this Law.
2. Without prejudice to the provisions of item 3 of this Article, the Secretariat General shall not perform tax assessment for any tax year after the following periods:
  - (One) Five years for the cases listed in item 2, Article 26 of this Law, starting from the end of the tax year during which the final tax return was submitted for that year.
  - (Two) Five years for the cases listed in items 3 & 4 of Article 26 of this Law, starting from the date when it was established that the income that has been assessed is less than the real income of the Company.
  - (Three) Five years for the cases listed in item 5 of Article 20 of this Law, starting from the tax year during which the decision or sentence was issued, without prejudice to the provision of item 3, Article 50 (bis) 10 of this Law.
3. Tax assessment shall be without observing any date in the cases when it is established that the Company is concealing one element or more of the activities or taxable income or used deception and fraud.

**CHAPTER EIGHT**  
**COLLECTION AND RECOVERY OF TAX**

**Article 27**

Any tax due and payable in accordance with this Law shall be a civil debt payable to the Government.

**Article 28**

The tax due in accordance with the declaration of income which must be presented by virtue of this Law must be paid to the Secretariat General at the time fixed for the presentation of such declaration.

**Article 29**

When any tax is payable by virtue of an order issued in accordance Secretariat General shall notify the person on whom payment of the tax falls by a notification of payment but shall state in such notification the value of the amount of tax due the time during which the tax must be paid and that the tax must be paid to the Secretariat General.

**Article 30**

If any person liable to pay any tax delays the payment of the whole of the sum of such tax on the day on which it falls due and payable, the Secretary General may stipulate additional tax for such person in the proportion of 1% per month on the outstanding sums, if any, and representing the difference between the sum demanded and that which has been paid and such additional tax must be paid to the Secretary General and shall be calculated as from the day or the days on which such tax or any part thereof which was unpaid became due and payable up to the date on which it was paid.

**Article 31**

1. In order to collect any tax due and payable, the Secretary General may having obtained the consent of the Taxation Board or in urgent cases the consent of the Chairman of such Board demand by a written notification from any person:

(a) money due or which will fall do to the first person mentioned,  
or;

(b) that he retains or may in the future retain monies belonging to the first person mentioned or to his accountant, or;

(c) that he retains the money of another person for payment to the first person mentioned, or;

(d) who is an authorized agent for another person for the payment of money to the first mentioned person, he must pay to the Secretariat General within seven days from the date on which the last mentioned person was notified (or if there were no sums payable outstanding up to such day from the last mentioned person to the first mentioned person seven days from the date on which such sums fell due) any sum set out in the notification or if such sums are in his possession are less than that specified in the notification all the said sums.

2. If a person from whom payment to the Secretariat General under paragraph (1) is demanded refrains from making payment during the period specified in such paragraph, the provisions of this Law shall apply to him as though such sums were due from him originally and payable by him on the same day as the Secretary General demanded payment of them from him.
3. For the purpose of this Article the Secretary General may at any time and by means of a written notification demand from any person that he present to him within a period set out in the notification a written statement declaring the sums in his possession deposited to the account of another person or demanded from him by a person from whom tax is due.

### Article 32

1. To collect any tax due and payable, the Secretary General may with the agreement of the Minister and the Taxation Board demand from the competent Government Authorities the offering of any assets owned by the Company for sale by auction whether such Company is in liquidation or otherwise and the Government shall have the right to retain the proceeds of such action to the extent that they cover the value of the tax due and payable and all expenses connected therewith.

2. Any tax prescribed and assessed against any liquidator by virtue of Article (23) shall not be collected save from the assets of the Company in Liquidation and the liquidator shall not be liable as regards his personal Property for the payment of any tax prescribed or assessed on the Liquidator.

### Article 33

1. If decisive proof is presented to the Secretariat General that any person has paid tax for any year exceeding the tax due and payable for such tax year as finally settled, then such person shall have the right to recover the sum of the excess, but if any tax has become payable by such person in respect of another tax year then the sum of excess which was paid in the particular tax year shall be designated a deduction as payment for the sum of any tax due in respect of the same person and payable for any other tax year and the sum of tax deducted by this method shall not be recovered.
2. Any recovery claim in accordance with this Article should be submitted within two years from the end of the tax year during which recoverable excess tax amount was conclusively specified.

### Article 34

The Secretary General may extend the period during which tax must be paid.

### **Progression**

#### Article 34 (bis)

1. The government's right to collect the tax shall be devolved after seven calendar years starting from the date when tax was due and payable in accordance with the provisions of Articles (28), (29) and (30) of this Law.
2. Progression shall cease by legal claims and other progression interruption reasons as stipulated in the Law, progression

interruption claims, in implementing the provisions of this item, are: decisions, notifications, notices, warnings, summons orders, etc. issued in implementing the provisions of this Law or the Law of taxes, duties and other amounts due to the administrative government units. New progression period shall start as from the end of the impact resulting from the cause of interruption, its validity shall be the first progression period, provided that if a final judgement is pronounced in favour of the Secretariat General, then the new progression period shall be fifteen years.

3. Progression period for tax due and payable prior to the implementation of this Decree shall start as from the date of its enforcement.

## **CHAPTER NINE**

### **CIVIL PENALTIES**

#### **Article 35**

The Minister may in respect of any Company which delays the presentation of the provisional declaration of its gross income in respect of any tax year within the period prescribed by Article (16) empower the Secretary General to impose a penalty equivalent to half value of the tax payable by such Company – on the said Company or on any person who was an officer responsible in such Company during such period or upon them both. But if any penalty calculated in accordance with this Article is less than RO 25/- or if such Company has no income chargeable to tax, then the penalty prescribed by this Article shall be fixed at RO 25/-.

#### **Article 36**

If the neglect of any Company in complying with any of the provisions of this Law in any tax year, should lead to:

(a) a failure to notify its true income in the declaration of gross income, or;

(b) failure to give true information or the concealing of information about

any matter connected with its tax obligations, then, without prejudice to any of other obligations imposed by this Law, the Taxation Board may impose upon such Company or upon any officer who was responsible for such Company during such tax year or on both the Company and such officer a penalty equivalent to 25% of the value of the tax due which the Company omitted from its declaration of income of the determination of the tax for such tax year was based on the income chargeable to tax as shown in the declaration of income for such tax year or if such untrue information was accepted or the omission was discovered.

#### **Article 37**

If the neglect of the office responsible for any Company should lead to:

1. Failure to present to the Secretary General within the time stipulated any disclosure which is incumbent on him or on the Company to present by virtue of this Law or by virtue of any notification made to him or;
2. Failure to present any accounts, registers, schedules of assets and liabilities or any other document for the Secretary General to inspect or keep in accordance with the requirements of any notification made to him in accordance with paragraphs 1 & 2 of Article 18, or;
3. Failure to appear at the time and place specified in any notification made to him by virtue of paragraph 3 of Article 18, or;
4. Failure to answer any questions directed to him in a lawful manner or to present any information demanded from him by virtue of this Law, or;
5. The presentation of any erroneous information or failure to offer true information connected with any matter or thing connected with the tax liability of the Company which he services or any other Company.

Then in that case and without prejudice to any other obligations which this Law may stipulate, the Taxation Board may impose on such Company or on such officer responsible in the Company or on both of such Company and such officer responsible, a penalty of RO 2,500/- (Rials Omani Two Thousand Five Hundred).

### Article 38

1. No penalty under Articles (36) and (37) may be imposed upon any Company save after it has been given the opportunity to present a defence for such officer responsible in the Company concerned before the Taxation Board.
2. No Penalty under Articles (36) & (37) may be imposed on any officer responsible save after such officer responsible has been

given the opportunity to present a defence before the Taxation Board.

## CHAPTER TEN CIVIL PENALTIES

### Article 39

Without prejudice to any other obligations imposed by virtue of this Law, any officer responsible to any Company, who deliberately:

1. Fails to present any declaration required from such Company for any tax year or part thereof, or
2. Fails to carry out what is required of him by virtue of any written notification to him, or;
3. Fails to keep any register or document which such Company is required to keep under paragraph 5 of Article 12, or
4. Obstructs the Secretary General in the exercise of his power set out in Article 19.

