



# Income Tax Law

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Sultanate of Oman  
Ministry of Finance  
Secretariat General for Taxation

# Income Tax Law

The English translation of the Law is intended for general guidance.  
In the event of any ambiguity or discrepancy between the  
Arabic and English texts, the Arabic version shall prevail.

**Royal Decree**  
**No. 28/2009**  
**PROMULGATING THE**  
**INCOME TAX LAW**



**Royal Decree  
No. 28/2009**

**PROMULGATING THE INCOME TAX LAW (\*)**

**We Qaboos bin Said**

**The Sultan of Oman**

After perusal of the Basic Statute of the State promulgated by Royal Decree No. 101/96;  
The Commercial Companies Law No. 4/74;  
The Omani Criminal Law promulgated by Royal Decree No. 7/74;  
The Insurance Companies Law promulgated by Royal Decree No. 12/79;  
The Law of Income Tax on Companies promulgated by Royal Decree No. 47/81;  
The law of Organization of Accounting and Audit Profession promulgated by Royal Decree No.77/86;  
The Law of Profit Tax on Establishments promulgated by Royal Decree No.77/89;  
The Social Insurance Law promulgated by Royal Decree No.72/91;  
The System for Collection of Taxes, Fees and other amounts payable to the Units of the Administrative Apparatus of the State promulgated by Royal Decree No. 32/94;  
The Law of Foreign Capital Investment promulgated by Royal Decree No. 102/94;  
Royal Decree No. 39/96 determining the jurisdictions of the Ministry of Finance and approving its organisational structure.  
The Capital Market Law promulgated by Royal Decree No. 80/98;  
The Criminal Procedure Law promulgated by Royal Decree No. 97/99;  
The Banking Law promulgated by Royal Decree No. 114/2000;  
The Law of Civil and Commercial Procedures promulgated by Royal Decree No, 29/2002;  
The Mining Law promulgated by Royal Decree No. 27/2003;  
The Labour Law promulgated by Royal Decree No. 35/2003;  
The Law (System) of the Unified Industrial Organisation for the Gulf Cooperation Council Countries promulgated by Decree No. 61/2008;  
The Law of Evidence in Civil and Commercial Transactions promulgated by Royal Decree No. 68/2008.

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(\*) Amended by Royal Decree 9/2017

and in accordance with the exigency of public good,

## **HEREBY DECIDE THE FOLLOWING**

**Article One :** The accompanying Income Tax Law shall take effect.

**Article Two :** The Minister, supervising the Ministry of Finance (\*), shall issue the Executive Regulation of the accompanying Law and other executive decisions. Pending the issue of the regulation and decisions referred to, the regulations and decisions in force shall apply to the extent that they are not inconsistent with the provisions of the attached Law.

**Article Three:** The implementation of this Law shall not prejudice the following:

- i. The date fixed for coming into force of tax on companies that are wholly owned by Omani nationals, civil companies, commercial and industrial establishments or professional establishments.
- ii. Any special provisions which are decided to specific companies under Laws or Royal Decrees whether they are related to tax rates, exemption from tax or other provisions.

**Article Four:** The aforementioned Law of Income Tax on Companies and the Law of Profit Tax on Establishments shall be repealed. All those provisions contravening the accompanying Law shall also be repealed.

**Article Five:** This Decree shall be published in the Official Gazette and shall come into force from the first of January following the date of publication. It shall apply to tax years which commence as from that date.

**Issued on 29 Jumada I 1430 AH  
Corresponding to 24 May 2009**

**Qaboos bin Said  
Sultan of Oman**

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(\*) The term "The Responsible Minister" has been replaced by "The Minister Responsible of financial affairs" by RD No 9/2017 issued on 19<sup>th</sup> February, 2017.



# **Income Tax Law**

## **PART ONE DEFINITIONS AND GENERAL PROVISIONS**

## PART ONE DEFINITIONS AND GENERAL PROVISIONS

### CHAPTER ONE: DEFINITIONS

**Article (1) :** In application of the provisions of this Law, the following words and terms shall have the meaning attached to each of them, unless the text otherwise requires:

1. **The Responsible Minister:** The Minister responsible for financial affairs and charged with supervising the Ministry of Finance or the one who assumes his authorities or jurisdictions (\*).  
**The Secretary General:** The Secretary General of Taxation at the Ministry of Finance;
3. **The Secretariat General:** The Secretariat General of Taxation at the Ministry of Finance;
4. **Permanent Establishment:** The meaning specified in Articles (2) and (3) of this Law;
5. **Non- Omani Partnership agreements which shall not acquire the status of a company:** The meaning specified in Article (4) of this Law;
6. **Principal Officer:** The meaning specified in Articles (6), (7) and (9) of this Law;
7. **Notice:** The meaning specified in Articles from (30) to (32) of this Law;
8. **Royalties:** The meaning specified in Article (36) of this Law;
9. **Gross income:** The meaning specified in Article (42) of this Law;
10. **Taxable income:** The meaning specified in Articles (43) of this Law;
11. **Accounting period:** The meaning specified in Articles from (48) to (51) of this Law;
12. **Control:** The meaning specified in Articles (132) and (133) of this Law;
13. **Tax:** The tax charged on income under the provisions of this Law, and for the purposes of Articles (152), (154), (155), and (158), it includes additional tax and administrative penalties imposed under the provisions of Articles (156), (179), (180), and (181) of this Law;
14. **The Committee:** The Income Tax Committee formed at the Ministry of Finance in accordance with Article (166) of this Law;

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(\* ) Item (1) of Article (1) has been replaced by RD No 9/2017 issued on 19th February, 2017.



15. **Administrative penalties:** The administrative penalties imposed under Articles (179) to (183) of this Law;
16. **Due date for payment:** The date on which the tax due is payable in accordance with the provisions of this Law;
17. **Disposal:** The sale, exchange, relinquishment or other types of disposals of any asset; it also includes the loss of the asset or its compulsory seizure in accordance with the Law;
18. **Loss:** Loss computed on the same basis decided for computing the taxable income;
19. **Assessment:** The determination made by the Secretariat General under the provisions of this Law of the amount of tax and the taxable income or the loss or the income to be exempted from tax either in accordance with the provisions of this Law or any other law;
20. **Tax year:** A period of twelve months commencing from the first of January and ending at the end of December of any calendar year;.
21. **Person:** A natural person or a legal person and includes joint venture and non-Omani partnership agreements that do not assume the form of a company ;
22. **Taxpayer:** An enterprise, an establishment or an Omani company or a permanent establishment;(\*) .
23. **Foreign tax:** Tax on income borne by the taxpayer in a foreign country;
24. **Omani company:** Any person established in Oman as a company under the legislations of Oman, whether it is a commercial, civil or any other company, and whatsoever be the legal form of the company, the nationality of its partners, the purpose of its incorporation or the nature of its activity;
25. **Bank:** Has the meaning specified in the aforementioned Banking Law;
26. **Owner of a permanent establishment:** The person carrying on any business in Oman through that permanent establishment as per Articles (2) and (3) of this Law .

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(\*) Item (22) of Article (1) has been replaced as per RD No 9/2017 issued on 19th February, 2017.

27. **Establishment:** An establishment solely owned by a natural person which independently carries on a commercial, industrial or professional activity in Oman. The owner of the establishment shall be determined from the commercial or the industrial registers or other of fiscal records or documents <sup>(1)</sup> .
27. **(bis) An enterprise:** the enterprise subject to the provisions of Part five (bis) of this Law. It shall include:
- a. Individual enterprise owned by a natural Omani person which exercises in Oman any of the specific activities in Article (159) bis of this law.  
  
The owner of enterprise shall be determined from the commercial or the industrial registers or other of fiscal records or documents;
  - b. Omani company that takes the form of partnership or limited partnership or limited liability company and exercises the activities specified in Article (159) bis of this law <sup>(2)</sup> .
28. **Business:** Includes any activity, and in particular the commercial, industrial, vocational , professional, service or any other activity;
29. **Professional activity:** Includes the practice of any profession such as medicine, law, accounting, engineering and any other activity of a professional nature, based on the components of work and capital; such activity and specified in a decision issued by the Responsible Minister;
30. **Petroleum:** The crude oil, natural gas, asphalt, oil derivatives, and the associated substances of each.

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(1) Item (27) of Article (1) 2nd paragraph has been replaced as per RD No 9/2017 issued on 19th February, 2017 .

(2) Item (27) bis has been added to Article (1) as per RD No 9/2017 issued on 19th February, 2017.

## CHAPTER TWO: GENERAL PROVISIONS

### SECTION ONE: PERMANENT ESTABLISHMENT

**Article (2) :** In application of the provisions of this Law, permanent establishment means a fixed place of business through which a business is wholly or partly carried on in Oman by a foreign person either directly or through a dependent agent.

Permanent establishment includes especially:

1. A place of sale, place of management, branch, office, factory or workshop;
2. A mine, quarry or other place of extraction of natural resources;
3. A building site, a place of construction or an assembly project if it continues for a period exceeding (90) ninety days (\*).

A permanent establishment shall also mean-in application of the provisions of this Law- any foreign person that provides consultancy service or any other services in Oman for a period or periods of not less than ninety days in the aggregate in any twelve months whether directly or through employees of that person, or others designated by that person to perform such services.

**Article (3) :** For the purposes of the foregoing Article 2, there shall not be regarded as having a permanent establishment if the foreign person uses a fixed place of business solely for the following purposes:

1. Storage, display or delivery of goods or merchandise belonging to that person;
2. The maintenance of a stock of goods belonging to that person for the purpose of storage, display or delivery or processing by another person;
3. Purchase of goods, merchandise, or collection of information for the business;
4. Carrying on any other activity of a preparatory or auxiliary character for the purposes of the business;
5. The combination of any of the activities mentioned in the foregoing four sub-clauses of this Article provided that the overall activity of the fixed place of business resulting from that combination is of a preparatory or auxiliary character.

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(\* ) Item 3 of Article 2 has been replaced by RD No 9/2017 issued on 19th February, 2017

## SECTION TWO: NON-OMANI PARTNERSHIP AGREEMENTS

- Article (4) :** Agreements entered into outside Oman between two or more parties to carry on an activity to achieve a specific purpose, or to execute a specific work for the purpose of profit, and not regarded as forming a company which has a legal personality independent and separate from its partners under the laws of the State in which the agreement is concluded, shall, for the purposes of this Law, be treated as forming a legal person which is independent and separate from the parties to the agreement whatever be the limits of their liability for the debts arising from carrying on the activity, achieving the purpose or executing the work. Tax shall be charged on any income accruing to the permanent establishment in Oman owned by that person .
- Article (5) :** Assessment made on the income accruing in accordance with the foregoing Article 4, may not prejudice the liability of each party to the agreement for the tax due and payable by that person. The parties to the agreement shall be jointly liable.

## SECTION THREE: THE PRINCIPAL OFFICER

- Article (6) :** For the purposes of this Law, principal officer of an establishment, Omani company, or permanent establishment shall mean:
1. In relation to an establishment, the owner or the manager responsible for the establishment.
  2. In relation to an Omani company:
    - a. Partnership or limited partnership: the partner or the manager of the partnership or the limited partnership.
    - b. Joint venture: The director agreed between the partners to take over the management works in the company of both partners and others; and without prejudice to the provisions of Articles 51, 52 and 54 of the referred to Companies Commercial Law <sup>(\*)</sup>.
    - c. Joint stock company: The chairman of the board of directors or the manager, authorized by the board.

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(\*) Item (2/b) has been replaced by RD No 9/2017 issued on 19th February, 2017 .

- d. Limited liability company: The chairman of the board of directors or the person responsible for management.
- e. In cases of imposing receivership, liquidation or declaration of bankruptcy of the company: The receiver, liquidator or the bankruptcy manger.

3. In relation to a permanent establishment:

- a. The owner or the manager.
- b. Where it carries on the business in Oman through an agent: The agent of the owner of the permanent establishment.
- c. The foregoing sub-Clause (2) (e) of this Article shall apply in case of situations similar to those specified therein, with respect to the permanent establishment.

**Article (7) :** Where there is no principal officer within the meaning of Article6 , the Secretary General may designate any person connected with the business as the principal officer for the purpose of this Law, and that person shall be the principal officer in relation to that business. Such designating shall be notified to the taxpayer.

**Article (8) :** The principal officer of an establishment, Omani company, or permanent establishment shall be the person responsible for discharging the obligations imposed on that establishment, Omani company, or permanent establishment pursuant to this on that Law, unless otherwise expressly provided for in this Law.

**Article (9) :** In case the owner of an establishment or permanent establishment is present outside Oman during any tax year, he shall designate a person to be the principal officer responsible for discharging the obligations provided for in this Law, during the presence of the owner abroad. The principal officer shall be present during the period of the discharge of his duties, and he may not be absent for a period exceeding ninety days during any tax year.

## SECTION FOUR: VALUE OF THE ASSET DISPOSED OF

**Article (10) :** Subject to any special provisions provided for in this Law, the following shall be considered when determining disposal value of any asset disposed of:

- 1. Where one asset is exchanged for another, the market value of the asset acquired by exchange on the date of exchange shall be considered;

2. In the case of disposal of any asset from the assets of a taxpayer without consideration or for a consideration less than its market value, the market value of the asset on the date of disposal shall be considered.

## SECTION FIVE: OBLIGATIONS OF TAXPAYER

**Article (11) :** By virtue of the provisions of the Law, any taxpayer shall undertake to comply with the following:

1. To submit a request to the Secretariat General to issue a tax card when carrying out the procedures of incorporation or for license to carry on the activity or entry in the commercial or industrial registers or other official registers in accordance with valid laws, rules and regulations, or procedures for obtaining the necessary license to carry on professional activity or entry in the records prepared by the competent Ministry for practitioners of professional activities.

The submission of the application shall be according to the form prepared for this purpose.

The Executive Regulations of the Law shall prescribe the rules governing the issuance, amendment or renewal of the tax card; including data contained therein, the specified period of validity and the period for delivery; and without prejudice to the provisions of Article 201 (item 1) of this Law.