Shall contravene the provisions of this Law and shall be punished in the following manner and this shall be without prejudice to any other punishment contained in this Law:

(a) For the first offence: by a penalty not exceeding RO 2,000/- (Rials Omani Two Thousand) or by a period of imprisonment not exceeding thirty days or by both penalties.

(b) For the second offence committed within five years of the first offence: by a penalty not exceeding RO 2,000/- (Rials Omani Two

Thousand) or a period of imprisonment not exceeding one year or both penalties.

#### Article 40

Any officer responsible in a Company who deliberately refrains from declaring the true income of such Company in any declaration of income or deliberately refrains from giving true information connected with any matter connected with the tax obligation of such Company shall have contravened the provisions of this Law and shall be punished by a fine not exceeding, RO 5,000/- (Rials Omani Five Thousand) or by a period of imprisonment not exceeding five years or by both penalties together, and this shall be without prejudice to any other punishment contained in this Law.

#### Article 41

Any person not being an officer responsible in a particular Company who deliberately acts as follows:

- (a) He is considered or presented as, or he holds himself out to be representative of such Company, or;
- (b) He operates, instigates, assists or urges such Company to prepare or present any false statement concerning an accountant register schedule of deductions and liabilities or any other text connected with any other matter concerning the tax liability of such Company.

Shall be deemed to have contravened the provisions of this Law and shall be punished by a penalty not exceeding RO 5,000/- (Rials Omani Five Thousand) or by a period of imprisonment not exceeding three years or by both penalties together.

#### Article 42

Any officer responsible for the implementation of the provisions of this Law:

- (a) who requests or claims in connection with any of his duties under this Law whether directly or indirectly any recompense or reward whether financial or otherwise or any promise or guarantee for such recompense or reward which he has no legal right to receive, or;

(b) who is a party to an agreement or takes part in an act or omission to act, or who permits, conceals or acts in collusion concerning an act or thing which will lead to the deception of the Government or the probability of its deception in connection with this Law or who contravenes the provisions of the Law or the perfect discharge of his duties under this Law.

Shall be in contravention of the provisions of the Law and shall be punished by a penalty not exceeding RO 5,000/- (Rials Omani Five Thousand) or, by imprisonment not exceeding three years or by both penalties together.

## **Tax Committee's Authority to Execute Settlement**

### **Article 43**

1. In case the Company officer commits any of the offences stipulated in this Law, the Tax Committee may execute settlement at any time prior to the Magistrate Court view the public case, settlement shall be on the basis of a written request submitted by the person in charge. Settlement shall not be permitted until after the person in charge of the Company settles the amount specified by the Tax Committee, provided that it should not exceed the maximum limit specified for the offence. This amount shall be paid to the Secretariat General. In case of non-payment, applicable tax collection procedures shall be followed.
2. In all cases, settlement shall result in the lapse of the public case resulting from the said offences, it is not permitted to refer the person in charge to the Magistrate Court.

## **Referral to Magistrate Courts**

### **Article 44**

Magistrate Courts are authorized to view public cases resulting from offences, felonies or misdemeanors stipulated in this Law, in

accordance with Royal Decree No. 25/1984 organizing Criminal Law and its amendments.

It is not permitted to raise a public case for said offences without the approval of the Minister, or his delegate. The Secretariat General shall coordinate with the Public Prosecutor when filing public cases resulting from these felonies.

CHAPTER ELEVEN  
OBJECTION, APPEAL AND TAX CASE

**Section One**  
**Objection with the Secretary General**

Article 45

1. Any Company may object against any tax assessment decision issued in accordance with Article 26 (items 1, 2, 3 & 4) of this Law, any decision issued to impose additional taxation in accordance with Chapter Eight of this Law or the amount of refundable tax in implementing Article 33 of this Law.
2. Objection shall be submitted in writing to the Secretary General, and should include details of the Company's claims and its supporting reasons, it should be submitted within 45 days from the date of assessment, the date of deciding to impose an additional tax or the date of refunding tax, as the case may be otherwise objection shall not be accepted in form.
3. The Secretary General shall assume reconsideration of the objected decision, if the objection was accepted in form, within three months at the most from the date of submitting the objection, it may be extended for other periods of three months, provided that the Company is informed in advance, the decision shall be issued either:
  - (a) Confirming or reducing the assessment.
  - (b) Exemption from the whole or part of the additional tax.
  - (c) Amending the amount of refundable tax in implementing the provisions of Article 33 of the Law or refusing amendment.

The expiry of the period specified for settling the objection without any decision shall be considered as an implied decision of rejection.

The Secretary General, prior to deciding, may call the Company Manager or officer for discussion if it was considered necessary.

**Second Sub-Division**  
**Appeal Submitted to the Tax Committee**

Article 46

1. Any Company may challenge any explicit or implicit decision issued by the Secretary General in deciding the objection in accordance with Article 45 of this Law. Appeal shall be submitted to the President of the Tax Committee.
2. Appeal should be submitted in writing, and should include details of the Company's claims and supporting reasons, within 45 days from the date of the decision in respect of the objection, or from the end of the period specified to settle the objection without any decision being taken.
3. The Tax Committee is not entitled to review and decide on the appeal unless it has fulfilled the specified legal formalities and submitted within the legally specified date.

Not submitting the appeal on time shall result in the decision of the Secretary General to become final.

Parties shall be represented before the Committee in accordance with the principles specified by a decision from the Minister.

The assembly of the Committee shall not be proper unless with the attendance of majority members. The committee shall issue its decisions substantiated and with majority votes. In case of a tie, the President shall have the casting vote.

4. The Tax Committee shall issue its decision within four months at the most from the date of submitting the appeal, the decisions shall be issued within the parameters of the Company's claims either:
  - (a) Supporting, modifying or repealing the Secretary General's decision on the objection.

(b) Supporting, repealing or reducing the assessment.

(c) Modifying or refusing to modify the amount of refundable taxation in implementing the provisions of Article 33 of the Law.

5. The decision, shall be signed by the Committee President and Secretary within one week at the most from its date of issue, the Committee Secretary shall notify the Secretariat General and the Company of the decision in the appeal in accordance with the provisions of Article 7 of this Law.
6. The onus of proving excessive tax assessment or appraisal shall be on the Company.
7. The Secretariat General, within two months at the most from being notified of the Tax Committee's decision, may request the Committee to rectify or amend this decision if it contained an error in implementing the Law unless it is appealed before the Court concerned. In all the cases, the Company shall be notified of the Secretariat General's request and the decision to rectify or modify, and it shall have the right to appeal in accordance with the provisions of Article 47 of this Law.
8. Submission of appeal shall not result in discontinuing the payment of the appealed tax, nevertheless, the Tax Committee, on the basis of the Company's request, may decide to stop payment, wholly or partially, when it considers it necessary and until deciding on the appeal, in case of deciding to stop payment, it may request the Company to provide guarantees as it considers it necessary.

**Third Sub-Division**  
**Tax Concerned and Necessary Procedures**

Article 47

1. Any Company may submit the Tax case before any Court concerned to appeal the decision issued to implement the

provisions of Article 46 (item 4) of this Law, whatever the value of the case may be.

2. Court concerned, in implementing the provisions of this Law, shall mean the Commercial Court (the First Instance Department).

In all cases, to view the original tax case, the Court concerned shall be authorized to settle all the preliminary matters on which the sentence of the tax case is based, and its interlocutory claims.

3. No case shall be accepted, also, no request or plea shall be accepted on the basis of this law were the applicant as no personal, direct and standing interest established by the Law. Nevertheless, contingent interest shall suffice if the purpose of the claim was a precaution to remove an impending damage or to document a right for fear of losing its evidence when contested. The Court shall automatically decide not to accept in case of non-fulfillment of those conditions.
4. When looking into, and settling, a tax case before the Court concerned, regulations and procedures stipulated in this Law, and not any other Law, shall be followed. Whatever is not covered by a special provision in this Law shall be subject to the general principles and procedures in as much as it is in accordance with the nature of the tax case.

Reconciliation or arbitration is not permitted in tax disputes.

5. Notice of action shall be subject to the provisions of Articles 4 to 8 (bis)(1) of the said Law to View Arbitration and Cases Before the Commercial Court, provided that a copy of the notice related to the Secretariat General shall be delivered to the Secretary General or his delegate.

## **Bringing Tax Action and Registration**

### **Article 48**

1. The action shall be brought to the Court concerned on the basis of the appellants' requests (the company) in a submission to be

deposited with the Court's Secretary. Action submission shall contain the following details:

(a) Name, domicile and address of the appellant, or its agent's title, occupation, capacity and domicile.

(b) Defendant – It is sufficient to mention the title of the official party without the need to mention who is representing it.

(c) Submission date.

(d) The case facts and plaintiff's claims, reasons and evidences. Claims submitted by the Company should not contain any new claims that are different from the claims put forth in the appeal submitted to the Tax Committee.

Submission should include a copy of the decision issued in settlement of the appeal submitted by the Company in implementation of the provisions of Article 46 of this law, and copies of all supporting documents.

Submission and its enclosure shall not be accepted unless it is in Arabic, or accompanied by an Arabic translation. In all cases, the determinative effect shall be established for the documents in Arabic submission and its enclosures should be submitted of one original and one copy.

The submission should be signed by an Attorney authorized to plead before the Court concerned in accordance with the said legal practice Law, whatever the value of the case may be.

2. The case should be submitted to the Court concerned within 45 days from the date of notifying the Company of the decision in respect of the appeal submitted.
3. Not submitting the case on time, or not following legal formalities in submission, shall result in the case being not accepted in form, therefore the decision of Tax Committee shall become final.
4. Plaintiff undertakes to settle the fees to the Secretariat of the Court in accordance with the provisions of Articles 17 (items 1/A & 1/C)

and 18 of the said Law to View Arbitration and Cases Before the Commercial Court.

In case the plaintiff decides to discontinue the dispute in the first session of the case hearing and prior to the pleading, then only one quarter of the fees shall be payable.

5. After settling the fees by the Plaintiff, the Court Secretariat shall issue a serial number and register the case in a special tax cases register prepared for this purpose, and a special file shall be specified, that will include all the Memorandum between the litigants, minutes of Court sessions and sentences or decisions, and in general, contains all papers and documents related to the case.
6. Lodging a case shall not result in non-payment of the disputed tax, nevertheless, the Court, based on a request from the plaintiff, may order the payment to be stopped, provided a Bank Guarantee, under the name of the Ministry of Finance, of the value of the tax to be discontinued, provided that the letter of guarantee should be unconditional and valid until the case is settled.

### **Specifying Date and Venue for Case Hearing**

#### **Article 49**

1. The case file shall be forwarded to the President of the Court, or his delegate in his absence, or any of the judges who are authorized to view the file initially, in order to ascertain that submission is in order and to set the date and venue for the hearing.
2. The Secretariat of the court shall assume responsibility of conveying the case and its enclosures to the defendant within one week from the date of registration. Legal proceeding shall not be considered in session unless the defendant has received the summons, unless its representative is present in the session specified to hear the case.

3. The defendant shall submit its defence submission within 30 days from the date of being properly notified of the case as specified in the Law, provided that the submission should include copies of documents and decision filed in to Tax file of the Plaintiff.
4. Case hearing shall be within 30 days after the end of the time specified in item 3 of this Article.

The Secretariat of the Court shall notify both litigants, within one week at the most, of the venue and time specified to hear the case.

5. If necessary, and on the basis of the litigants' request and reasons, the Court may decide to shorten or prolong the time stipulated in this Article if it became apparent that this will establish justice or facilitate the settlement of the dispute.

### **Warrant for Provisional, Precautionary and Preventive Measures**

#### **Article 50**

1. The Court may decide to take provisional and precautionary measures applicable within the Sultanate.
2. The President of the Court, his delegate or the Court may decide, during any of the hearing, and on the basis of the defendant's request, to take any of the preventive or summary measures if it became apparent that an immediate danger is threatening the defendant's interest, also, to assign government authorities concerned to execute any decision to this effect.
3. The plaintiff may complain against this matter before the department concerned in accordance with the provision of Article 19 (third item) of the Law to View Arbitration and Cases Before the Commercial Court.

### **Litigant's Representation During Trial**

Article 50 (bis) (1)

The plaintiff shall be represented during the trial by an Attorney licensed for pleading before the Court concerned in accordance with legal practice Law.

1. The Attorney shall present the Court with a legal Power of Attorney during the first hearing in representing the plaintiff. If it was not possible for a reason accepted by the Court may grant him a suitable period of time to present it. In case the plaintiff's legal representative attended with the Attorney and established this in the case minutes, this shall substitute, for the legal Power of Attorney.

2. The defendant shall be represented before the Court concerned by one of its employees holding a degree in Shariah or Law form a recognized College or University, and should not be one of the legal department employee, as an exemption from the legal practice law, provided that this exemption shall be in force for five years from the date of this decree.

It is permitted for the defendant to be represented by an Authority licensed to plead before the Court concerned contracted by the defendant for representation. In this case, it is sufficient to present the Power of Attorney during the first session.

3. Litigant's representative shall have the power to carry out actions and procedures necessary to continue, defend, take measure prior to sentencing and convey the decision issued.

The plaintiff's Attorney, without a special authorization, may not declare or waive the claimed right to quit, reject the expert or assign the sentence or claim forgery.

**Litigant's Presence or Absence**

### Article 50 (bis) (2)

1. The Court, during the first session to hear the case, should permit the plaintiff to submit, within two weeks at the most, a submission of one original and one copy to rebut the contents of the defendant's submission submitted in accordance with Article 49 of this law, and it should include supporting documents.

The Court Secretariat assumes the service of the plaintiff's submission and its enclosures to the defendant within one week from its submission date.

2. The Court should permit the defendant to submit, within two weeks at the most, a submission of one original and one copy to rebut the contents of the plaintiff's submission submitted in accordance with the preceding paragraph, and it should include supporting documents. The Court Secretariat assumes the service of the defendant's submission and its enclosures to the plaintiff within one week from its submission date.
3. Submissions shall be exchanged between the litigants, as mentioned, until such time when the Court decides to adjourn in order to decide the case. The Court may permit the litigants' oral arguments, in view of their reasons.
4. In all cases, the defendant shall undertake to observe the trade secret in respect of the profit, income of details of the Companies practicing similar activities to those of the plaintiff.
5. After completing the hearing, the litigant's statement and closing the argument, the court shall decide to adjourn the case for decision. After this decision, the Court may decide to permit the litigants to submit their final submission within the following ten days at the most.

### **Session System**

#### Article (bis) 3

1. The President shall assume session control and management, the case shall be heard in a confidential session and the sentence shall be issued in a public session.
2. If one of the litigants submits during the first hearing a document which was possible to submit within the appointed time by the Law, the Court shall accept, it if it did not result in postponing the hearing. Nevertheless, the plaintiff and defendant may submit a document rebutting the submission of counter claims.
3. If it is not permitted to postpone the hearing for more than one time for the same reasons by the same litigant, provided that the postponement should not exceed two weeks.
4. The Court, may impose a fine of not less than RO 10/- (Rials Omani Ten) and no more than RO 50/- (Rials Omani Fifty), on any of its employees or the litigants who fail to deposit the documents or perform any of the litigation procedures on the date specified by the court, shall be by a irrefutable decision to be established in the session's minutes, and shall have the same executive power as the judgements. Instead of imposing fine on the plaintiff, the Court may decide to discontinue the legal action for not more than six months, after hearing the defendant's pleading. If this period expired and the plaintiff did not implement the order of the Court, then the Court may decide to consider the case as null and void.
5. The Court may decide to request from the litigants to view the original of each document, whether enclosed with the submission or the notice, or submitted during the pleading.

### **Litigation Impediments**

#### **Article 50 (bis) 4**

Halting, discontinuing, lapsing, abatement or quitting litigation in tax case shall be in accordance with the provisions stipulated in Article 36 (bis) (13) of the Law to View Arbitration & Case Before to Commercial Court.