2. To notify the Secretariat General of his data as per the reality of the commercial or industrial registers or other official records, especially the name and the address or any modification to such data.

The notification shall be prepared on the prescribed form for this purpose within (60) sixty days from the date of incorporation or the start of activity whichever is earlier, and within (30) thirty days from the date of any changes in the data <sup>(\*)</sup>.

**Article (12) :** The accounts accompanying the final return shall be prepared by using the accrual basis of financial accounting and in accordance with international accounting standards and other similar criteria as determined by the Secretary General.

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(\*) Article 11 has been replaced by RD No 9/2017 issued on 19th February, 2017.

The Secretariat General may agree to the taxpayer's request to follow any other basis of accounting without prejudice to the standards referred to in the preceding paragraph <sup>(1)</sup>.

**Article (13) :** Where the accounts referred to in the foregoing Article 12 are prepared by using a basis other than the accrual basis of accounting, any reference to expenses incurred in any tax year shall be deemed to be a reference to the amounts actually paid in such tax year

**Article (14) :** Taxpayer may maintain the registers and books of accounts in a foreign currency only with the authorization from the Secretariat General.

If permitted, the taxable income or loss for any accounting period ending in any tax year shall be computed in Rials Omani in accordance with the average rate of the buying and selling rates of the currency prevailing on the ending date of that accounting period, as published by the Central Bank of Oman.

**Article (15) :** Every taxpayer shall preserve for at least ten years from the end of the accounting period for which the income is chargeable to tax, all registers, books of accounts and the documents proving their contents, based on which the accounts are prepared and required to be submitted with the return of income in accordance with this Law, or those which may be necessary for stating the basis adopted in computing the taxable income in the return of income, or necessary for determining the tax chargeable on the categories of income mentioned in Article 52 of this Law.

**Article (15)bis :** Every taxpayer shall commit to state the Tax card number issued to it bearing related data in application of Article 11 (item 1) of this Law on all issued correspondences, bills, editions, and documents or concluded contracts, etc <sup>(2)</sup>.

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(1) Article 12 has been replaced by RD No 9/2017 issued on 19th February, 2017.

(2) Article 15 bis has been added by RD No 9/2017 issued on 19th February, 2017.

## **SECTION SIX: OBLIGATIONS OF MINISTRIES, GOVERNMENT AUTHORITIES AND OTHER PARTIES**

**Article (16) :** Ministries and Government authorities which are competent for issuing licenses to carry on the professional activities shall be required to notify the Secretariat General every six months of statements of permanent licenses issued by them, their renewal, cancellation or expiry, as well as of temporary license at the time of issue in accordance with the conditions specified in the Executive Regulation of this Law.

**Article (16) bis:** All ministries, agencies, public institutions, other public legal persons and units of the administrative apparatus of the other state and state-owned companies by more than 40% shall take the following into account when contracting or dealing with any taxpayer -in application of the provisions of this Law- or carrying on any action in his favor:

1. The taxpayer shall submit a copy or a photocopy of the valid tax card issued to it in accordance with Article 11 (item 1) of this Law;
2. A copy or a photocopy of the tax card stamped with the seal of the contracting, transacting or processing agency shall be enclosed with the contracting, transacting or processing documents;
3. To notify the Secretariat General of the cases where the contractor or the dealer or the seeker of procedure does not file a copy or a photocopy of the tax card stating reasons which have prevented such submission; provided that such a notification is furnished within the time limit and by taking into account the rules prescribed by the Executive Regulations of the Law (\*).

**Article (16) bis 1:** The Secretariat General- when requesting taxpayer- related information from a licensed Bank- in accordance with the provisions of the referred to Banking Law- for the purpose of applying the provisions of this Law- shall forward the request to the Central Bank of Oman for transfer to the licensed bank.

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(\*) Article (16) bis has been added by RD No 9/2017 issued on 19th February, 2017.



The licensed bank shall directly notify the Secretariat General within the specified time limit with the taxpayer- related information and immediately informs its client thereof <sup>(\*)</sup>.

The request shall be issued upon approval from the Responsible Minister or the one who undertakes his authorities or jurisdictions without prejudice to the provisions of Articles (28) and (29) of this law or any special provisions stipulated in international agreements concluded according to Article (120) thereof.

**Article (17) :** The secretariat of the competent Court shall, if requested by the Secretariat General, provide it with the copies of the following:

1. Records on the attachment of movables and the date fixed for sale in accordance with the aforementioned Law of Civil and Commercial Procedures. Such notification shall be made promptly after an order for sale of the attached properties is issued by the Executive magistrate;
2. Declarations of properties submitted by garnishees within the garnishment proceedings in accordance with the aforementioned Law of Civil and Commercial Procedures. Such declarations shall be furnished promptly after submission of the declarations by the garnishee;
3. Notices for attachment of real estate made under the aforementioned Law of Civil and Commercial Procedures, after their registration at the concerned Secretariat of Land Register. Such notification shall be made promptly after registration of the notice.

**Article (18) :** Any person who takes procedures for the sale of moveable properties or real properties of taxpayers in public auction shall notify the Secretariat General of the date fixed for sale. Such notification shall be made at least ten days before that date.

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(\*) Article (16) bis (1)\*\* has been added by RD No 9/2017 issued on 19th February, 2017.



**PART TWO**  
**THE TAX ADMINISTRATION**

## PART TWO THE TAX ADMINISTRATION

### CHAPTER ONE: THE SECRETARIAT GENERAL

**Article (19) :** The Secretary General shall be responsible for the implementation of this Law, carrying out of the functions of the Secretariat General and for controlling and supervising all employees of the Secretariat General.

The Secretary General may delegate the Directors General or other employees of the Secretariat General to perform any of the functions assigned to him by this Law or its Executive Regulation.

Decisions issued by virtue of this authorization in application of this Article shall be applicable for the period specified in Article 19 bis (2<sup>nd</sup> paragraph) of this Law <sup>(1)</sup>.

**Article (19)bis :** The Responsible Minister may delegate the Secretary General or DGs at the Secretariat General the exercise of any of his delegable jurisdictions in accordance with this Law or its executive regulations.

Decisions of delegation issued by virtue of the provision of this Article shall be valid for a year automatically- renewed for similar period (s) unless a decision of cancellation is issued or the delegation ends for any of the reasons specified in Article (8) of the referred Law of authorization and delegation <sup>(2)</sup>.

**Article (20) :** The Secretariat General shall exercise the jurisdictions assigned in the Law through its Directorates General, Departments, divisions, sections and offices in accordance with its approved organizational structure.

A department concerned with tax litigation shall be established under the Secretary General in the Secretariat General. This department shall include a sufficient number of specialist lawyers<sup>(3)</sup>.

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(1) 2<sup>nd</sup> paragraph of Article (19) has been replaced and 3<sup>rd</sup> paragraph added by RD No 9/2017 issued on 19th February, 2017.

(2) Article (19) bis has been added by RD No 9/2017 issued on 19th February,2017.

(3) The 2<sup>nd</sup> paragraph has been added to Article (20) by RD No 9/2017 issued on 19th February, 2017.

**Article (20)bis :** The Department of tax litigation stipulated in Article 20 of this Law, shall solely act on behalf of the Secretariat General in all tax claims or appeals raised by or against the SGT before courts of different kinds and levels as well before the Committee or other bodies that are empowered by Law to have jurisdiction.

Copies of notices relevant to tax lawsuits and appeals shall be handed to the referred to department along with judgments and papers relating to such claims and appeals.

The Secretary General shall have the right to appoint lawyers admitted before foreign courts to handle tax lawsuits and appeals (\*).

**Article (21) :** The Secretariat General shall have the right to request from any person to whom an income has accrued as per the provisions of this Law, or where the income relates to any other person liable to tax, to submit statements including full details of such income, name and address of the person entitled to the income, and any other data or information relating to that income.

Response to the Secretariat General's request shall be made within the time specified in the notice addressed by the Secretariat General to that person.

**Article (22) :** The Secretariat General shall have the right to request from any person to submit any documents in his possession or any information, accounts, books of accounts or statements of assets and liability relating to tax liability of that person or any other person.

Response to the Secretariat General's request shall be made within the time specified in the notice addressed by the Secretariat General to that person.

**Article (23) :** The Secretariat General shall have the right to obtain copies of documents, information, accounts, records or statements and other information provided for in the foregoing Articles 21 and 22.

**Article (23)bis :** The Secretariat General has the right to examine documents, data, accounts, accounting records, lists of assets and liabilities or other documents for the purpose of tax assessments or collection.

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(\*) Article (20) bis has been added by RD No 9/2017 Law issued on 19th February, 2017.

Such examination shall be done in the taxpayer's place of activity during the hours of work provided that the taxpayer is notified in accordance with rules prescribed by the Executive Regulations of the Law; and without prejudice to the provisions of Articles (25) and (27) of this Law (\*).

- Article (24) :** The Secretariat General shall have the right to request the attendance of the principal officer of any establishment, Omani company, permanent establishment or any other person, at the time and place specified in the notice addressed by the Secretariat General for this purpose, in order to discuss matters relating to the income resulting from carrying on business which may be chargeable to tax in Oman, or relating to tax dues.
- Article (25) :** The Secretariat General may not request the submission of any documents, information, accounts, books of accounts or statements of assets or liabilities relating to tax liability of any person for a tax year which precedes the tax year in which the notice is addressed by more than ten years.
- Article (26) :** The Secretariat General may request for the submission of any statements or information from any ministry, government units, public establishment or authority or any other public Legal persons for the purposes of implementing this Law.
- Article (27) :** Employees of the Secretariat General, the positions of whom are determined by a decision issued by the competent authority in agreement with the Responsible Minister shall have powers of judicial enforcement for the purpose of enforcing this Law, its Executive Regulation and decisions issued for its implementation .
- Article (28) :** Any employee who is, by reason of his position, authority or function, engaged in the implementation of this Law or in deciding on disputes relating thereto, shall observe professional confidentiality in respect of documents, deeds, statements, information concerning any establishment, Omani company, or permanent establishment as well as all the confidential instructions relating to the implementation of this Law.
- Article (29) :** The following cases shall not be regarded as disclosure of professional secrets:
1. Approval for disclosure is expressly given by the concerned person.
  2. Implementing a decision issued by the Committee.
  3. Implementing a decision or a judgment issued by a Court.

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(\*) Article (23) bis has been added by RD No 9/2017 issued on 19th February, 2017 .

4. Implementing a request or decision made by the legally competent official authorities for mandatory interpretation of the provisions of this Law.
5. Cases in which the foreign laws provide for deduction of the tax paid in Oman from the foreign tax, on condition that disclosure shall be made to legally permitted employees, and to the extent for the implementation of these laws.
6. The compliance of the Statistics Law.

## **CHAPTER TWO: NOTICE**

**Article (30) :** Decisions and notices sent by the Secretariat General shall be served in accordance with the rules and procedures provided for in this Law, which will have the same legal effect as a notice served in accordance with the methods provided for in the aforementioned Law of Civil and Commercial Procedures.

**Article (31) :** The notice shall be served on the taxpayer or any other person as follows:

1. By service in person upon the principal officer of the taxpayer, or sending by post to his last address known to the Secretariat General.
2. By service in person upon the taxpayer or the person, or sending by post to the last address of that taxpayer or that person known to the Secretariat General.
3. Where the Secretariat General is notified by the taxpayer of the name and address of a person in Oman to receive the notices addressed to that taxpayer, service of notice shall be made by service in person or by sending it by post to that person at the specified address.
4. Service of notice to a joint venture shall be issued in the name of the company or the principal officer- as the case may be (\*).
5. Notices of assessment orders shall be sent by registered post.

**Article (32) :** The notice served by post shall be deemed to have been received at the specified address on the next day following the end of fifteen days from the date of sending it by post, unless proved otherwise.

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(\*) The statement: " without partners" has been replaced by the statement: "or the principal officer- as the case may be " by RD No 9/2017 issued on 19th February, 2017.

**Article (33) :** Return of income, accounts, or any records and other documents required to be furnished under this Law by any taxpayer or other person to the Secretariat General shall be delivered to the Department of Administrative and Financial Affairs at the Secretariat General, or sent by registered post to its address.

**Article (34) :** Notices, submission of returns of income, accounts and any other documents may be made by automated or electronic means in accordance with the rules provided for in the Executive Regulation of the Law.



**PART THREE**  
**CHARGEABILITY TO TAX**

## PART THREE CHARGEABILITY TO TAX

### CHAPTER ONE: TAXABLE INCOME AND TAXPAYERS

#### SECTION ONE: GENERAL RULES FOR DETERMINATION OF INCOME

**Article (35) :** Income means income of any kind - whether in cash or in kind-and includes in particular:

1. Profit from any business;
2. Consideration for carrying on researches and development;
3. Consideration for the use or right to use of computer software;
4. Consideration for lease or usufruct of real estate, machinery or other moveable or immovable property;
5. Profits resulting from granting any person a usufruct of or the right to use a real estate, machinery or any other moveable or immovable property;
6. Dividends, interests, or discount received;
7. Royalties or management fees or performance of services (\*).

**Article (36) :** For the purposes of this Law, royalties include:

1. Consideration for the use or the right to use of:
  - a) Intellectual or proprietary right either for artistic, literary or scientific work, including computer software, cinematograph films, or films or tapes or discs or
  - b) any other means used for radio or television broadcasting;
  - c) Patents, trademarks, design, drawing, models and secret process or formula;
  - d) Industrial, commercial or scientific equipment;
2. Consideration for information concerning industrial, commercial or scientific experience.
3. Consideration for granting rights of exploitation of mining or any other natural resources.

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(\*). The statement: " management fees" has been replaced by the statement: " management fees or performance of services " by RD No 9/2017 issued on 19th February, 2017.

**Article (37) :** For the purpose of this Law, the following shall be deemed to be income:

1. An amount received in any tax year, in pursuance of a contract of insurance concluded in favour of the taxpayer against the risks of non-realization of profits, as compensation for damage or non-realization of profits, shall be regarded as a profit from the business in that tax year or in the last tax year in which the business was carried on, whichever of the two years is earlier;
2. An amount received in any tax year, against a recovery or waiver of the whole or part of an amount previously deducted when the taxable income was determined for any tax year, like costs, loss, bad debt, or expenses for any liabilities, shall be regarded as profits from business in that tax year or in the last tax year in which the business was carried on, whichever of the two years is earlier;
3. The amount of any balancing charge computed for any tax year under Chapter Three of this Part, shall be regarded as profits from business for that tax year;
4. Profits or gains from disposal of any asset, including disposal of the goodwill, trade name, or trademark with respect to the business or part of it;
5. Any income accruing to a taxpayer from transactions made before the date of commencement of its business shall be regarded as income accruing on that date;
6. Any income accruing to any Omani company (other than a joint venture) from transactions made before its incorporation or registration shall be regarded as income accruing on the date of its incorporation or registration.

**Article (38) :** Where pursuant to an agreement between the Government and the taxpayer, the Government has the right to receive royalties in kind, then for the purposes of determining the taxable income of that taxpayer, an amount equal to the value of such royalties shall be added to the gross income of the taxpayer for the tax year during which such royalties were received.

## **SECTION TWO: TAXPAYERS**

**Article (39) :** Tax shall be charged for any tax year on the taxable income accruing to a taxpayer for that year. The tax rates shall be determined in accordance with the provisions of this Law.

- Article (40) :** Tax shall be charged on the income accruing in Oman from the categories specified in Article 52 of this Law, and with due regard to the provisions of Section Five of this Chapter, on a foreign person who does not carry on business in Oman through a permanent establishment situated therein, or that such person carrying on business in Oman through a permanent establishment does not consider the gross income paid or credited in the accounts and subject to tax in accordance with the provisions of Article 52 of this Law as part of the gross income of that permanent establishment.
- Article (41) :** Notwithstanding Article 39 of this Law, tax shall be charged on taxpayers engaged in Petroleum exploration for any tax year on its taxable income for that tax year according to Articles 75 and 76 of this Law. The tax rates shall be determined in accordance with the provisions of this Law.

### **SECTION THREE: GROSS INCOME AND TAXABLE INCOME**

- Article (42) :** Gross income means the income accruing to a taxpayer before deducting the expenses or allowing any deductions or set off or any exemption under this Law or other laws.
- Article (43) :** The taxable income for any tax year means the gross income of any taxpayer for that tax year after deducting the expenses or allowing any deductions or set off or any exemption under this Law or other laws.
- Article (44) :** In determining the taxable income for any tax year for which accounts have been prepared, there shall be recognized the income accruing during the accounting period or periods ending within that tax year. In other cases, the income accruing during that tax year shall be recognized.
- Article (45) :** Where any taxpayer has several accounting periods which end during any tax year, the taxable income for that tax year shall be determined on the basis of the aggregate income of these accounting periods.
- Article (46) :** In determining the taxable income for any taxpayer of any tax year, the basis adopted shall be the same as that used in the preparation of accounts for that tax year in accordance with the provisions of Article 12 of this Law.
- Article (47) :** No income which is subject to tax under the provisions of this Law may be exempted unless by virtue of a Royal Decree or a law.

## SECTION FOUR: ACCOUNTING PERIODS

**Article (48) :** The first accounting period for an establishment, an Omani joint venture or a permanent establishment shall begin on the date it commences to carry on business and, in respect of other Omani companies, shall begin from the date of registration pursuant to the Laws in force. The subsequent accounting periods shall begin in all cases from the day following the ending of the previous accounting period.

**Article (49) :** The date on which the accounting period ends for any taxpayer shall, generally be the date of expiry of the period of twelve months from the start of the period, unless before the expiry of this period, the business has ceased in the case of an establishment, permanent establishment, or joint venture, or any Omani company is liquidated. In such an event, the date of cessation of carrying on of the business or the date of conclusion of liquidation, as the case may be, shall be the date on which the accounting period ends.

**Article (50) :** In determining the first accounting period of a taxpayer, such period may be less than twelve months or may be more than this period up to a maximum of eighteen months.

**Article (51) :** A Taxpayer may, upon the consent of the Secretary General, change the date on which the accounting period ends.

The taxable income of the transition period resulting from such change shall be deemed to be the taxable income of the tax year in which this transition period ends.

The «transition period» means the period resulting from any two consecutive accounting periods which are not of equal length.

## SECTION FIVE: TAX CHARGEABLE ON CERTAIN CATEGORIES OF INCOME

**Article (52) :** Tax shall be charged on the following categories of income accruing in Oman:

1. Royalties;
2. Consideration for research and development;
3. Consideration for the use of or right to use computer software;
4. Fees for management or performance of services <sup>(1)</sup>.
5. Dividends on shares or interests <sup>(2)</sup>.

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(1) The statement: “fees for management” has been replaced by “fees for management or performance of services” by RD No 9/ 2017 issued on 19th February, 2017.

(2) Item 5 has been added to Article 52 by RD No 9/2017 issued on 19th February, 2017.

This tax shall be charged on the gross amount of the aforementioned categories of income, paid or credited to the account of any foreign person in the cases specified by Article 40 of this Law. The tax rate shall be determined in accordance with the provisions of Article 113 of the said Law.

**Article (53) :** Any taxpayer pays or credits any of the amounts specified in the foregoing Article 52, shall be liable to deduct tax from the gross amount paid or credited, and shall remit the same to the Secretariat General not later than fourteen days from the end of the month in which that amount has been paid or credited, whichever is earlier.

The remittance of this tax shall be made to the Secretariat General accompanied by a statement in the form prescribed for this purpose. A copy of that form shall be sent to the recipient of the payment.

**Article (53) bis :** Any ministry or body or public authority, or establishment or other autonomous legal entities or units of state administrative apparatus-committing to pay or credit in the account any of the amounts stipulated in Article 52 of this Law, shall deduct the tax from the total amount paid or credited in the account and submit the same to the Secretariat General in accordance with Article (53) thereof <sup>(\*)</sup> .

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<sup>(\*)</sup> Article (53) bis has been added by RD No 9/2017 issued on 19th February, 2017.

## CHAPTER TWO: RULES FOR DEDUCTION FROM THE GROSS INCOME

### SECTION ONE: GENERAL PROVISIONS

**Article (54) :** In determining the taxable income for any tax year, no amount shall be deducted from the gross income of that tax year unless such amount is an expense actually incurred during that year, wholly for the purpose of production of gross income.

Where the expenses are not wholly incurred for the production of gross income, only so much as is attributable to the purpose of the production of gross income shall be deducted. The expenses incurred for production of income shall not be deducted, if such income is exempted from tax under the provisions of this Law or any other law.

**Article (55) :** In determining the taxable income of any tax year, the following expenses shall be deducted:

1. Expenses incurred before the commencement of business or registration, but only at the amount and to the limits specified in this Law, on condition that the date of commencement of business or the date of registration falls within the accounting period ending in that tax year;
2. Amounts paid during that tax year to fulfill the dues of the employees of the establishment, Omani company or the permanent establishment in accordance with the aforementioned Labour Law or any other Laws;
3. Contributions paid by the taxpayer in that tax year - in its capacity as employer - to the Public Authority for Social Insurance in accordance with the provisions of the aforementioned Social Insurance Law;
4. Amounts paid during that tax year to contribute to pension funds in accordance with the rules determined by the Executive Regulation of this law;
5. Any debts not falling within Article 66 of this Law if they are considered to have become bad debts during that tax year in accordance with the conditions and rules set up in the Executive Regulation of the Law;
6. Amounts paid by the taxpayer, either as a cost of acquisition of any of the assets specified in paragraph 4 of Article 37 of this Law, except the assets to which Chapter Three of this Part applies,, or as necessary expenses in case of disposal of these assets, provided that such disposal is made within the accounting period ending in that tax year;

7. Depreciation of capital assets or the balancing allowance for the accounting period ending in that tax year, under Chapter Three of this Part;
8. Audit fees incurred during that tax year;
9. Sponsorship fees incurred during that tax year, subject to the Rules set up in the Executive Regulation of the Law;
10. Donations made during that tax year shall be granted in accordance with the following conditions and rules:
  - a) They are paid in cash or in kind to entities approved by the Financial Affairs and Energy Resources Council;
  - b) Aggregate total cash and in-kind donations during the tax year should not exceed (5%) five percent proportion of the taxpayer's taxable gross income for that year;
  - c) Acceptance of donations from legal persons shall be in accordance with the organizing Laws and Royal Decrees;
  - d) Value of donations made by the fund established by the taxpayer and allocated to charities according to the rules specified by the Responsible Minister shall be deducted as per the rules determined by the Responsible Minister provided that the Fund is licensed in accordance with valid laws and regulations and without prejudice to the provision of item (10 / A) of this Article;
  - e) Ownership of taxpayer's movable property or real estate should be transferred to the donated entity according to the procedures prescribed by Law;
  - f) Estimation of the donated movable property or real estate value should be done according to the rules prescribed by Financial Affairs and Energy Resources Council in exception of the provision of Article 10 of this Law and without prejudice to the provision of article 58 thereof;
  - g) Value of movable property or estate to be donated should be estimated- in the case of the taxpayer/donor's requiring commitments for his advantage or the benefit of another person from the receiving party as compensation in accordance with the provisions of Articles 448, 460 and 461 (item 2) of the Civil Transactions Law - after excluding the specific offset value;
  - h) The value of previously deducted donations shall be treated- when determining the taxable income for the donor- as income in the application of the provisions of this Law during the tax year in which the donation is decided to be annulled, revoked, recovered or withdrawn- either intentionally or forcibly- or to recover or receive back the value of the money donated in accordance with the provisions of the aforementioned Civil Transactions Law, and to the limit of the annulled, revoked, recovered or withdrawn donated money <sup>(\*)</sup> .

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(\*) Item 10 of Article (55) has been replaced by RD No 9/2017 issued on 19th February, 2017.



- Article (56) :** Where the accounting period of a taxpayer ends on a date other than thirty first of December, then any of the expenses or amounts mentioned in the foregoing Articles 54 and 55 which were actually incurred during such accounting period shall be deemed to be expenses and amounts incurred during the tax year in which the accounting period ends.
- Article (57) :** In determining the taxable income for any tax year, deduction of any of the expenses or amounts mentioned in Articles 54 and 55 may not be made more than once.
- Article (58) :** If the determination of the taxable income for any tax year requires the determination of the cost of any real estate - lands and buildings - the original cost of the real estate including the costs of construction of the building shall be considered.
- If the documents proving the original cost of the land and buildings are not available, or in the case of inherited real estates, or the ownership of which was transferred without consideration, the Secretariat General shall estimate the cost of the real estate.
- Article (59) :** The Responsible Minister may formulate in the Executive Regulation of the Law, the rules specifying other expenses or amounts that may be deducted in the computation of taxable income.

## **SECTION TWO: RESTRICTIONS ON DEDUCTING CERTAIN CATEGORIES OF EXPENSES**

- Article (60) :** In determining the taxable income for any tax year, there may not be deducted any of the following amounts from the gross income:
1. Any capital expenditure incurred during the tax year, except those which are deducted in accordance with the provisions of this Law;
  2. Any amounts payable or paid as tax on income in accordance with the provisions of this Law, or any other tax on income which is payable or paid in any other country for that tax year or for any other period;
  3. Any costs borne or losses incurred during that tax year where the costs were recovered, or the losses were compensated under a contract, insurance policy, Court judgment or others;
  4. Any amounts considered by the Secretariat General not to be reasonable by reference to the value of the services rendered or other considerations relating to such services;
  5. Loss from the disposal of securities listed in Muscat Securities Market.

**Article (61) :** In determining the taxable income for any tax year, interest on loans may be deducted in accordance with the rules specified in the Executive Regulation of this Law, in the following cases:

1. Interest allocated by the establishment to its owner or to the account of another person controlled by its owner pursuant to the Articles 132 and 133 of this Law;
2. Interest payable by any Omani company other than banks and insurance companies;
3. Interest allocated by a permanent establishment to its head of office or to the account of another person controlled by the owner of the permanent establishment pursuant to the Articles 132 and 133 of this Law.

For the purposes of this Article, the term loan means any kind of loan, advance or financial arrangement or financial facility entered into between a taxpayer and any other person where one controls the other or both of them are controlled by another person pursuant to Articles 132 and 133 of this Law, but does not include any amounts payable against the supply of goods or rendering of services in the ordinary course of business of the taxpayer, as long as no interests are payable on them.

The term "interests" means any payments, howsoever described, made in respect of a loan which is not a repayment of principal.

### **SECTION THREE: PROVISIONS CONCERNING EXPENSES BEFORE THE COMMENCEMENT OF BUSINESS, OR REGISTRATION**

**Article (62) :** Expenses incurred for business purposes before the business commences shall be deemed to be incurred on the day on which the business commences.

The provisions of the foregoing Paragraph shall not apply to any of the expenses provided for in Article 63 of this Law, or to the capital expenditure entitled to depreciation under this Law, or in the case of a permanent establishment to the expenses incurred outside Oman before it was established.

**Article (63) :** The expenses incurred before registration shall be deemed to include, the expenses incurred by an Omani company - other than a joint venture - before the date of its registration in accordance with the provisions of the Commercial Companies Law referred to or under any other Law, and the expenses incurred for incorporation of the company, provided that they are necessary for its purposes. These expenses shall be deemed to have been incurred on the date of the registration or incorporation.

## **SECTION FOUR: PROVISIONS CONCERNING CERTAIN CATEGORIES OF EXPENSES**

**Article (64) :** In determining the taxable income of an establishment or Omani company for any tax year, the following amounts shall be deemed to be deductible expenses:

1. Remunerations payable to the chairman and the members of the board of directors of a joint stock company.
2. Salaries and similar remunerations payable to any partner of an Omani company or to the owner of an establishment for management.
3. Amounts payable by an establishment for the use of the real estates registered in the name of the owner of that establishment.

The Executive Regulation of this Law shall specify the rules for deduction of such expenses.