## **Rebuttal and Contingent Claims**

### **Article 50 (bis) 5**

1. Challenging the jurisdiction, invalidity and other rebuttals related to procedures should be presented together, prior to presenting any claim, defence or non-acceptance, otherwise the right shall abate in whatever was not present.
2. Challenging the jurisdiction of allegiance or the legality of viewing the case, for being previously decided may be presented at any time during the case, the Court may decide on this by itself.
3. It is not permitted for third parties to interfere in the tax case, also it is not permitted to introduce any third party any counter claims or any new challenges or reasons that may maintain the original tax assessment.

## **Onus of Proof**

### **Article 50 (bis) 6**

1. Facts to be established should be related to the tax case, generated therein and acceptable.
2. Judgements issued for proof procedures do not need to be substantiated, unless it contained an absolute compliance. The Court may deviate from its order of proof procedures provided that the reasons for deviation are clarified in the session's proceedings. It may also accept the procedure's result provided that the reasons are clarified in the sentence.
3. The plaintiff shall carry the onus of proof in the case of arbitrary or additional tax assessment.
4. The defendant shall carry the onus of proof in the case of assessment on the basis of regular records and accounts that express the real financial position of the plaintiff in accordance with the accounting standards applied in this regard and observing applied rules and regulations.

5. The defendant shall carry the onus of proof to establish deception and fraudulent methods.
6. All evidences of proof may be used, including written accounting, experience, inspection, presumption and confession, except oath, witness statement and other proofs that contradict with the written nature of the procedures.

Should the Court decide to appoint an expert, the assignment shall be deposited within 20 days, and the expert's report shall be deposited within 45 days.

7. The Court, by itself or on the request from the litigants, may assign one of the litigants, or other parties, to submit whatever it has of records and documents generated in the case, and assign whomever of experts or others to carry out this assignment.

### **Sentence Pronounced in the Case**

#### **Article 50 (bis) 7**

1. Court shall pronounce its judgement as soon as possible.
2. The Court's jurisdiction extends to examine to see if the decision of the tax committee was issued in accordance with the provisions of the Law or otherwise, shall observe the provisions of this Law, or other applicable Laws, decrees and bylaws.
3. Deliberation and judgement pronouncement shall be in accordance with Article 45 of the Law to View Arbitration & Cases Before the Commercial Court.
4. For the litigation expenses, the provisions of Articles 47 & 48 of the Law to View Arbitration & Cases Before the Commercial Court shall be observed.
5. Rectification of mere material errors, clarification and settlement of the sentence and what have been omitted by the Court of

substantive claims shall be in accordance with the provisions of Articles 50, 51 & 52 of the Law to View Arbitration & Cases Before the Commercial Court.

6. The provisions of items 5, Article 47 of this Law shall be followed when announcing the sentence.

### **Objection Against Sentence Through Appeal**

#### **Article 50 (bis) 8**

1. The convicted party may object against the sentence through appeal, whatever the values of the dispute may be.
2. The Department of appeal is authorized to view the appeal.
3. In case the appeal is submitted from the Secretariat General, the appeal submission shall be signed by the Secretary General or his delegate, and in case the appeal is submitted by the Company, the submission should be signed by an Attorney licensed to appeal in accordance with the said legal practice code, whatever the value of the dispute may be.
4. The Secretariat General shall be exempt from paying the specified fee.
5. Appeal shall not result in holding payment of the decided tax, nevertheless, the Department of appeal, on the basis of the appellant's requests, the Company made decide to suspend payment in accordance with the provision of Article 48, item 6 of this Law.
6. During the appeal, the Secretariat General shall be represented in accordance with Article 50 (bis) item 2, of this Law.
7. The appeal shall be subject to the provisions of Article 47, item 4 of this Law, whether for the procedures or sentences.

8. The provisions of Articles 45 (bis), 46 (bis) 1, 46 (bis) 3, 46 (bis) 4, 46 (bis) 5, 46 (bis) 6, 46 (bis) 7, 46 (bis) 8, 46 (bis) 11 and 46 (bis) 12 of the Law of Case Deliberation and Arbitration Requests before the Commercial court shall apply.

### **Objection Against the Sentence through Reconsideration**

#### **Article 50 (bis) 9**

Litigants may object against the sentence through a request to reconsider in accordance with the provisions of Article 54 to 57 of the Law to View Arbitration & Cases Before the Commercial Court, provided that the request shall be through a submission submitted to the Court's Secretariat in accordance with the formalities, procedures and fees specified to file the tax case, as stipulated in this Law.

### **Execution of Judgement**

1. Execution of tax case judgement shall be in accordance with this Law.
2. Judgement pronounced against the plaintiff, the Company, shall be executed in accordance with Article 26, items 5, 6 & 7 of this Law.
3. Should the final judgement be in favour of the Company and its right to recover the tax, or part therefrom, of the amount paid, the Secretariat general shall refund this amount due to the Company within 60 days from the date of the judgement.

## CHAPTER TWELVE EXCEPTIONS

### Article 51

As an exception to the provisions of this Law, the Sultan may by a Decree published in the official Gazette decide to exempt, reduce or increase the rates or any other amendments connected with this tax.

### Article 51 (bis)

1. Companies whose major activities are one among the following, shall be exempted from taxation:
  - (One) Industry in accordance with the above said Law of Organizing and Encouraging Industry and Mining.
  - (Two) Exportation of locally manufactured or processed products.
  - (Three) Promotion of tourism, which may include setting up and operation of tourist hotels and villages with the exception of management contracts.
  - (Four) Dairy farms products and processing of the same which may include livestock breeding, processing or manufacture of livestock products and agricultural industries.
  - (Five) Fishing and fish processing.
  - (Six) Utilization and rendering of services like the public utility projects with the exception of management contracts and project execution contracts.
2. The exemption from tax shall be operative for a period of five years with effect from the date of commencement of the production of activity as the case may be. The period may be extended further in case of a need, to a period not exceeding five years provided that, a

decision is issued to that effect by the Financial Affairs and Energy Resources Council.

3. The Minister may lay down necessary controls and procedures for the application of tax exemption and its renewal pursuant to the provisions of this Article.

## CHAPTER THIRTEEN RATES OF TAX

### Article 52

In accordance with this Law, tax shall be calculated on the income of every Company for every tax year on the rate or rates fixed in the Second Schedule.

**CHAPTER FOURTEEN**  
**GENERAL PROVISIONS**

**Article 53**

The Minister has the right to issue the necessary regulations to implement this Law.

**Article 54**

The Government may, notwithstanding the contents of this Law be a party to an agreement with the Government of any foreign state for the sake of avoiding double taxation on income by virtue of this Law and the corresponding legislation applicable in such state. It may, by a notice in the official Gazette, take the steps necessary to implement such agreement.

## **THE FIRST SCHEDULE**

### **DEPRECIATION OF CAPITAL ASSETS DEDUCTIONS AND ADDITIONS**

#### **Deduction of Depreciation**

**(1)**

The deductions of depreciation for capital assets shall be computed in accordance with this Schedule any regulations issued by virtue of Article 53.

**(2)**

1. In this Schedule:

One) “Capital Assets” shall mean any buildings, machinery, fixtures or other material or intangible assets, which entitle the Company to deduct them in accordance with this Schedule or in accordance with the Repealed Legislation with regard to any tax year.

Two) “Transferred Assets” shall mean in relation to any capital asset owned by a Company that such asset has been sold or the Company has ceased to benefit from it or that it has been destroyed, exchanged or compulsory possession has been taken of it with the knowledge of the competent authority in the light of any Law in force or that it has ceased to be used for the purpose of the Company.

Three) “The Previous Net Book Value”, means the value of the capital asset owned by the Company, which was in accordance with the Repealed Legislation the book value of such capital asset considered in the computation of the income chargeable to tax of such Company for the previous year which ended on the 31<sup>st</sup> December 1979.

Four) “Proceeds of Sale” shall mean in relation to:

1. The sale of a capital asset: The net value of the sale.

2. The cessation of the right to ownership of the capital asset by means other than sale, shall mean any consideration payable in relation to such capital asset.
3. The disposed of a capital asset: The value of the residue connected therewith.
4. The loss, destruction or waste of capital asset (shall mean) the net value obtained for the remains of such asset plus the value of any sum of insurance or monetary or compensation in kind of whatever nature in respect of the loss, destruction or waste according to circumstances.
5. The exchange of a capital asset by means of barter (shall mean) the market value of such asset.
6. Compulsory acquisition of a capital asset by competent authorities in the light of any law in force (shall mean) the value on the basis of which the acquisition of such capital asset was made.
7. Cessation of use of a capital asset (shall man) the market value thereof.