**Article (65) :** In determining the taxable income of insurance companies that carry on business in accordance with the Insurance companies Law referred to, the following amounts shall be deducted from the gross income:

1. Provisions for unexpired risks and provisions for unsettled claims which are made in accordance with the Insurance Companies Law referred to above;
2. Amounts paid for the Insurance Emergency Fund mentioned in Article 59 (bis) of the Insurance Companies Law referred to above.

**Article (66) :** In determining the taxable income for any tax year for any bank, there shall be deducted the amounts of provisions for loan losses which are made by the bank to the extent of the amount of provision required to be made in accordance with the recommendation of the Central Bank of Oman on a date nearest to the bank's balance sheet date for the accounting period ending in that tax year, provided that the loan was given in the ordinary course of the banking business.

**Article (67) :** In determining the taxable income for any tax year for any permanent establishment, there may be deducted the expenses of the head office situated outside Oman, such as the expenses on technical consultants, on research and development or on data processing, general and administration costs and other similar or related expenses incurred by the head office and allocated or charged by the head office to the permanent establishment.

The expenses incurred by the person related to the owner of the permanent establishment and allocated or charged as expenses to the permanent establishment shall be treated as head office expenses under the provisions of the preceding paragraph.

For the purposes of this Article, the person is considered as related to the owner of the permanent establishment if one controls the other, or both are controlled by the same person pursuant to the Articles 132 and 133 of this Law.

No expenses may be deducted in any case under the provisions of this Article, except in cases and in accordance with the percentages and Rules specified in the Executive Regulation of the Law, subject to the provisions of Article 54 of this Law.

## **SECTION FIVE: PROVISIONS CONCERNING DEDUCTION AND CARRYING FORWARD OF LOSSES**

**Article (68) :** For the purposes of this Section, the following terms shall have the meaning attached to each of them:

1. Exemption period: Any period for which the income of the establishment or Omani company is exempted from tax in accordance with the provisions of this Law or any other Law;
2. Exemption under Article 118 of this Law: The exemption granted to any establishment or Omani company in accordance with Article 118 of this Law, or as per Article 51 (bis) of the Law of Income Tax on Companies, or as per Article 5 (bis) of the Law of Profit Tax on Establishments ;
3. Net loss: The excess of the total amount of losses incurred during the five years of the exemption period specified for any establishment or Omani company in accordance with Article 118 of this Law less the income decided to be exempted under that Article during any year of the said five years, provided that loss or exempted income shall be determined by following the same rules prescribed for determining the taxable income .

**Article (69) :** The losses incurred for any tax year of the taxpayer shall be carried forward to the following tax year and deducted from the taxable income for that year and the subsequent years until the entire loss is set off. In case the loss is incurred for more than one tax year, the deduction of loss shall commence from the earliest tax year.

**Article (70) :** Where a foreign person carries on several businesses through permanent establishments, the loss, which is incurred in any tax year from carrying on any business, may be carried forward and deducted in accordance with the previous Article 69, only after reducing therefrom the taxable income of the other permanent establishments owned by that person.

**Article (71) :** Loss may not be carried forward, under Article 69 of this Law, for more than five years commencing from the end of the tax year during which the loss was incurred.

**Article (72) :** No loss may be deducted or carried forward if such loss was incurred from carrying on any business exempted from tax, either under this Law or any other law.

**Article (73) :** As an exception from the provisions of the previous Articles 71 and 72, in the case of any establishment or Omani company that is granted exemption under Article 118 of this Law, the net loss of five years of the exemption period specified for any establishment or Omani company, may be carried forward and deducted, and such deduction and carry forward in this case shall be made for any number of tax years, until the whole of the net loss is set off.

The net loss shall be deducted before allowing deduction for any loss that might be incurred during the subsequent tax years.

**Article (74) :** Loss may not be deducted in cases other than those specified exclusively in this Section, unless it is a result of a deal or transaction of any kind resulting in earning a taxable income during the same tax year in which the loss was incurred.

## **SECTION SIX: PROVISIONS CONCERNING TAXPAYERS IN THE FIELD OF PETROLEUM EXPLORATION**

**Article (75) :** In determining the tax of any taxpayer for any tax year which derives its taxable income from the sale of petroleum, there shall be deducted from this income the following amounts paid to the Government by the taxpayer in that year:

1. Royalties of any kind except those charged on the crude oil extracted from Oman and sold at future price.
2. Taxes - other than the income tax charged under this Law and vehicle fees - including custom duties and any other amounts of a similar nature paid to the Government in respect of the carrying on of petroleum production activity by the taxpayer in Oman for the purpose of sale or dealing in the petroleum produced.

In no case, deduction for any amount paid may be made more than once.

**Article (76) :** The provisions of the foregoing Article 75 shall apply where any of the amounts mentioned therein is paid by a party related to any taxpayer engaged in petroleum exploration, provided that:

1. The main activity of these two parties in Oman shall be the production of or dealing in petroleum;
2. Dealings between these two parties in Oman in the tax year or period shall be in the ordinary course of business of each of them.

The provisions of this Article shall not prejudice the other cases in which the relationship between the two parties emerges from direct or indirect ownership by one party of shares of the other party, or from direct or indirect ownership of the shares of both of them by another person.

## CHAPTER TWO BIS<sup>(\*)</sup>

### Provisions concerning the determination of taxable income for parties in Financial Islamic transactions

#### Section One: Basic rules

**Article (76)bis :** In application of the provisions of this law, Islamic financial transaction means- agreement or deal involving financial rights where the parties to that transaction include a person licensed to practice Islamic financial business- whether banking or other- in application of the laws in force in the State which issued the license; provided that such agreement or deal complies - in its conditions, effects and other elements- with the provisions of the Islamic Sharia and does not involve - explicitly or implicitly- carrying out other financial transaction.

**Article (76)bis 1 :** The provisions of this chapter shall apply to the determination of the taxable income of the parties in the Islamic financial transaction; and without prejudice to the provisions of Articles 11 to 15 and from 21 to 29 and from 125 to 187 bis (1) of this Law, and any other provisions prescribed by this law.

**Article (76)bis 2 :** The following disposals and acts shall not be taken into account- in the application of the provisions of this law- if it is proved that the only purpose of the conclusion of the disposition or doing the act is to comply with the provisions of Islamic Sharia without making any other financial transaction:

1. Establishing a partnership or a joint venture or concluding a partnership agreement of participation according to the principles contained in Article 4 of this law;
2. Disposing of capital or other asset by sale or exchange or waiver or other types of disposals set forth in Article 1 (item 17) or Article 77 (item 4) of this law;
3. Leasing of immovable or movable properties or the usufruct thereof.

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(\*) Chapter Two Bis has been added " by RD No 9/2017 issued on 19th February, 2017

## **Section Two: Rules pertaining to certain types of income and expenses**

**Article (76)bis 3 :** In application of the provisions of Article 35 of this Law, the Income arising in consideration of rent or usufruct in the case provided for in Article (76) bis 2 (item 3) thereof shall not be considered.

**Article (76)bis 4 :** The following shall be taken into account when determining the taxable income in accordance with the provisions of this chapter:

1. Any amounts received by the person in lieu of interests in application of Article 35 (item 6) of this Law, shall be treated as income;
2. Any amounts spent by the person in lieu of interests in accordance with the rules issued by the Responsible Minister in application of Article 59 of this Law, shall be treated as expense.

**Article (76)bis 5 :** When determining the taxable income in compliance with the provisions of this chapter- donations that a person is committed to pay must be deducted its performance in accordance with applicable laws and regulations in consideration for what he received from additional amounts in return for a trader delay in the payment of dues; provided that such donations are made to any of the categories determined in accordance with Article 55 (item 10) of this law; and without being restricted by the maximum discount provided for thereof.

**Article (76)bis 6 :** When determining the taxable income in compliance with the provisions of this chapter, provisions for credit losses created by the bank licensed to carry on Islamic banking business shall be treated according to the treatment prescribed for provisions of loan losses in Article 66 of this Law.

## **Section Three: Rules relating to the burden of proof**

**Article (76)bis 7 :** In applying the provisions of this chapter, the taxpayer who concluded the agreement or the Islamic financial transaction is charged with the burden of proving the following stated issues- either at the time of submission of the return of income or when considering the tax objection, appeal or suit in compliance with the provisions of Part VI of this Law:



1. Such agreement concluded or the transaction entered into- in accordance with the provisions of Article (76) bis of this Law- complies with the provisions of Islamic Sharia;
2. The agreement concluded or the transaction conducted- as referred to in item 1 of this Article- does not involve explicitly or implicitly the performance of any other financial transaction.
3. The license to carry on the Islamic financial business- in accordance with the provisions of Article 76 bis of this Law- was issued in compliance with the provisions in force in the State which issued the license;
4. The only purpose of the establishment of the company or the agreement to participate in or to dispose of the asset or money lease or usufruct thereof- in accordance with the provisions of Article 76 bis 2 of this Law- is to comply with the provisions of Islamic Sharia without performing any other financial transaction;
5. The amounts required to be treated as income or expenses- in compliance with the provisions of Article 76 bis 4 of this Law- have been obtained or spent in lieu of interests.

## CHAPTER THREE: DEPRECIATION OF CAPITAL ASSETS

### SECTION ONE: GENERAL RULES

**Article (77) :** For the purposes of this Chapter, the following words and terms shall have the meaning attached to each of them unless the context otherwise requires:

1. Capital asset: Any building, machinery and plant or any other tangible and intangible asset in respect of which depreciation is allowed in accordance with the provisions of this Chapter;
2. Machinery and plant: Include fixtures, installations, vehicles, furniture, and computer software, but does not include ships or aircraft;
3. Depreciation base: The amount which is determined under the provision of Article 92 of this Law with respect to any pool of assets specified in Article 90 thereof;
4. Disposal: Disposal of any capital asset by way of sale or exchange, and also includes the cessation of use of the asset for the purpose of the business, or the asset cannot be used, or is transferred, acquired as per the law, discarded, lost, demolished, or destroyed;
5. Buildings: Include construction, bridges, quays, jetties, pipelines, roads, and railways, but does not include land;
6. Capital expenditure: Expenses incurred by a taxpayer in acquiring the capital asset, or any additions or improvements made to this asset.

**Article (78) :** There shall not be regarded as capital expenditure, for the purpose of this chapter, the expenses borne directly or indirectly by the Government or any person other than the taxpayer.

### SECTION TWO: DETERMINATION OF CAPITAL ASSETS AND EXPENSES RELATED THERETO

**Article (79) :** Executive Regulation of this Law shall lay down the rules governing the determination of the expenditure, whether capital expenditure or otherwise, incurred in respect of the capital assets held under contracts of finance leases, provided they are treated in the accounts in

the manner prescribed for such assets as per the International Accounting Standards or the other standards which are considered as similar as per the controls and procedures issued by a decision from the Secretary General <sup>(\*)</sup> .

- Article (80) :** Where the amount of the capital expenditure of an asset acquired exceeds what it would have been if it had been incurred in the open market, the excess shall be excluded from that amount.
- Article (81) :** In respect of expenses incurred for the acquisition of any capital asset before the accounting period during which it commenced to be used for carrying on the business, the market value of the asset at the date on which it commenced to be used shall be taken into account, if the market value on the date of commencement of the business is less than the expenditure actually incurred in acquiring that asset.
- Article (82) :** If a capital asset is used partly for the purposes of carrying on the business, the amount of expenditure incurred for acquiring that asset shall be limited to the amount corresponding to that part used for carrying on the business.
- Article (83) :** In determining the taxable income, no more than one deduction of depreciation shall be allowed in case of use of the capital asset in more than one business carried on by the taxpayer or no more than one category of allowance shall be made if there are many categories under which the deduction shall be allowed, or no more than one deduction shall be made under any provisions of this Law.

### **SECTION THREE: RULES FOR DEDUCTION OF DEPRECIATION ON BUILDINGS, SHIPS, AIRCRAFTS AND INTANGIBLE ASSETS**

- Article (84) :** Depreciation shall be allowed under this Section on the capital expenditure incurred on the acquisition of any asset used for the purposes of the business in an accounting period only if it continues to be in use for that purpose till the end of that accounting period.
- Article (85) :** The amounts allowable as depreciation on capital expenditure incurred on the acquisition of any capital asset shall, in relation to any business for any accounting period, be deemed to be the expense of that business during that period in accordance with the provisions of this Law.

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(\*) The statement "or the other standards which are considered as similar as per the controls and procedures issued by a decision from the Secretary General" has been added by RD No 9/2017 issued on 19th February, 2017.

The depreciation under this Section for any accounting period shall be increased or decreased if the accounting period is more or less than one year, or if the business is carried on only during a part of that accounting period.

In all cases, the total amounts allowed as depreciation shall not exceed the amount of capital expenditure.

**Article (86) :** Depreciation shall be allowed under this Section for any accounting period on capital expenditure incurred in the acquisition of any building used for the purposes of the business during that period. The amount allowed to be deducted shall be determined in accordance with the following percentages:

1. 4% annually for depreciation of buildings constructed with selected materials as specified by a decision issued by the Secretary General;
2. 10 % annually for depreciation of quays, jetties, pipelines, roads and railways;
3. 15 % annually for depreciation of buildings constructed with other than the selected materials mentioned above, or prefabricated buildings;

100 % annually for depreciation of buildings used as hospitals or educational institutions. Taxpayer in this case may choose the rate in this Clause, or the rates in the foregoing Clauses (1) and (3).

**Article (87) :** The percentages of depreciation mentioned in Clauses (1), (2) and (3) of the foregoing Article 86 shall be doubled if buildings are used for industrial purposes.

These purposes shall not include the use of buildings for the purposes of storage, office, accommodation for workers or for other commercial purposes.

**Article (88) :** Depreciation shall be allowed under this Section for any accounting period at the rate of 15 % annually on capital expenditure incurred on the acquisition of any ship or aircraft used for business purposes during that period.

**Article (89) :** Depreciation shall be allowed under this Section for any accounting period on capital expenditure incurred in acquiring any intangible asset, other than computer software and intellectual property rights provided for in Article 90 of this Law, which are used for business purposes during that period.

The amount of deduction shall be fixed annually by dividing the capital expenditure incurred by the number of years of the productive life of the asset at the discretion of the Secretariat General.

## **SECTION FOUR: RULES FOR DEDUCTION OF DEPRECIATION ON MACHINERY AND PLANT**

**Article (90) :** Machinery and plant shall be allocated to pools with annual rates of depreciation specified for them as follows:

1.  $33\frac{1}{3}$  % annually for the first pool, comprising: Tractors, cranes and other heavy machinery and plant similar in nature and use, computers, vehicles and self-propelling machines, fixtures, fittings, and furniture. It also comprises computer software and intellectual property rights;
2. 10% annually for the second pool, comprising drilling rigs;
3. 15% annually for the third pool, comprising any other machinery and plant which are not included in the foregoing Clauses (1) and (2).

**Article (91) :** Deduction shall be made for any accounting period as depreciation for the capital expenditure incurred on the acquisition of any machinery, plant, or other capital assets that are falling within any of the three pools mentioned in the foregoing Article 90 and which are used for business purposes during that period.

**Article (92) :** The amount to be deducted as depreciation in respect of a pool for the accounting period shall be calculated by applying the percentages specified in Article 90 of this Law on the depreciation base of that pool.

For the purpose of this Section, for any accounting period, the depreciation base in the case of any pool shall be determined to be the excess of the amount resulting from applying Clause 1 of this Article after deducting the amount resulting from applying Clause 2 of this Article as follows:

1. The depreciation base of that pool for the accounting period immediately preceding that accounting period after deducting the depreciation allowed for this pool for the accounting period immediately preceding that accounting period. This depreciation base shall be increased by the total capital expenditures incurred in acquiring the machinery, plant or other assets falling under the same pool during that accounting period.

1. The disposal value of all capital assets falling in that pool that were disposed of during that accounting period.

For the purposes of determination of the depreciation base for the accounting period relevant to the first tax year to which this Law applies, the costs of the assets in the pool at the beginning of that accounting period after deducting the amounts of depreciation allowed for the assets under the First Schedule attached to the Company Income Tax Law, during the tax years prior to that first tax year, shall be deemed as capital expenditure incurred on their acquisition during that accounting period.

**Article (93) :** Depreciation shall be allowed in respect of a pool for any accounting period, if that accounting period is not the period in which the business has ceased, or is not the accounting period at the end of which none of the assets in that pool is remaining. The amount of the depreciation shall be proportionately increased or reduced if the accounting period is more or less than a year, or the business has been carried on for only part of the accounting period.

**Article (94) :** In computing the taxable income for any accounting period - the following shall be considered:

1. If the accounting period is the period during which the business has ceased, or at the end of which none of the assets in the pool is remaining, where the amount referred to in Clause (1) of Article 92 of this Law is more than the amount referred to in Clause (2) of that Article, the excess amount shall be the balancing allowance for that period, and the depreciation base of the pool of assets during this accounting period shall be nil;
2. If the amount referred to in Clause (2) of Article 92 of this Law is more than the amount referred to in Clause (1) of that Article, the excess amount shall be the balancing charge for that accounting period, and the depreciation base of that pool of assets during this accounting period shall be nil.

## **SECTION FIVE: PROVISIONS CONCERNING TRANSFER OF OWNERSHIP OF ASSETS FOLLOWING THE TRANSFER OF BUSINESS**

**Article (95) :** The provisions of this Section shall apply to cases where after this Law comes into force, the business of an establishment is transferred to an Omani company in consideration for shares in that company offered to the owner of the establishment, and accordingly transferred to the company the ownership of any capital asset used for the business of the establishment that was previously subjected to the provisions of depreciation.

The implementation of this Article requires that the ownership of all the assets falling within any pools of assets is fully transferred to the company.

**Article (96) :** Both the establishment in its capacity as the transferor of the capital asset and the company in its capacity as the transferee shall have the right to choose whether the provisions of this Section or the other provisions of this Law are to be applied to the asset or to the pool of assets.

For exercising the option right mentioned in this Section, a notice shall be sent before the expiry of six months of the end of the tax year in which the transfer takes place and before the owner of the establishment disposes any of the shares transferred to him pursuant to the foregoing Article 95. The option once made cannot be revoked.

**Article (97) :** If this option for applying this Section is chosen, such transfer of asset shall not be considered as disposal provided for in this Chapter, and the provisions for depreciation, balancing allowances and balancing charges shall be dealt as if the transferee is the one carrying on the business.

The necessary adjustments shall be made whether by taking the procedures for making the tax assessment on the establishment or the company, exemption from tax or refund of tax, or by other procedures that are necessary for adjustment.

## **SECTION SIX: PROVISIONS CONCERNING THE DISPOSAL OF CAPITAL ASSETS**

**Article (98) :** The provisions of this Section shall apply to the cases where a capital asset that was previously subjected to the provisions of this Chapter, has been sold or destroyed, if such disposal or destruction involves other assets, provided:

1. The sale price or the compensation amount relates to all the assets sold or destroyed;
2. The sale price has been fixed in accordance with a contract or arrangement agreed between the parties, and has been divided between the assets sold at same time by the seller and the same purchaser, either in accordance with the same contract or other separate contracts, or similar insurance compensations divided between the insured and the insurance company.

**Article (99) :** The following provisions shall be considered in the case referred to in Clause (1) of the foregoing Article 98:

1. The Secretariat General may approve the agreement between the parties - former and new owners- or the former owner and the insurer, for the apportionment of the sum referred to in that Clause, between the various items of the assets.

2. If the agreement is not approved under the foregoing Paragraph, the Secretariat General may apportion the sum referred to in Paragraph (1) of the foregoing Article 98 between the various items of the assets.

**Article (100) :** In the cases referred to in Clause (2) of Article 98 of this Law, the Secretariat General may:

1. Approve the agreement between the parties on apportionment of the sale price or the amounts of insurance between the various items of the assets;
2. If it is obvious to the Secretariat General that the apportionment agreed upon by the parties would afford an unjust tax advantage to any of them, the Secretariat General shall apportion the sale price or the amounts of insurance between the various items of the assets in accordance with its view of the correct value of such items.

**Article (101) :** For the purposes of this Law, the value attributable to any capital asset in accordance with the provisions of this Section shall apply to both the former and new owner of the asset.

In all cases, the Secretariat General shall notify the concerned persons of any apportionment approved in pursuance of this Section.

**Article (102) :** Where depreciation has been allowed in accordance with the provisions of this Chapter for the capital expenditure incurred to acquire the asset, the provision of this Section shall be followed in case of disposal of the above-mentioned assets.

**Article (103) :** Where the ownership of a capital asset is transferred by way of sale, the date of sale shall be the date on which the procedure for the transfer of ownership is completed or the date of delivery of the asset sold, whichever is earlier. The disposal value of the sold asset shall be determined as follows:

1. If the asset is sold at a price less than the price that may be obtained in case of sale in the open market, and the purchaser does not have the right to deduct the depreciation in respect of the capital expenditure on the assets sold, pursuant to the provisions of this Section, the disposal value of such asset shall be fixed on the basis of the sale value in the open market;
2. If the sale of the asset does not fall under the foregoing Clause (1) above, the disposal value of that asset shall be the aggregate of :
  - a) The net proceeds of sale;
  - b) Any payments received under an insurance policy concluded that can affect the value that may be obtained;
  - c) Any other capital sums received as compensation, irrespective of their nature.



**Article (104) :** The disposal value in case of discarding or destruction of a capital asset shall be the aggregate of:

1. Any payments received under an insurance policy made against the risk of destruction or stopping use of that asset;
2. The net amount received for the remaining part of the asset;
3. Any other capital sums received as compensation, irrespective of their nature.

**Article (105) :** The disposal value in case of permanent loss of possession of a capital asset, other than those cases mentioned in the foregoing Article 104, shall be the aggregate of:

1. Any payments received under an insurance policy made against the risk of permanent loss of possession of that asset,;
2. Any other capital sums received as compensation, irrespective of their nature.

**Article (106) :** In the case of granting the right to use or deal with computer software, the value of disposal shall be as follows:

1. In the case of granting the right to use or deal with computer software without any consideration: the value shall be determined on the basis of consideration in money which would have been received if the right had been granted in the open market;
2. In the case of granting the right to use or deal with computer software for a consideration lower than that which would have been received, if the right had been granted in the open market, and the grantee of the right is not entitled to deduct depreciation under the provisions of this Chapter on capital expenditure on acquisition of the right: the value shall be determined on the basis of consideration in money which would have been received in the open market;
3. In the case of granting the right to use computer software in the cases other than those mentioned in the foregoing Clauses (1) and (2), the value shall be determined in accordance with the Clause (2) of Article 103 of this Law.

**Article (107) :** In the other cases, the disposal value of the capital asset shall be fixed on the basis of the price that can be obtained on the date of the disposal in case of disposal by sale in the open market.

The cases include:

1. The cessation of the use of an asset partly or wholly for the purposes of the business.
2. The final cessation of the business;
3. When a person becomes non-taxable in Oman in respect of the business for which the capital asset is used.

## **SECTION SEVEN: BALANCING ALLOWANCE OR BALANCING CHARGE IN CASE OF DISPOSAL OF BUILDINGS, SHIPS, AIRCRAFTS AND INTANGIBLE ASSETS**

- Article (108) :** In cases of disposal of any capital asset which does not fall in any pool of assets provided for in Article 90 of this Law, and on which depreciation was allowed for any accounting period in accordance with this Law or the First Schedule attached to the Law of Income Tax on Companies, balancing charge or balancing allowance shall be made in accordance with the provisions of this Section.
- Article (109) :** For the purpose of this Section, net value for any accounting period of a capital asset, which does not fall within any of the pools of assets provided for in Article 90 of this Law, and was used for the business purposes, means the amount of capital expenditure incurred by the taxpayer that carries on the business in acquiring the asset, minus the total amount of depreciation allowed under the provisions of this Chapter or the First Schedule attached to the Law of Income Tax on Companies on that capital asset in the accounting periods preceding the date on which this Law takes effect.
- Article (110) :** Where there is a disposal of a capital asset which does not fall within any pool of assets provided for in Article 90 of this Law during any accounting period, and where the disposal value of the asset, as determined in accordance with the provisions of this Law, is lower than the net value of the asset for that accounting period, the difference between the two amounts shall be deemed to be a balancing allowance for that period.
- Article (111) :** Where there is a disposal of a capital asset which does not fall within any pool of assets provided for in Article 90 of this Law during any accounting period, and where the disposal value of the asset, as determined in accordance with the provisions of this Law, exceeds the net value of the asset for that accounting period, the difference between the two amounts shall be deemed to be a balancing charge for that period.

### **CHAPTER FOUR: TAX RATES**

- Article (112) :** The tax stipulated in this Part shall be computed by applying the rate of 15 % of the taxable income for any establishment, Omani company or permanent establishment for any tax year <sup>(\*)</sup>.

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(\*) Article (112) has been replaced by RD No 9/2017 issued on 19th February, 2017 .

**Article (113) :** The tax rate referred to in Article 52 of this Law shall be 10 % of the gross amount.

**Article (114) :** The tax rate for taxpayers engaged in petroleum exploration shall be 55 % of the taxable income in respect of any income derived from the sale of petroleum.

**CHAPTER FIVE: TAX EXEMPTION**  
**SECTION ONE: EXEMPTION FOR CERTAIN**  
**CATEGORIES OF INCOME**

**Article (115) :** In determining the taxable income for any tax year, the following shall be exempted from tax:

1. Dividends received by the establishment, Omani company or permanent establishment from shares, allotments or shareholding it owns in the capital of any Omani company;
2. Profits or gains from the disposal of securities listed in the Muscat Securities Market.

## SECTION : ACTIVITIES EXEMPTED FROM TAX

- Article (116) :**
1. Income accruing to any establishment owned by an Omani natural person or an Omani company from carrying on its activity in the field of shipping shall be exempted from tax;
  2. Income accruing to any person, other than provided for in the foregoing paragraph, from carrying on its activity of shipping or air transport, shall be exempted from tax, provided that a similar treatment is accorded on a reciprocal basis in the country in which the juristic person is incorporated or in the country where the effective management and control are exercised on the person or in the country of which the natural person is a national.

**Article (117) :** Income accruing to investment funds set up in Oman under the Capital Market Law referred to or funds set up outside Oman to deal in Omani securities listed in Muscat Securities Market, shall be exempted from tax.

- Article (118) :**
1. Income that accrues to an establishment or Omani company from carrying on its main activity in the fields of industry in accordance with the Law for Unified Industrial Organization of Gulf Cooperation Council Countries with the exception of project execution contracts shall be exempted from tax:
  2. Exemption from tax shall be for period of five years beginning from the date of commencement of production as per the terms, conditions and procedures determined by a decision issued from the Responsible Minister upon approval of the Council of Financial Affairs and Energy Resources <sup>(1)</sup>.

**Article (119) :** The exemptions provided for in this Section may only be granted by a decision issued by the Responsible Minister as per conditions and controls, after following the procedures specified in the Executive Regulation of the Law and without prejudice to the provision of Article 118 of this Law <sup>(2)</sup>.

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(1) Article (118) has been replaced by RD No 9/2017 issued on 19th February, 2017 .

(2) The statement "and without prejudice to the provision of Article 118" has been added by RD No 9/2017 issued on 19th February, 2017.

**PART FOUR**  
**AVOIDANCE OF DOUBLE TAXATION**

**PART FOUR**  
**AVOIDANCE OF DOUBLE TAXATION**  
**CHAPTER ONE: AVOIDANCE OF INTERNATIONAL**  
**DOUBLE TAXATION**

**Article (120) :** The Government may enter into agreements with the governments of any other countries for the purpose of avoiding double taxation in relation to income.

**Article (121) :** In the application of the provisions of any international agreement for the avoidance of double taxation, the foreign tax paid in respect of the income which was charged to tax in the country with which Oman has concluded that agreement, shall be deducted from the tax payable on its taxable income in Oman of the tax year of which the income charged to the tax in that country forms a part.

**Article (122) :** The amount allowed to be deducted for the foreign tax, for any tax year, shall not exceed the difference between the amount of tax which would be chargeable on the taxable income for that year before the deduction for the foreign tax, and the amount of tax which would be chargeable on that income after deducting the income for which the deduction is to be allowed.