(e) The net book value in relation to any capital asset in any tax year for

which an account of the income chargeable to tax of any company is made shall mean the sum by which the capital cost of such asset including the value of any additions thereto exceeds the gross value of any deductions granted to the Company for such capital asset in all tax years previous to such tax year.

2. In this Schedule:

One) Any reference to a capital asset is presumed to include a reference to a part of that capital asset.

Two) The market value of a capital asset if there is no sale shall be determined by the Secretary General.

Three) Since the income of an accounting period which ends on a day other than 31<sup>st</sup> December is considered to be income for the tax year during which the said accounting period ends, any reference to a tax year shall be deemed to be a reference to the accounting

period exceeds or is less than 12 months then any deductions granted by this schedule for the tax year shall refer to the increase or decrease in the same proportion according to circumstances.

Four) Any reference to the cost of a capital asset concerning any Company if such asset as a building shall not including the cost of any machinery or equipment fixtures or furnishings contained in the building or to ownership of land or to rights thereon.

Five) Unless the text otherwise requires any reference to the cost to any Company shall not include any sum deductible otherwise than in accordance with this Schedule in order to fix the income chargeable to tax of the Company for any tax year.

### **Depreciation that must be deducted annually**

#### **(3)**

1. In accordance with this Schedule and in order for the Company to present that which is demanded from it by law any capital asset prescribed in this Schedule which is owned by the Company and used by it for its purpose during any tax year shall be subject to a deduction referred to in this Schedule as “annual deduction” and this shall be when computing the income for the Company which is chargeable to tax in such tax year.
2. The annual depreciation for every tax year shall be calculated in respect of any capital asset on the basis of the cost incurred by the Company and shall be a sum equal to such sum as was determined by the relevant provision at the time.

### **Corrections to deductions or additions as a result of dealings in assets**

#### **(4)**

1. If the Company is granted a deduction by virtue of paragraph (3) in relation to any capital asset for any tax year and disposes of such asset, then when the income chargeable to tax of such Company is calculated for the tax year during which such disposal was made a corrective deduction or addition referred to in this Schedule as “a corrective deduction” or “a corrective addition” shall be made in

accordance with the circumstances and within the limits of value prescribed in the following two sub-paragraphs as the situation requires.

2. A corrective deduction shall be made when the net book value of the capital asset exceeds the sum obtained by the sale of such asset and the deduction shall correspond to such excess.
3. A corrective addition shall be made when the proceeds of sale of the capital asset exceed the net book value of such asset and the addition shall correspond to such excess.

**Entry of deductions in relation to the use made of them by the Company**

**(5)**

If the capital asset which entitles the Company to a deduction in accordance with paragraph (3) or sub-paragraph (2) or paragraph (4) is not used entirely for the purpose of such Company then the deduction shall apply to a proportionate part alone of the sum which it would be permitted to deduct were the said asset used entirely for the purpose of the Company.

**Special provisions connected with the cost of assets, etc.**

**(6)**

If the capital asset attributable to a Company was owned by such Company during a tax year end.

One) It was used for the purpose of the Company, during such previous tax year end.

Two) It was not longer owned by the Company at the end of such previous tax year because ownership was transferred or because of another reason.

Then the cost of the asset in relation to the Company shall be deemed to be the cost price paid at the time at which the capital asset became attributable to the Company originally plus the value

of any additions or improvements less the value of the following sums:

1. all deductions granted to the Company or deemed to be granted to it in respect of such capital asset in accordance with this Schedule, and
2. all deductions granted to the Company by virtue of the Repealed Legislation.

### **Net Book value of the assets at the expiry of the period of exemption**

**(7)**

The net book value of the capital assets used in an industrial enterprise on the last day on which such enterprise is exempt from tax shall be calculated in accordance with this Schedule notwithstanding such exemption or failure to comply with the requirements of sub-paragraph (1) of paragraph (3).

**(8)**

If a deduction in any tax year is granted by virtue of Clause (b) of paragraph (2) of Article 13 in relation to any capital asset, a deduction shall not be allowed in respect of any other provision in this Law concerning such asset in the computation of income chargeable to tax for the same tax year or any previous or subsequent tax year.

### **Subsidies**

**(9)**

If the cost of any capital asset or any proportion of such cost has been borne either directly or indirectly by the Government or any person other than the owner of the asset, then in accordance with this Schedule the cost in relation to such owner shall be deemed to be the cost of the capital asset less the sum so borne or which must be borne.

**RATES OF DEPRECIATIONS  
AS DEFINED IN ACCORDANCE WITH THE PROVISIONS  
OF ARTICLE 53 OF THE LAW OF TAXES**

**Table of Capital Assets**

<u>Buildings (1)</u>	<u>Annual (%)</u>
1) Solid first-class buildings constructed with excellent Materials (not including the cases set out in Clause (3) Below): (*Note: Amended from 2.5% by Ministry of Finance Ministerial Decision 9/1983 issued on 10.04.1983 and published in official Gazette No. 263 on 01.05.1983)	
2) (a) Second-class buildings which are less solid (not including the cases in Clause 3 below): (b) Manufactured or prefabricated buildings	15
15	
3. Bridges, platforms, pipelines, permanent way and railway lines	10
<u>Tools, Fixtures &amp; Equipment (2)</u>	
Group 1	
Tractors, digging equipment and any other heavy Equipment	33 1/3
which the Secretary General deems in accordance with his	(33
— authority to estimate that they are similar from the point of	in
text)	
use and depreciation	
Group 2 - Cars and any self-propelled vehicles .. .. .	33 1/3
	(33 _ in text)
Group 3 - Fixtures .. .. .	33
1/3	

**Group 4**

**All other equipment and implements (with the exemption of Aircraft, ships and implements for scientific research) : ..**

**15**

**Aircraft and Ships : .. .. . 15**

**Hospital Buildings or Educational Establishments .. Annual (%) 100**

**Implements for Scientific Research .. .. . 100**

**Intangible Capital Assets : as confirmed by the Secretary General in accordance with the productive life of capital assets in relation to their owner at the time.**

- (1) The rate of depreciation, shall be doubled if the buildings were used by an industrial establishment but not as a building for housing employees, offices or storage.**
- (2) With regard to tools and equipment, additional depreciation of 50% shall be allowed as the upper limit of the annual percentage for depreciation, in accordance with the stipulation and definitions decided by the Secretary General in relation to such assets and in the event of the use of the assets for a period of three shifts of working during the day the computation of the rate of additional depreciation referred to have shall be in relation to the number of days on which the equipment is used for three shifts of work during the day apportioned between 360 days.**

## THE SECOND SCHEDULE

### RATES OF TAX

In accordance with the provisions of Article 52, tax on income shall be computed at the following rates:

In Excess of (Omani Rials)	Not in Excess of (Omani Rials)	Annual (%)
500,000	-	50
400,000	500,000	45
300,000	400,000	40
200,000	300,000	35
100,000	200,000	30
75,000	100,000	25
55,000	75,000	20
35,000	55,000	15
18,000	35,000	10
5,000	18,000	5
-	5,000	Nil

1. without prejudice to the provisions of paragraph (2), tax on income due in respect of a Company for any tax period shall be lesser of the two sums prescribed in paragraphs (a) and (b) below:

One) The annual percentage of tax, which is applicable on the income of a company in every tax period, shall be defined in accordance with the category within the income of such company falls.

Two) The percentage of tax which applies to the upper limit of income chargeable to tax falling within the category immediately prior to the category which applies to the Company in the tax period shall have effect and these shall be added to the sum resulting from such calculation the sum of excess in the income of the Company chargeable to tax in such tax period at the same upper limit.

2. In accordance with the provisions of the Third Schedule, a company which realizes income from the sale of petroleum shall be chargeable to tax on its income chargeable to tax in the tax period in accordance with the source of such income under subparagraphs (a) and (b) below:

One) With reference to income arising from the sale of petroleum up to the end of 13<sup>th</sup> November 1970, at a rate of 55% of such income chargeable to tax.