In all cases, the total amount allowed to be deducted for any tax year for the foreign tax under this Chapter shall not exceed the tax payable for that year.

**Article (123) :** Income in respect of which the amount is allowed to be deducted for the foreign tax shall be computed as per the rules for determination of the taxable income under the provisions of this Law.

**Article (124) :** Any establishment or Omani company that has paid foreign tax on a part of its income which accrued from a source outside Oman and such part of the income is also chargeable to tax in Oman, may submit an application to the Secretariat General to deduct that tax from the tax payable on its taxable income in Oman for the tax year of which the income charged to the foreign tax forms a part. Application for deduction shall be submitted within a period of two years from the ending date of the tax year during which the foreign tax is paid.

In the computation of the amount that is to be allowed as a credit under the provisions of this Article, the rules for deduction provided in Article 121 and 122 of this Law shall apply.

The Secretariat General shall within a period of six months from the date of submit of adequate documents allow the deduction.

The expiry of this period before issuing a decision shall be deemed to be an implied rejection of the claim. The decision of rejection - whether explicit or implied - may be disputed in accordance with the provisions of this Law.

The provisions of this Article shall not apply in cases where international agreements for the avoidance of double taxation are applicable.

## CHAPTER TWO: TAX AVOIDANCE BETWEEN PERSONS OR BY ENTERING INTO TRANSACTIONS

### SECTION ONE: CASES OF AVOIDANCE BETWEEN RELATED PERSONS

**Article (125) :** The provisions of this Section shall apply in computing the taxable income of any person for any tax year where it is found that certain transactions are entered into directly or indirectly by that person with a related person.

A transaction between these two persons is considered as one entered into indirectly, if they are interrelated transactions, and these persons are parties to one or more of such transactions, irrespective of whether both of them are parties to the same transaction or not.

Two persons are considered as related to with each other if one controls the other or both are controlled by third person in accordance with Articles 132 and 133 of this Law or one is a relative of the other up to the third degree, whether directly or indirectly related, or connected by marriage.

**Article (126) :** In determining the taxable income of a person who has entered into a transaction referred to in the foregoing Article 125, the effects of the transactions entered into under the conditions mutually agreed between the two persons shall be ignored if the terms agreed upon result in determination of a lower taxable income or higher loss allowable to be deducted or carried forward for that person than would be the case if it was between independent persons. Instead, the effects of such transactions shall be taken into account assuming the terms on which the transactions would have been entered into by independent persons.

**Article (127) :** In case of application of the provisions of the foregoing Article 126 for computing the taxable income of a person with whom the transaction has been made for a specific tax year, the Secretariat General may compute the taxable income of the other person with whom the transaction has been made - in respect of the transaction on which the provision of the foregoing Article 126 has been applied - in accordance with the basis adopted in the application of the provisions of that Article.

**Article (128) :** The provisions of the preceding Article 127 shall not apply unless a written request is made to the Secretariat General by the person with whom the transaction is made within a period not exceeding twelve months from the date of assessment on the person who made the transaction in accordance with the provisions of Article 126 of this Law.

## **SECTION TWO: CASES OF AVOIDANCE BY ENTERING INTO TRANSACTIONS**

**Article (129) :** The provisions of this Section shall apply if it is established by the Secretariat General that the main purpose of any transaction made-whether before or after the date on which this Law takes effect - is to avoid part or whole of any liability to tax due and payable for any tax year.

The transaction is considered to have achieved that purpose if the partial or whole avoidance is obtained through the combined effect of two or more transactions, or through the combined effect of one or more transactions concurrent with the dissolution of the company.

**Article (130) :** The provisions of this Section shall not apply to any transaction the main purpose of which is to incorporate a company for the purpose of carrying on a business which has been carried on by a natural person.

**Article (131) :** The Secretariat General, shall, in the case where Article 129 of this Law is applicable, make an adjustment as follows:

1. make an assessment at the amount of tax avoided in full or in part.
2. cancel any decision issued to refund a tax,
3. require a refunded tax to be recovered within a period of time to be specified by the Secretariat General.

The decision issued in this respect may be disputed in accordance with the provisions of this Law.

**Article (131) bis :** In exception from the provisions of Article (130) of this Law, the provisions of Article (131) thereof shall be applied if it is revealed to the Secretariat General that the main objective for any transaction performed by the taxpayer was to avoid subjecting- wholly or partly- to due and payable tax for any tax year through the establishment of one or more establishment in order to benefit from the provisions stipulated in Part Five bis of this Law <sup>(\*)</sup>.

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(\*) Article (131) bis has been added by RD No 9/2017 issued on 19th February, 2017.



## SECTION THREE: CONTROL OF A COMPANY

- Article (132) :**
1. For the purpose of this Law, a person shall have control over a company if he has the right - directly or indirectly - to have a hold over the company's business and commercial matters, and in the following cases in particular:
    - a) If the person acquires the greater part of the capital of the company, its issued capital or the voting rights in the company;
    - b) If the person's ownership of the share in the issued capital of the company gives him the right to receive the greater share of the distributed amount in the case of distribution of the total income of the company among the partners;
    - c) If the person's ownership of these rights entitles him to receive the greater portion of the company's assets that are distributable to the participants in case of dissolution or termination of the company.
  2. For the purpose of this Section, a person who is entitled at a future date to acquire any right, interest or power of any kind, shall be treated as one entitled to that right, interest or power.

**Article (133) :** For the purposes of this Section, a person acquires rights or powers if:

Such rights or powers are conceded to another person in his capacity as a representative of that person;

1. Such rights or powers are required to be exercised by another person on that person's direction;
2. That person controls the company solely or together with one or more partners who are his relatives up to the third degree, whether directly or indirectly related, or connected by marriage.



**PART FIVE**  
**ASSESSMENT AND COLLECTION OF TAX**

**PART FIVE**  
**ASSESSMENT AND COLLECTION OF TAX**

**CHAPTER ONE: THE RETURN**

**SECTION ONE: GENERAL RULES**

**Article (134) :** Provisional and final returns for any tax year shall be submitted in accordance with the provisions specified in this Law.

The return shall be submitted by electronic means to the Secretariat General in the forms prescribed for this purpose.

The return shall basically include the amount of the taxable income for the tax year in respect of which the return is submitted, and the tax due as per the return and payable for that year

The return should be signed in in the manner specified in the Executive Regulation of this Law<sup>(1)</sup>.

**Article (135) :** The taxpayer shall commit to submit a return of income electronically for any tax year in respect of his taxable income for any accounting period ending during the taxable year for which the return is submitted.

The return of income declaration should be submitted in accordance with the provisions of this chapter during the period of exemption from tax in accordance with the provisions of this Law<sup>(2)</sup>.

**Article (135) bis :** The taxpayer shall submit electronically- an amended return of income if it is revealed that return of income involved error or omission provided that the amended return is submitted within thirty days from the date on which the error or omission occurred; and before the expiration of the date specified in Article (157) of this Law. The amended return submitted in time shall be considered as the original one for the purposes of applying the provisions of this Law<sup>(3)</sup>.

It is not permissible in the case of submitting an amended return of income to apply the penalties and punishments provided for in Part VII of this Law if it is proved to the Secretariat General that taxpayer has not deliberately provided incorrect data.

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(1) Article (134) has been replaced by RD No 9/2017 issued on 19th February, 2017 .

(2) Article (135) has been replaced by RD No 9/2017 issued on 19th February, 2017.

(3) Article (135) bis has been added by RD No 9/2017 issued on 19th February,

**Article (136) :** Where a foreign person carries on one or more businesses in Oman through more than one permanent establishment, the return submitted by that person shall cover all the permanent establishments referred to above. The determination of the amount of tax payable shall be based on the aggregate of the taxable incomes of all these permanent establishments.

**Article (137) :** Where during any tax year an establishment or permanent establishment ceases to carry on business, it shall notify the Secretariat General of such cessation within a maximum period of seven days from the date of the cessation. The return for that year shall be filed at the date specified by the Secretariat General in a notice addressed to the establishment or the permanent establishment. The tax payable based on that return shall be due on the date referred to above.

## **SECTION TWO: PROVISIONAL RETURN**

**Article (138) :** The provisional return shall be prepared on the basis of the information available at the date of preparation of that return. If this information is not available, the taxable income shall be estimated on a reasonable basis. The tax due as per that return shall be computed as per that information or estimation.

**Article (139) :** Provisional return for any tax year shall be filed before the expiry of a period of three months which begins from the ending date of that year, or the ending date of the accounting period for which the return is prepared or if there is more than one accounting period - with the ending date of the last accounting period, whichever is the earlier.

## SECTION THREE: FINAL RETURN

**Article (140) :** Final return for any tax year shall be filed before the expiry of a period of six months which begins from the ending date of that year, or the ending date of the accounting period for which the return is prepared or if there is more than one accounting period - with the ending date of the last accounting period, whichever is the earlier.

**Article (141) :** A taxpayer shall attach to the final return prepared for any tax year, its accounts for the accounting period or periods ending in that tax year.

For the purposes of this Article, accounts mean the financial statements, especially the balance sheet, profit and loss account, notes and the information and schedules attached or complementary thereto. The accounts shall be audited by auditors legally licensed to exercise the accounting and audit profession in Oman.

**Article (142) :** Investigation of the final returns by The Secretariat General shall be conducted via a sample for which the regulating rules and criteria shall be determined by a decision from the Responsible Minister upon the proposal of the Secretary General <sup>(1)</sup>.

## CHAPTER TWO: TAX ASSESSMENT

**Article (143) :** The Secretariat General shall furnish the assessment - by estimation- on any taxpayer for any tax year where:

1. The final return submitted does not satisfy the conditions specified in Article (134) of this Law or is submitted without attaching the accounts as explained in Article (141) thereof;
2. Failure to submit the final return within the time-limit;
3. Investigation of the final return- in application of Article (142) of the Law- reveals of the actual taxable income was not included <sup>(2)</sup>.

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(1) Article (142) has been replaced by RD No 9/2017 issued on 19th February, 2017 .

(2) Article (143) has been replaced by RD No 9/2017 issued on 19th February, 2017.

The Secretariat General shall make assessments in cases where any taxpayer submits an application to make assessment, provided that the application is submitted, in this case, within three years from the date of submission of the final return submitted for the taxable year for which the assessment is sought.

**Article (143) bis :** In cases where an assessment is not furnished within the period specified in Article (147) of this Law, the taxable income or the loss stated in the final return shall be considered as an assessment for implementing the provisions of this Law and without prejudice to the provisions of Article 148 (2nd paragraph) and of Article 149 (3rd paragraph) thereof <sup>(1)</sup>.

**Article (144) :** The Secretariat General shall make an assessment in respect of the tax specified in Article (52) of this Law if such tax is due but not paid by the taxpayer within the time specified in Article (53) of this Law.

The Secretariat General shall also make an assessment in cases where an application is made for such assessment.

The assessment shall be made in the name of the person who has paid the amount, specifying the name of the person who is the recipient of the amount from which the tax is deductible <sup>(2)</sup>.

**Article (145) :** Where a person carries on one or more businesses through more than one permanent establishment, the assessment shall be made on the aggregate of taxable incomes of those permanent establishments.

**Article (146) :** Assessment shall be made- in the cases specified in Article (143) of this Law- by notice in writing and shall include:

1. The date of assessment;
2. The tax year for which the assessment is made and the amount of taxable income or loss in accordance with Article (143) of this Law;
3. Amounts paid on which tax is chargeable under Article 52 of this Law;
4. The amount of tax payable and the due date of payment;
5. The basis for making the assessment;
6. Any other information specified by the Secretariat General <sup>(3)</sup>.

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(1) Article (143) bis has been replaced by RD No 9/2017 issued on 19th February, 2017.

(2) The statement :“not paid within the time specified” has been replaced by “not paid by the taxpayer within the time specified” by RD No 9/2017 issued on 19th February, 2017.

(3) Article (146) has been replaced by RD No 9/2017 issued on 19th February, 2017.

**Article (147) :** No assessment may be made for any tax year after the expiry of three years from the end of the tax year during which the final return for that tax year is submitted.

The time limit shall extend to (5) five years in cases of fraud or use of means of deception .The assessment shall be made- in the case of non-submission of the final return- within five years from the end of the tax year for which the final return is due <sup>(1)</sup>.

## Chapter TWO (bis)

### Rectification or revision of tax assessment <sup>(2)</sup>

**Article (148) :** The Secretariat General shall rectify or revise the tax assessment, or make an additional assessment if the original assessment involved error, omission or if it is inadequate, and without prejudice to any judicial decision or final judicial judgment issued to on a tax dispute for the tax year for which such rectification, revision or an additional assessment is made.

The provision of the preceding paragraph shall also apply to the assessment based on Article (143) bis of this Law.

**Article (149) :** The assessment may not be rectified or revised or make an additional assessment made in application of the provisions of Article 148 (first paragraph) of this Law after the lapse of (3) three years from the date of making the original assessment.

The period specified in the preceding paragraph shall extend to (5) years in cases of fraud or use of means of deception.

The specified time limit for making the rectification or revision or the additional assessment in cases of the original assessment made under Article (143) bis of this Law shall be (5) five years starting from the date of submission of the final return.

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(1) Article (147) has been replaced by RD No 9/2017 issued on 19th February, 2017

(2) Chapter Two bis has been added by RD No 9/2017 issued on 19th February, 2017,



**Article (149) bis :** The rectification or revision of the assessment or making an additional assessment- as per the provisions of this Chapter- shall be done by a written notification which includes the following:

1. The tax year for which the assessment is made, and the date on which it has been made;
2. The date of revision or rectification of the original assessment, or making of an additional assessment;
3. The tax year(s) of revision or rectification of the original assessment, or making of an additional assessment;
4. The basis for rectification or revision or making of an additional assessment;
5. Elements of rectification or revision or elements of making an additional assessment;
6. Determination of the amount of taxable income or loss after rectification or revision or making of an additional assessment;
7. The amount of the tax due as per revised or additional assessment and the due date of its payment;
8. Any other information determined by The Secretariat General.

## CHAPTER THREE: TAX COLLECTION AND REFUND

### SECTION ONE: PAYMENT OF TAX

**Article (150) :** The tax payable as per the provisional return shall be paid on the date specified for submitting this return.

The tax payable as per the final return shall - after deducting the tax payable as per the provisional return - be paid on the date specified for submitting the final return.

**Article (151) :** The tax payable as per the assessment for any tax year shall be paid for that year, to the extent it exceeds the tax payable as per the final return for that year. The tax shall be paid on the date specified in Clause 4 Article 146 of this Law.

**Article (151) bis :** The tax due as per the assessment based on Article (143) bis of this Law shall be payable in accordance with Article 151 (first paragraph) of this Law; and without prejudice to the provisions of Article 148 (second paragraph) thereof <sup>(1)</sup>.

**Article (151) bis 1 :** The tax due as per the rectification or revision of the original assessment or as per additional assessment made by The Secretariat General in application of Article 148 of this Law shall be payable on the date specified in accordance with Article 149 bis (item 7) thereof <sup>(2)</sup>.

**Article (152) :** The owner of an establishment or the owner of a permanent establishment or Omani company shall be liable to pay the tax to the Secretariat General at the specified time.

Partners of a joint venture shall be jointly liable for the payment of tax.

**Article (153) :** Without prejudice to Article 156 of this Law, the tax payable and due may be settled by installments in accordance with the conditions, rules, and guarantees set by the Executive Regulation of the Law, provided that only the Secretary General may decide to relax such conditions, rules, and guarantees in the cases deemed by him as necessary.

## SECTION TWO: TAX COLLECTION

**Article (154) :** If the tax payable and due is not paid on the specified date, it shall be forcibly collected by following the procedures stipulated for administrative enforcement under the aforementioned System for Collection of Taxes, Fees and the Other Amounts Payable to the Units of the Administrative Apparatus of the State.

**Article (155) :** For the purpose of recovering tax from others, there shall be adopted the procedures stipulated under the aforementioned System Collection of Taxes, Fees and Other Amounts Payable to the Units of the Administrative Apparatus of the State.

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(1) Article (151) bis has been added by RD No 9/2017 issued on 19th February, 2017.

(2) Article (151) bis (1) has been added by RD No 9/2017 issued on 19th February, 2017.

**Article (156) :** An additional tax shall be charged at 1 % per month of the outstanding amount of the tax payable and due but not paid by the due date for payment for the period during which this tax remains unpaid. The Secretary General may grant relief of the whole or part of the additional tax in accordance with the rules specified in the Executive Regulation of this Law.

**Article (157) :** The Government's right to collect the tax shall lapse after seven years starting from the date on which it becomes due and payable in accordance with the provisions of this Law.

The time-bar shall be interrupted by legal claims and other reasons for interruption to the time-bar as stipulated in the Law. For the purpose of the provisions of this Article, decisions, notices, warnings, cautions, minutes, orders, etc. issued in application of the provisions of this Law or the aforementioned Systems for Collection of Taxes, Fees and Other Amounts Payable to the Units of the Administrative Apparatus of the State shall be considered as claims interrupting the time-bar.

New time-bar shall start as from the date of end of the effect resulting from the cause of interruption, and such period shall be the first period of time-bar. However, if a final judgment is issued in favor of the Secretariat General, then the new time-bar shall be fifteen years.

**Article (158) :** The Taxpayer shall have the right to get tax refund if it is proved that the tax paid for any tax year is more than the tax payable as per the final assessment for that tax year and after deducting any amount of tax payable for another tax year.

Tax shall be refunded on an application submitted by the taxpayer to the Secretariat General within a period of five years from the end of the tax year in which the right for the tax refund arises; otherwise such right shall lapse.

**Article (159) :** A taxpayer may not agree to transfer of the burden of the tax to another person.



**PART FIVE BIS  
PROVISIONS RELATING TO TAX ON  
ENTERPRISES**

## PART FIVE bis

### One Provisions relating to tax on Enterprises <sup>(\*)</sup>

#### Chapter One : Basic rules

**Article (159) bis :** The special provisions provided for in this part shall apply to the enterprises which meet the following conditions:

1. Only exercising commercial, industrial, vocational or service activity; with the exclusion of the following:
  - a) Sea and air transport business activities;
  - b) Banking, insurance and financial institutions' businesses;
  - c) Extraction of natural resources;
  - d) Public utility franchises;
  - e) The other activities which are excluded by a decision from the Responsible Minister after the approval of the Council of Ministers.
2. The capital recorded in the commercial register- at the beginning of the tax year- shall not exceed (50,000) fifty thousand Omani Rials;
3. The gross income realized at the end of the tax year shall not exceed (RO 100,000) one hundred thousand Omani Rials;
4. The average number of employees during the tax year shall not exceed (15) employees; provided that- in determining the average number- all workers shall be considered whatsoever nature, kind, location or duration of work assigned to them and the method adopted in determining their wages.

**Article (159) bis 1 :** The enterprise shall commit to submit any data, information or documents, etc. required by the Secretariat General within the specified time limit for the purpose of verification of fulfillment of the conditions specified in Article 159 bis of this Law.

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(\*) Part V bis has been added by RD No 9/2017 issued on 19th February, 2017.

**Article (159) bis 2 :** The enterprise shall commit- on the occurrence of any event resulting in non-fulfillment of any of the conditions prescribed in Article 159 bis of this Law- to notify the Secretariat General within 15 days at most from the date of the occurrence of the event and enclose official supporting documents.

**Article (159) bis 3 :** The special provisions set forth in this part shall not apply on the enterprise but other provisions stipulated in the Law shall apply in the case of the enterprise's abstention to respond to the Secretariat General within the specified date in accordance with Article 159 bis 1 of this Law, or on the occurrence of any event resulting in non-fulfillment of any of the conditions prescribed in Article 159 bis of this Law during any accounting period.

**Article (159) bis 4 :** Entry into force of the other provisions set forth in this Law in application of Article 159 bis 2 thereof shall be from the tax year following the year in which the enterprise declined to respond to the request of the Secretariat General on the fixed time limit, or the year during which the event which resulted in the non-fulfillment of any of the conditions specified in Article 159 bis thereof.

**Article (159) bis 5 :** In exception from the provisions of Article 159 bis of this Law, the enterprise shall continue to be subject to the provisions of this part in the following cases:

1. Change of activity to any other activity falling within the provisions of Article 159 bis (item 1) of this Law;
2. Increase of capital or gross income or average number of employees to above the limits specified in Article 159 bis (items 2, 3 and 4) of this Law, provided that such increase should not exceed the percentage or the number prescribed by the Responsible Minister;
3. Carrying on an additional activity on condition that the capital, gross income or the average number of employees shall not exceed the limits specified in item 2 of this Article;

**Article (159) bis 6 :** The Responsible Minister may- upon approval of the Council of Ministers- modify the activities, the capital value, the gross income or the total number of employees stipulated in Article 159 bis of this Law.

**Article (159) bis 7 :** Application of the provisions of this section may not result in breaching the provisions of the Articles from 21 to 25, from 27 to 34 and from 124 to 133 and Article 189 of this Law.

## Chapter TWO

### Obligations of the Enterprises

**Article (159) bis 8 :** Application of the special provisions provided for in this section shall not result in breaching the obligations imposed under Articles 6 (items 1, 2 / a , 2 / d, 2 / e), 7, 8, 9, 53 and 137 of this Law.

The Responsible Minister may- upon a proposal by the Secretary General- prepare special rules to govern the issuance of the tax card in a manner coinciding with the nature of the enterprise's activity and in exception from the provision of Article 11 (item 1) of this Law.

**Article (159) bis 9 :** Without prejudice to the provisions of Articles 27, 28, 29 and 30 of the aforementioned Commercial Law, the enterprise shall commit to keep the following:

1. Books and records which are necessary to determine their taxable income along with documents to prove the information contained therein. Such books and records shall be determined by a decision from the Secretary General.
2. The Books, records and documents which are required to determine the tax imposed on the categories of income stipulated in Article 52 of this Law.

Keeping the records, books and documents referred to in items 1 and 2 of this Article shall be for a minimum period of ten years from the end of the accounting period for which the income is subject to tax.

**Article (159) bis 10 :** The enterprise shall prepare the statement of income - stipulated in Article 159 bis 19 of this Law- to accompany the final return using the cash basis unless otherwise approved by The Secretariat General to adopt another basis; and without prejudice to the provisions of Articles 13 and 46 thereof.



## Chapter THREE

### Taxability of The Enterprise

**Article (159) bis 11 :** Tax shall be imposed for any tax year on the taxable income accruing to the enterprise during that year. The tax rate shall be determined in accordance with the provisions of this section.

**Article (159) bis 12 :** There shall be taken into account- when determining the gross income for an enterprise- the general principles contained in the Articles from 35 to 38, from 42 to 45, from 47 to 51 and Article 115 of the Law.

**Article (159) bis 13 :** The Executive Regulation of this Law shall decide all the rules to be followed for determining the deductible expenses and costs from the gross income of the enterprise taking into account the general principles contained in the Articles from 54 to 60 and Articles 61 (items 1.and 2), 62, 63 and 64 (items 2 and3) of this Law.

In all cases, the enterprise shall deduct the expenses and costs actually spent for the purpose of realizing the gross income where such expenses and costs are recorded in the books and records stipulated in Article 159 bis 9 of this Law, and supported by proving documents.

**Article (159) bis 14 :** Deduction and carrying forward of loss- when determining the taxable income in accordance with the rules prescribed by the Executive Regulation of this Law shall take into account the general principles contained in Articles 68 and 69, and Articles from 71 to 74 of this Law.

**Article (159) bis 15 :** The tax stipulated in this chapter shall be calculated by applying a 3% rate on the enterprise's taxable income for any tax year. Enterprises managed by their owners or one of their partners on a full- time basis and enterprises which employ at least two Omani persons shall be excluded from the provisions of this Article.

**Article (159) bis 16 :** Income realized by an enterprise from carrying on activities in the field of industry (the industrial enterprise) according to the referred to GCC's Law (System) of the Unified Industrial Organization shall be exempted from tax in application of Article 118 of this Law.

## Chapter FOUR

### Tax assessment on Enterprises and Tax collection

#### Section One: The final return

**Article (159) bis 17 :** The enterprise shall not be obliged to submit the provisional return of income but the final return of income for any tax year shall be submitted electronically according to the form prepared by the Secretariat General of Taxation for this purpose.

The final return shall- basically- include the amount of gross income for the tax year for which the return is submitted, the value of expenses and costs to be deducted therefrom along with the amount of taxable income and the amount of tax payable for that year.

**Article (159) bis 18 :** The final return stipulated in Article 159 bis 17 of this Law for any tax year shall be submitted before the lapse of three months starting from the date of the end of this year.

The final return shall be signed according to Article 134 (fourth paragraph) of the Law.

**Article (159) bis 19 :** Article (159) bis 19: The final return- to be submitted according to the provisions of this Chapter- shall be accompanied by a statement of income as per the form prepared by the Secretariat General for this purpose.

The statement of income shall be prepared as per the records and books kept by the enterprise in accordance with Article 159 bis 9 of this Law.

**Article (159) bis 20 :** Article (159) bis 20: The investigation of the Secretariat General of Taxation of the final returns submitted by enterprises and the attached statements of income shall be performed in accordance with Article 142 of this law.

#### Section Two: Tax assessment on Enterprises

**Article (159) bis 21 :** Article (159) bis 21: The provisions of Articles 135 bis, 143 (first paragraph), 143 bis, 147 (second paragraph), 148 (second paragraph), 149 (third paragraph) and 149 bis of this Law shall be applied in furnishing tax assessment on enterprises.

## **Section Three**

### **Collection and recovery of payable tax on Enterprises**

**Article (159) bis 22 :** The tax due as per the final return shall be payable by the enterprise within the time limit specified for filing the return; and without prejudice to the provisions of Articles 1 (item 13), 151 bis, 151 bis (1), 152 (first paragraph) and Articles from 153 to 158 of this Law.

## **Chapter FIVE**

### **Miscellaneous Provisions**

**Article (159) bis 23 :** The tax imposed on the enterprise as per assessment may be disputed in accordance with the provisions and by following the procedures set forth in Part VI of this Law.

**Article (159) bis 24 :** The Secretary General has the right to impose the administrative penalties in the cases provided for in Articles 179, 180 and 181 of this Law and without prejudice to the provisions of Articles 1 (item 13), 182 and 183 thereof.

**Article (159) bis 25 :** The punishments stipulated in Articles 184 and 185 of this Law shall be applied on enterprises in the cases specified therein; and without prejudice to the provisions of Articles 186, 187, 187 bis and 187 bis (1) thereof.



**PART SIX**  
**TAX DISPUTES**

**PART SIX**  
**TAX DISPUTES**  
**CHAPTER ONE: OBJECTION**  
**SECTION ONE: FILING OF OBJECTION**

**Article (160) :** Article (160): The taxpayer may object to an assessment or its rectification, revision or an additional assessment made for any tax year or to any decision on which a dispute may be raised under the provisions of this Law, other than the cases of an assessment specified under Articles 161 bis, 170 bis and 177 of this Law <sup>(1)</sup> .

The objection shall be filed in writing to the Secretary General and shall include the claims of the taxpayer and the detailed reasons on which the claims are based. The objection shall be submitted within a period of forty five days from the date of serving of the assessment or the decision.

The Secretary General may accept the objection filed after the specified time if it is established that failure to submit it in time was on account of the reasons or emergent circumstances not foreseen by the taxpayer.

If the objection is not filed within the time specified in the Second paragraph of this Article, or if it is not acceptable under the forgoing paragraph, the tax assessment shall be final.

**Article (160) bis :** Filing of objection shall not result in stopping payment of disputed tax which remains payable on the date specified in accordance with Article 146 (item 4) of this Law; unless otherwise decided to postpone its payment in application of Section III of this Chapter <sup>(2)</sup> .