Two) With reference to income arising from the sale of petroleum as from 14<sup>th</sup> November 1970 and hereafter, at a rate of 55% of such income chargeable to tax.

3. The tax rate for Omani companies wholly owned by Omanis shall be fixed as follows:

- First RO 30,000/- of the taxable income – exempted from tax
- Taxable income in excess of the above – 12%

4. In the case of mixed Omani Companies:

One) Joint-stock Companies:

The tax rates shall be fixed as mentioned in paragraph 3 of this Schedule.

Two) Other Companies:

1. Companies in which Omanis hold 51% and above of their capitals, the tax rate shall be fixed as mentioned in paragraph 3 of this Schedule.
2. Companies in which Omanis hold less than 51% of their capitals, the tax rates shall be fixed as mentioned below:
  - First RO 30,000/- of the taxable income – exempted from tax
  - Next RO 100,000/- of the taxable income – 15%
  - Next RO 150,000/- of the taxable income - 20%
  - Taxation in excess of the above - 25%

4 (bis): In the case of Omani Companies in which non-Omanis hold 100% their capitals, the tax rate shall be fixed as mentioned in the first paragraph and paragraph (1) of this schedule.

**4 (bis):** In the case of investment funds set up pursuant to the Muscat Securities Market Law mentioned above, the tax rates shall be fixed as mentioned in paragraph 3 of this schedule.

**5.** In case of Foreign Companies which do not have their own establishments in Oman and which are subject to royalties or fees for management services or which receive rentals for the equipment, appliances and machinery or receive sums in exchange to technical expertise or in consideration of Research and Improvements from the companies or establishments based in Oman, the applicable tax rate shall be 10% of the gross income. This shall be treated as an exception to the tax rates and provisions laid down in this Law.

The Company or establishment based in Oman which makes any payment towards royalties, fees, rentals and sums referred to in the proceeding paragraph shall be responsible for deduction of the tax at source and have the same deposited with the Secretariat General as per regulations to be laid down by the Minister. In case the Company or establishment based in Oman commits breach and fails to have the tax payable deducted and deposited as per procedure, necessary action shall be initiated in accordance with the provisions set out in Articles 27, 30, 31, 32 and 39 of the Law.

**THE THIRD SCHEDULE**  
**SPECIAL PROVISIONS CONCERNING PETROLEUM COMPANIES**

1. Any Company, the income chargeable to tax of which is derived from the sale of petroleum, shall when computing the tax due for any tax year reduce such income by an amount equal to any sum which such Company has paid to the Sultanate in the said tax year and for the purpose of such calculation to total of the sums which have been paid to the Sultanate shall include those sums which the Company has paid or which any other Company connected with the Company has paid and the profit of the sale of petroleum which produced such income chargeable to tax.
2. For the purpose of the paragraph (1) there shall be deemed to be a connection between One Company and another if the operations of each of them in the Sultanate of Oman include as a fundamental the production of or dealing in petroleum and if both Companies in the same tax period are joined together in the Sultanate of Oman for the natural discharge of their operations and this shall be without prejudice to any association between one Company and another through one of the two Companies holding shares in the other Company either directly or indirectly or by a third party holding shares in the two Companies either directly or indirectly.
3. For the purpose of the paragraph (1) of this Schedule "Payments in favour of the Sultanate" shall not, in relation to petroleum, include royalties on crude petroleum at the base price published and implemented concerning all crude petroleum produced within the Sultanate of Oman, but they include all other royalties, all taxes (except for the Petroleum tax prescribed in this Law and the vehicle tax), import duties and taxes and other similar charges which are due to the Sultanate or received during the tax year from petroleum development projects in Oman for the purpose of the sale or dealing in petroleum actually produced.

**THE FOURTH SCHEDULE**  
**TRANSITIONAL PROVISIONS AND REPEALS**

1. If an agreement between His Majesty the Sultan of Oman and any other party prescribes that the provisions of such agreement shall be subject to the provisions of the Income Tax Decree of 1971 either in whole or in part, then it shall be stipulated that such provisions shall govern the said agreement throughout the period during which the said agreement remains in force (the implementation of the provisions of the Income Tax Decree of 1971 in whole or in part shall be according to the prescriptions of the agreement throughout the period in which it is in force).
2. Without prejudice to the provisions of Royal Decree No. 21/1975 and Royal Decree No. 65/1977 herein-before mentioned and any particular legal provision which conflicts with the provisions of this Law, the Income Tax Decree of 1971 shall be repealed.
3. Income chargeable to tax and the procedures of Assessment in relation to which have not been completed at the date on which this Law comes into effect shall be subject to the provisions of this Law.

## **ROYAL DECREE NO. 21/1975**

**We, Qaboos Bin Said, Sultan of Oman,**

In order to safeguard public interests and to encourage economic development in the Sultanate,  
After perusal of the Income Tax Decree issued on 8<sup>th</sup> December 1971,  
Have decreed as follows:

1. The phrase “Legal Body” as stipulated in Article (1-1) of the above mentioned Decree means the following:
  - One) Companies of joint liability;
  - Two) Companies of limited partnership;
  - Three) Joint-stock Companies;
  - Four) Shareholding Companies;
  - Five) Companies of limited liability.
2. Companies fully owned by Omanis will be exempt from income tax for a period of five years, with effect from the date of publication of this Decree.
3. Companies with the fundamental purpose of industry, agriculture and fishing will be exempt from income tax for a period of five years with effect from the date of their establishment.
4. Companies which participate in the development of the national income and whose paid-up capital is more than RO 100,000/- (Rials Omani One Hundred Thousand) may be exempted from income tax for a period of five years from the date of their establishment by a decision from the Minister of Commerce and Industry. The period of exemption may be extended provided that such extension does not exceed a period of further five years.
5. All the Ministries and departments concerned are to implement the provisions of this Decree.
6. This Decree shall be published in the official Gazette and shall take effect as from 11<sup>th</sup> June 1975.

Issued on: 11/06/1975

## **ROYAL DECREE NO. 65/1977**

**We, Qaboos Bin Said, Sultan of Oman,**

After perusal of the Law Organizing the Administrative Apparatus of the State, Royal Decree No. 62/1975 as amended by Decree No. 13/1976, and the Income Tax Decree of 1971 as interpreted by Decree No. 21/1975, and in accordance with the requirements of public interest,

Have decreed as follows:

1. With effect from tax years which close their budgets on a date subsequent to this Law coming into effect, income tax of joint companies in which Omanis hold a percentage of capital will be laid down according to the following proportions and conditions.

One) 15% for Companies in which Omanis hold 51% or more of the paid-up capital.

Two) 20% for Companies in which Omanis hold a share of between 35% and 51% in the paid-up capital.

Three) The tax in the proportions mentioned in the above paragraphs does not apply unless the amount of annual profits subject to tax is more than RO 20,000/- (Rials Omani Twenty Thousand) and provided that there is no breach of obligations of the Companies referred in the provisions of the Income Tax Law of 1971.

This Decree shall be effective from the date of publication in the official Gazette.

Issued on : 26/09/1977

## **ROYAL DECREE NO. 80/1993**

Canceling Tax exemption established for Commercial and Industrial Establishments and Companies wholly owned by Omanis.

**We, Qaboos Bin Said, Sultan of Oman,**

After perusal of Royal Decree No. 26/1975 issuing the law organizing the State Administrative Machinery and amendments thereto,

The Royal Decree No. 47/1981 on the Law of Corporate Income Tax and amendments thereto,

The Royal Decree No. 77/1989 on the Law of Profit on Commercial and Industrial Establishments,

The Royal Decree No. 68/1992, continuing tax exemption established for commercial and industrial establishments wholly owned by Omanis,

And in accordance with the exigencies of the public good,

Have decreed as follows:

### Article 1

Effective the Taxation Year 1994 – which begins on 1<sup>st</sup> January 1994 – profit tax on commercial and industrial establishments shall apply on the commercial and industrial establishments which are owned by and exploited by an Omani natural person alone, and the Income Tax on Companies shall apply on Companies wholly owned by Omani citizens.

### Article 2

Royal Decree No. 68/1992 referred above shall stand cancelled. Also cancelled shall be all that contradicts this Decree or its provision.

### Article 3

This Decree shall be published in the official Gazette.

Issued on: 12/12/1993

## **ROYAL DECREE NO. 46/1987**

### **Amendment of Income Tax of Joint Ventures in which Omanis hold Shares**

**We, Qaboos Bin Said, Sultan of Oman,**

After perusal of Royal Decree No. 26/1975 issuing the Law Organizing the Government Administrative Machinery and amendments thereof,

The Royal Decree No. 65/1977 decreasing the Income Tax of Joint Ventures,

The royal Decree No. 47/81 on the Law of Companies' Income Tax, and, in accordance with the exigencies of the public good,

We decree as follows:

#### **Article 1**

As from the taxable year, whose budget will be closed on a date after the Decree will be in force, the income tax on joint ventures in which Omani nationals hold shares in their capitals, shall be specified as per the following ratios, terms and conditions:

1. Companies in which the Omani nationals hold shares of more than 50% of their paid up capitals:
  - One) The first RO 30,000/- of the net profit is tax-free.
  - Two) The next RO 170,000/- of the net profit : 20%.
  - Three) Above that of the net profit : 30%.
  
2. Companies in which the Omanis hold shares of 35% to 50% of their paid-up capitals:
  - One) The first RO 30,000/- of the net profit is tax-free.
  - Two) The next RO 170,000/- of the net profit : 25%.
  - Three) Above that of the net profit : 30%.

3. Companies in which Omanis hold shares of less than 35% of their paid capitals shall be subject to the rates mentioned in Schedule II appended to the above referenced Royal Decree No. 47/1981.
4. Provisions of the aforesaid Royal Decree No. 65/1977 and the Royal Decree No. 47/1981 shall continue to be in force in relations to joint ventures operating in the fields of agriculture, fisheries, industry and mining.

Article 2

This Decree shall be published in the official Gazette.

**Qaboos Bin Said**  
**Sultan of Oman**

Issued on: 16<sup>th</sup> June 1987

**ROYAL DECREE NO. 77/1989**

**PROMULGATING LAW OF PROFIT TAX ON  
COMMERCIAL AND INDUSTRIAL ESTABLISHMENTS**

**We, Qaboos Bin Said, Sultan of Oman,**

After perusal of Royal Decree No. 26/1975 issuing the State Administrative Apparatus Law and the amendments thereto,

And the Royal Decree No. 47/1981 promulgating the Law of Income Tax on companies,

And in accordance with the exigencies of the public good,

Have decreed as follows:

**Article 1**

The provisions of the attached Law on Profit Tax on Commercial and Industrial Establishments shall have effect.

**Article 2**

The Deputy Prime Minister for Finance and Economy shall issued the necessary regulation and decisions for implementing this Law.

**Article 3**

This Decree shall be published in the official Gazette and shall come into force effective 1/1/1990.

Issued on : 9/9/1989

**LAW OF PROFIT TAX**  
**ON**  
**COMMERCIAL AND INDUSTRIAL ESTABLISHMENTS**

**Article 1**

Tax shall be charged on taxable income which has been realized or arisen in Oman or which the Secretary General of Taxation presumes to have been realized or to have arisen in Oman in relation to any Commercial or Industrial Establishment owned or utilized by any individual natural person, against each tax year.

For the purpose of implementing the provisions of this Law, the “Establishment” means any commercial or industrial activity aimed at earning and carried out in Oman independently.

**Article 2**

The tax shall be applicable on Commercial or Industrial Establishments owned or utilized by an Omani individual natural person, at the following rates:

1. First RO 30,000/- (Rials Omani Thirty Thousand) of the net taxable profit shall be exempted from tax.
2. In excess of the above : 12%

**Article 3**

The tax shall be applicable on Commercial or Industrial Establishments owned or utilized by an Non-Omani individual natural person, at rates mentioned in the Second Schedule attached to the above referred Law of Income Tax on Companies.

**Article 4 : -**

**Article 5**

The tax shall not be applicable on dividends received by the Establishment or Company against the equities or shares held by it in the capital of any other Company, if the Company which distributed the dividend had paid tax on such dividends in accordance with this Law or the above referred Law of Income Tax on Companies.

### Article 5 (bis)

Commercial and Industrial Establishments owned or utilized by an Omani national (natural person) shall be exempted from Tax under the circumstances and conditions enumerated hereunder:

1. The Industrial Establishment must be registered in accordance with the Law of the Organization and Encouragement of Industries, referred to above.
2. The Commercial or Industrial Establishments must be engaged in the activity which comes under one of the following fields:

One) Mining.

Two) Dairy farm products and processing of the same which may, include livestock breeding, processing of manufacture of livestock products and agriculture industries.

Three) Promotion of tourism which may include setting up and operation of tourist hotels and villages with the exception of management agreements.

Four) Export of the products manufactured or processed locally.

Five) Utilization and rendering of services like public utility projects with the exception of management agreements and contracts for the execution of projects.

3. The exemption from tax shall be operative for a period of five years with effect from the date of commencement of the production or activity as the case may be. The same may be extended further, in case of need, to a period not exceeding five years provided, a decision is passed to that effect by the Financial Affairs and Energy Resources Council.
4. The Minister may lay down necessary rules and regulations for the application of tax exemption and its renewal in accordance with the provisions set forth in this Article.

### Article 6

The provisions of the above referred Law of Income Tax on Companies shall be applicable on which no separate reference has been made in this Law.

Objection and appeal against the profit assessment on Commercial or Industrial foundations, filing a tax case and appealing against the sentence should be in accordance with the rules and regulations stipulated in the Chapter eleven of the said Royal Decree No. 47/1981.

**Article 6 (bis)**

As an exception to the provisions laid down in Article 14 of the Law of Income Tax on Companies referred to above, the Establishments referred to in Section 1 and 2 of Article 5(b) of the Law may have the Net Loss sustained during the obligatory Tax Exemption Period carried forward and deducted/adjusted for any number of Taxable years until the same gets settled finally.

**Article 6 (bis) 1**

As an exception to the provisions of item 1 of Article 13 of the said Royal Decree No. 47/198, it is considered as expenses the salaries and likes paid to the proprietor of Commercial or Industrial foundation against utilizing the properties registered under its name. It is not permitted to deduct these expenses from the total income of the commercial industrial foundation, unless in the cases, limits, ratios and limitations as specified by a decision, from the Minister supervising the Ministry of Finance, without prejudice to the provisions of Articles 10 and 11 of the said Royal Decree No. 47/1981.

**Article 7**

The tax application on above referred Commercial and Industrial Establishments and on the Companies wholly owned by Omanis shall be on the taxable income for the tax year ended on 31/12/1989 and the following tax years.

## **ROYAL DECREE NO. 87/1996**

Amending certain provisions of the Law of Income Tax on Companies issued by Royal Decree No. 47/1981

**We, Qaboos Bin Said, Sultan of Oman,**

After perusal of Royal Decree No. 26/1975 issuing the Law on setting up of the Administrative Apparatus of the State and the amendments thereto, and

Royal Decree No. 65/1977 effecting reduction in Income Tax on Mixed Ownership Companies, and

Royal Decree No. 1/1979 issuing the Law for the Organization and Encouragement of Industries, 1978 and amendments thereto, and

Royal Decree No. 46/1987 amending the Law of Income Tax on Mixed Ownership Companies in which the shares in the capital are held by Omani nationals, and

In accordance with the public interest,

Have decreed as follows:

### **Article 1**

The attached amendments shall be effected on the Law of Income Tax on Companies issued by Royal Decree No. 47/1981 referred to above.

### **Article 2**

The Companies which have earlier been granted exemption from tax pursuant to the Provisions of Article 51 (b) of the Law of Income Tax on Companies referred to above, shall continue to enjoy exemption until expiry of the term specified for such exemption legally.

### **Article 3**

This shall be superceded both royal Decrees No. 65/1977 and 46/1987 referred to above. Similarly, all that which contradict and conflicts this Decree shall be treated as cancelled.

#### Article 4

This Decree shall be published in the official Gazette and shall come into force the date of its publication with the exception of the following:

1. The provisions laid down in Section 3(b) and 3(b-1) of Article 8 of the Law relating to income chargeable to tax, final assessment of which has not been completed as on the effective date of this Decree.
2. The provisions laid down in Section 2(b) of Article 13 of the Law with regard to income chargeable to tax relating to any taxable year, which commences on the effective date of this Decree.
3. The exception referred to in Article 14 of the Law applicable in respect of the net loss sustained during the taxable year 1996, which comes into effect from 1<sup>st</sup> January 1996.
4. The provisions set out in Section 3 and 4 of Schedule 11 of the Law applicable in the taxable year 1996 which comes into effect from 1<sup>st</sup> of January 1996.

Qaboos Bin Said,  
Sultan of Oman

Issued on: 20<sup>th</sup> October 1996

OFFICE OF THE DEPUTY PRIME MINISTER  
FOR  
FINANCIAL AND ECONOMIC AFFAIRS

MINISTERIAL DECISION NO. 91/1984

After perusal of Royal Decree No. 47/1981 issuing the Law of Income Tax on Companies and in accordance with public interest,

It has been decided:

Article 1

When determining the taxable income of branches of foreign companies operating in the Sultanate, due regard must be given that the expenses of their overseas Head offices – which relate to the branches' expenses – should include technical consultants' expenses, actual general administration costs, any other related expenses which the Head office had actually incurred in respect of its operating the branch in the sultanate during the taxable year.

In case where it is impossible to determine these expenses from actual accounts, registers, evidences and other documents approved by the Director of Revenue, expenses are to be calculated according to the bases appearing in clauses (a), (b) or (c), whichever is the smallest amount:

One) Expenses estimated by the branch

Two) Average Head office expenses approved for the branch during the three years immediately preceding the previous taxable year, subject to assessment.

Three) 3% of the branch total income during the year subject to assessment provided that the following are taken into consideration:

(1) This percentage is to be increased to 5% in respect of branches of foreign banks and insurance Companies. The total income of branches of foreign insurance companies is to

be determined on the basis of total premiums collected during the taxable year, deducting premiums paid for re-insurance.

(2) This percentage is to be increased to 10% in respect of branches of major industrial companies which use the latest and most advanced methods for production techniques or pursue scientific methods or provide technical assistance or use patents which require exchange of information and technical assistance with their Head offices. The Minister may increase this percentage above 10%.

Except for the rules contained in this Article, it is not allowed when determining taxable income in respect to branches of foreign companies operating in the Sultanate and where the activities of their Head offices are limited to supervising these branches to deduct any expenses incurred in respect of the Head office.

#### Article 2

Taxable income which has not been assessed by the date of enactment of this decision is subject to the rules contained herein.

#### Article 3

This decision shall be published in the official Gazette and shall come into effect thereafter.

Qais Bin Abdulmunim Al-Zawawi,  
Deputy Prime Minister for Financial and Economic Affairs

Issued on: 14<sup>th</sup> October 1984

OFFICE OF THE DEPUTY PRIME MINISTER  
FOR  
FINANCIAL AND ECONOMIC AFFAIRS

MINISTERIAL DECISION NO. 92/1984

After perusal of Royal Decree No. 47/1981 establishing the Law of Income Tax on Companies and in accordance with public interest,

It has been decided:

Article 1

When determining the taxable income of any Company for any tax year, no more than 5% shall be deducted from that income for actual sponsor's fees for whatever purpose or reason for claim.

Article 2

Taxable income, which has not been assessed by the date of enactment, is subject to the provisions of this decision.

Article 3

This decision shall come into effect upon the date of its publication.

Qais Bin Abdulmunim Al-Zawawi,  
Deputy Prime Minister for Financial and Economic Affairs

Issued on: 14<sup>th</sup> October 1984

## MINISTERIAL DECISION NO. 43/1986

The Deputy Prime Minister for Financial and Economic Affairs,

After perusal of the Law of Income Tax on Companies issued by the Royal Decree No. 47/1981, the Financial Affairs Council's approval in its meeting of 8<sup>th</sup> May 1986, and in accordance with the exigencies of the public good,

Decides as follows:

### Article 1

In application of paragraph (e) item 2, Article 13 of the above Law of Income Tax on Companies donations paid to the following institutions shall be considered:

1. Donations paid to Ministries, Government Units, Public Organizations and other Institutions of the Government Administrative machinery on occasions of celebrations of the National Day, Eids or religious events.
2. Donations paid to the Ministry of Justice, Awqaf and Islamic Affairs for construction or maintenance of Mosques.
3. Donations paid to the Ministry of Social Affairs and Labour on the events of disasters.
4. Donations paid to Women's Associations and Charitable committees registered in accordance with the Law of Clubs and Associations in the Sultanate, 1972.
5. Donations paid to Clubs and Sport Federations registered as per the Law of private Organizations operating in Sports issued by the Royal Decree No. 42/1982.
6. Donations to private schools established as per the Royal Decree NO. 68/1977 and rules and Ministerial Decision executing thereof.

In all events, upon specification of the taxable income of any Company no rebate should be made than 1% of the total income for donations whatsoever the purposes thereof or the organization(s) donated thereto.

OFFICE OF THE DEPUTY PRIME MINISTER  
FOR  
FINANCIAL AND ECONOMIC AFFAIRS

MINISTERIAL DECISION NO. 23/1989

After perusal of the Insurance Companies Law issued vide Royal Decree No. 12/1979 and the amendments thereto,

The Law of Income Tax on Companies issued by the Royal Decree No. 47/1981,

And the executive regulations of the insurance Companies Law issued vide the decision of the Minister of Commerce and Industry No. 5/80 and the amendments thereto,

The decision of the Deputy Prime Minister for Finance and Economy No. 5/1986 determining the rate of commission of the local agent deductible from the taxable income of the foreign insurance companies,

The decision of the Deputy Prime Minister for Financial and Economic Affairs No. 32/1986 amending the Ministerial Decision No. 5/1986,

And in accordance with public interest,

It has been decided:

Article 1

While determining the annual taxable income for any foreign insurance company working in the Sultanate through an authorized and approved agent, it should be observed that no rebate in excess of 25% of the net collected premium should be made against the commission received by the agent.

For the purpose of implementing the provisions of this decision, the "agent" would mean any one who practices the agency business normally and independently in managing the insurance operations in

any of the activities as prescribed in the above-referred Insurance Companies Law, and specifically:

1. Direct agency management including issuing and signing of insurance policies and its endorsements, fixing rates and categories, collection of premiums and settling of claims, provided that the agent bears all necessary expenses including the salaries of the agency staff.
2. Maintenance of records and registers as prescribed by the Insurance Companies Law and the regulations and decisions issued for its implementation.
3. Representing the foreign company before the concerned Omani authorities.

#### Article 2

The above-referred Ministerial Decisions No. 5/1986 and 32/1986 shall be cancelled and also cancelled shall be any other provisions of this decision.

#### Article 3

Provisions of this decision shall be applicable on the taxable income of any tax year starting from the date of enforcement of this decision.

#### Article 4

This decision shall be published in the official Gazette and shall come into force effective the date of its publication.

Qais Bin Abdulmunim Al-Zawawi,  
Deputy Prime Minister for Financial and Economic Affairs

ROYAL DECREE No. 47/1981  
Concerning  
THE LAW OF INCOME TAX ON COMPANIES

**We, Qaboos Bin Said, Sultan of Oman**

Having perused Royal Decree No. 26/1975 issuing the Law setting up the Administrative Apparatus of the State and the amendments thereto,

The Income Tax Decree of 1971,

Royal Decree No. 21/1975 and the amendments thereto,

Royal Decree No. 65/1977,

The Law of Commercial Companies No. 4/1974,

And Royal Decree No. 61/80 continuing the exemption prescribed by virtue of Article 2 of Royal Decree No. 21/1975.

And in accordance with the exigencies of the public good,

We decree as follows:

Article 1

The provision of the attached Law and its four schedules entitled “The Law of Income Tax on Companies” shall have effect.

Article 2

This decree shall be published in the official Gazette and shall have effect from the date of issue.

**Qaboos Bin Said,  
Sultan of Oman**

Issued on: 14<sup>th</sup> Rajab 1401

Which corresponds to 18<sup>th</sup> May 1981.