**SECTION TWO: PROCEDURES FOR CONSIDERATION  
OF THE OBJECTION AND DECISION**

**Article (161) :** The Secretariat General shall review the objected assessment or decision, if the objection is acceptable, within a maximum period of five months from the date of submission of the objection. Such period may be extended for a further period not exceeding (3) three months, provided that the objector shall be notified of this action.

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(1) The (1st paragraph) of Article 160 has been replaced by RD No 9/2017 issued on 19th February, 2017 .

(2) Article 160 bis has been added by RD No 9/2017 issued on 19th February, 2017.

A decision shall be issued by the Secretary General, confirming, cancelling or reducing the assessment, or confirming, cancelling or modifying the decision.

The Secretariat General may, prior to issuing the decision, call for the attendance of the Principal Officer for discussion, by a notice thereto, if it is deemed necessary.

The expiry of the period specified for issuing a decision on the objection without issuing a decision, shall be regarded as an implied decision of rejecting the objection <sup>(1)</sup>.

**Article (161) bis :** The Secretariat General shall make the assessment required to execute the decision on the contestation as per the provisions of this Chapter <sup>(2)</sup>.

### **SECTION THREE: POSTPONEMENT OF PAYMENT OF THE OBJECTED TAX**

**Article (162) :** The taxpayer may request for postponement of payment of tax on the part objected on condition that it has paid the undisputed tax.

Application for postponement shall be submitted in writing to the Secretary General stating the amount of tax requested to be postponed and the reasons for such request within thirty days from the date of submission of the objection.

**Article (163) :** The Secretary General shall consider the application for postponement if submitted on time, and shall issue a decision rejecting or postponing the payment of the whole or part of that tax.

Where the request for postponement is accepted, the Secretary General may demand the taxpayer to provide bank guarantees if he deems necessary.

**Article (164) :** The decision issued to postpone tax payment shall cease to be effective, and the tax shall become due from the due date specified in the assessment made giving effect to the decision on the objection, or from the date of abandonment of the dispute.

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(1) The statement: "may be extended to another period not exceeding five months" has been replaced by "may be extended for a further period not exceeding three (3) months" by RD No 9/2017 issued on 19th February, 2017 .

(2) Article 161 bis has been added by RD No 9/2017 issued on 19th February, 2017.

**Article (165) :** In determining the tax in dispute, the amount of objected tax shall be the difference between the amount tax due as per the assessment, and the amount of tax due on that part of the taxable income that has not been objected, as if such income is the taxable income for that tax year.

## CHAPTER TWO: CONTESTATION

### SECTION ONE: FORMATION OF THE INCOME TAX COMMITTEE AND DETERMINATION OF ITS FUNCTIONS

**Article (166) :** The Committee shall be formed comprising a Chairman, deputy Chairman and three members and it shall be independent when it exercises the functions specified in this Law. One or more alternative members may be appointed.

Formation of the Committee and the appointment of the reserve members shall be made by a decision issued by the Responsible Minister.

The deputy Chairman shall replace the Chairman in case of his withdrawal from consideration of the contestation or failure to attend the sessions.

The recusancy of the members of the Committee may be admitted in the cases specified in Article 142 of the aforementioned Law of Civil and Commercial Procedures.

The Committee shall have a Secretary and one or more technical experts. The Committee shall hold closed sessions .

**Article (167) :** The Committee shall be competent to consider the contestations against the decisions issued on objections, and to decide on the contestations, and to perform any other functions stipulated in this Law.

The Committee's meeting shall be valid only if they are attended by the majority of its members, provided that the Chairman or his deputy is present. The decisions of the Committee shall be issued by the majority of votes. In case of a tie vote, the chairman of the session shall have the casting vote, and the decisions of the Committee shall be with reasons.

A decision organizing the procedures for the work of the Committee shall be issued by the Responsible Minister .

The members of the Committee and the secretary shall have the right to receive sitting fees in accordance with the rules determined by the Responsible Minister.



## **SECTION TWO: SUBMISSION OF CONTESTATION, PROCEDURES FOR ITS CONSIDERATION AND DECISION**

**Article (168) :** The taxpayer may contest any explicit or implied decision issued on objection by the Secretary General.

The contestation shall be submitted to the Committee in writing and shall include the claims of the taxpayer and the detailed reasons on which the claims are based. The contestation shall be submitted within a period of forty-five days from the date of service of the decision issued on the objection, or from the date of expiry of the period specified for deciding on the objection with no decision taken thereon.

**Article (169) :** The Committee may not consider a contestation or make a decision thereon unless such contestation satisfies the prescribed formal conditions, and was submitted on time.

Failure to submit the contestation on time shall result in considering the decision of the Secretary General as final.

Submission of the contestation shall not result in suspension of the payment of the contested tax.

**Article (170) :** The Committee shall issue a decision within the limits of the contestant's claims either by confirming, modifying or by cancelling the contested decision of the Secretary General.

The decision shall be signed by the chairman of the session and the Secretary within a maximum period of one week from the issue date.

The Secretary shall notify the Secretariat General and the contestant of the decision taken on the contestation within a maximum period of one week.

The Secretary General may - within two months from the date of notification of the decision - request the Committee to correct or modify the decision if it contains any mistake resulting from wrong application of the Law unless such decision has been appealed before the competent Court. In all cases, the taxpayer shall be notified of the request of the Secretariat General along with the decision taken in this regard. The taxpayer shall have the right to appeal against this decision in accordance with the provisions of Article 171 of this Law.

**Article (170) bis :** The Secretariat General shall make the assessment required to execute the decision on the appeal as per the provisions of this section <sup>(\*)</sup>.

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(\*) Article 170 bis has been added by RD No 9/2017 issued on 19th February, 2017 .

## CHAPTER THREE: TAX SUIT

### SECTION ONE: CONSIDERATION OF AND MAKING DECISION ON TAX SUIT

**Article (171) :** The taxpayer may file a tax suit before the competent Primary Court which is formed of three judges to contest the decision issued by the Committee irrespective of the value of the suit, within forty five days from the date of notification of the decision on the contestation.

The Committee's decision shall be final if no tax suit is filed on time.

Submission of the tax suit shall not result in suspension of the payment of the disputed tax.

In all cases, the Court competent to consider the original tax suit shall decide all relevant preliminary issues for a judgment in the tax suit, and on the incidental claims in this suit. The claims in the tax suit shall be limited to those initially mentioned in the contestation before the Committee.

No conciliation or arbitration is permitted in a tax dispute.

**Article (171) bis :** The lawyers at the tax litigation department stipulated in Article 20 of this Law, shall represent the Secretariat, attend sessions and plead on its behalf before the courts- of different kinds and degrees- or before the Committee and other bodies having jurisdiction according to law <sup>(\*)</sup> .

**Article (172) :** In considering the tax suit before the competent Court, the following terms shall be observed:

1. A third party may not intervene in the tax suit, nor shall he be implicated therein;
2. At any stage of a suit, the defendant Secretariat General, during the session, may present any counter claims or new pleas or reasons that may sustain the original tax assessment;
3. Evidencing may be made by testimonies including the written and accounting evidences, expertise, inspection, presumptions and admissions except the oath and witness statement and other evidences which are in conflict with the written nature of the procedures.

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(\*) Article 171 bis has been added by RD No 9/2017 issued on 19th February, 2017 .

4. Matters not covered by any special provision in this Law shall be governed by the provisions of the aforementioned Civil and Commercial Procedure Law, and the Law of Evidence in Civil and Commercial Transactions.

**Article (173) :** The Secretariat General shall be exempted from the fees for tax suits and appeals.

## **SECTION TWO: JUDGMENT ON TAX SUIT AND CONTESTATION**

**Article (174) :** The Court shall decide on a tax suit expeditiously and its jurisdiction shall be limited to consideration of whether or not the Committee's decision on the contestation was issued in accordance with the provisions of this Law.

**Article (175) :** The party against whom the judgment is issued may contest against the judgment issued in a tax suit by way of contestation, irrespective of the value of the dispute.

Submission of contestation shall not result in suspension of the payment of the adjudged tax. In the case of contestation by way of an appeal filed by the Secretariat General- the petition of appeal shall be signed by the Secretary General or any person acting on his behalf (\*).

**Article (176) :** In the case of a contestation by the Secretariat General to the Supreme Court, the contestation petition shall be signed by the Secretary General or any person acting on his behalf.

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(\*) The 2<sup>nd</sup> paragraph has been added to Article 175 by RD No 9/2017 issued on 19th February, 2017.

### SECTION THREE: EXECUTION OF THE JUDGMENT ISSUED ON THE TAX SUIT

**Article (177) :** Execution of the judgments issued in the tax suit shall be made in pursuance of the provisions of this Law. Execution of the judgments issued against the taxpayer shall be made by the Secretariat General by making the required assessment to execute the judgment and by notifying the taxpayer thereof as per Article 146 of this Law <sup>(1)</sup>.

**Article (178) :** If a final judgment issued results in entitling the taxpayer for refund of the amount of the tax or part thereof previously paid, the Secretariat General shall refund the amount due to the taxpayer within sixty days from the date of notification of the judgment. This period may be extended for further (30) thirty days, if necessary <sup>(2)</sup>.

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(1) The statement: " taking into consideration Articles (146) and (147)" has been replaced by: " by the Secretariat General furnishing the required assessment to execute the judgment and notifying the taxpayer thereof as per Article (146)" by RD No 9/2017 issued on 19th February, 2017.

(2) The statement: "may be extended to other sixty days in cases of necessity" has been replaced by "may be extended to other thirty days in case of necessity" by RD No 9/2017 issued on 19th February, 2017.

**PART SEVEN**  
**PENALTIES AND PUNISHMENTS**

## PART SEVEN

### PENALTIES AND PUNISHMENTS

#### CHAPTER ONE: ADMINISTRATIVE PENALTIES

**Article (179) :** The Secretary General may, in case of a taxpayer's failure to file any of the notifications specified in Article 11 (item 2) of this Law, or the provisional or final returns within the respective time specified, impose a minimum fine of not less than (100) hundred Rials Omani one hundred and a maximum of Rials Omani two thousand on that taxpayer <sup>(1)</sup>.

**Article (180) :** Where the taxpayer fails to declare correct income in the return of income, the Secretary General may impose a fine not less than (1%) one percent and not exceeding (25 %) twenty- five percent of the difference between the amount of tax on the basis of the correct taxable income of the taxpayer and the amount of tax as per the return submitted <sup>(2)</sup>.

**Article (181) :** The Secretary General may impose a fine not less than (RO 200) and not more than five thousand Rials in the following cases:

1. Abstention from submitting any statements, information, accounts or accounting records or any other documents that are required to be submitted by the taxpayer or by any other person who is responsible to submit them in accordance with the provisions of this Law, within the time specified for this purpose;
2. Abstention from attending at the time and place specified as per Article 24 of this Law;
3. Abstention from answering any questions related to the taxpayer and legally addressed;
4. Abstention from submitting the application for issuing the tax card as per Article 11 (item 1) of this Law, or to execute the obligation stipulated in Article 15 bis thereof.

The fine specified in this Article may be imposed on the principal officer of that taxpayer or on that taxpayer or on both of them <sup>(3)</sup>.

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(1) Article 179 has been replaced by RD No 9/2017 issued on 19th February, 2017.

(2) Article 180 has been replaced by RD No 9/2017 issued on 19th February, 2017.

(3) Article 181 has been replaced by RD No 9/2017 issued on 19th February, 2017.

**Article (182) :** The Secretary General before issuing any decision to impose a fine under this Chapter, notify the person for attendance at a time specified for hearing from him. If he does not attend at the time specified, the fine may be imposed without hearing his statements.

**Article (183) :** Any person - on whom an administrative penalty specified in this Law has been imposed - may contest against the decision issued imposing penalty.

The contestation shall be submitted to the Committee within forty-five days from the date of notifying the decision and by complying with the provision of the first Paragraph of Article 169 of this Law.

The Committee shall consider and make a decision on the contestation in accordance with the provisions of Chapter Two of Part Six of this Law.

The decision issued by the Committee confirming the imposition of fine may be appealed against.

The appeal shall be submitted to the Court referred to in Article 171 of this Law within forty five days from the date of notifying the decision issued by the Committee.

The Court shall consider and make a judgment on the appeal by adopting the procedures determined for hearing and making a judgment on tax suit.

## CHAPTER TWO: CRIMINAL OFFENCES AND PUNISHMENTS

**Article (184) :** Subject to any harsher punishment specified in Oman's Criminal Law or any other law, the following cases shall be punishable by imprisonment for a period not less than one month and not exceeding (6) six months and by a fine of not less than (RO 500) Rials Omani and not exceeding (RO 20,000) Rials Omani twenty thousand, or one of these two punishments:

1. Intentional abstention by the principal officer to submit the return required to be submitted by application of the provisions of this Law for any tax year.

In case of repetition of the same during two years, the minimum limit of punishment for imprisonment shall be a period not less than (3) three months and not exceeding one year, and a fine of not less than (RO 2000) two thousand Omani Rials and not exceeding (RO 30,000) Rials Omani thirty thousand, or one of these two punishments <sup>(\*)</sup>.

2. Intentional abstention by the principal officer to discharge the following responsibilities:
  - a) Submission of documents, information, accounts, records, or statements pursuant to Article 22 of this Law;
  - b) Preserving records, books of accounts and documents supporting their contents for the period specified in Article 15 of this Law;
  - c) Submission of correct statements relating to the tax liability of the establishment, Omani company or permanent establishment.
3. Any conduct or carrying out any work which can prevent the Secretariat General from exercising the functions or rights specified by this Law.
4. Failure by the owner of the establishment, or permanent establishment to designate a principal officer thereto pursuant to Article 9 of this Law.
5. Intentional abstention from attendance as requested by the Secretariat General pursuant to Article 24 of this Law.
6. Intentionally obtaining a tax exemption without having the right, or by violating the Law.

**Article (185) :** Subject to any harsher punishment specified in Oman's Criminal Law or any other Law, the following cases shall be punishable by imprisonment for a period not less than (6) six months and not exceeding three years and a fine of not less than (RO 5000) Rials Omani and not exceeding (RO 50,000) Rials Omani fifty thousand, or one of these two punishments:

1. Intentional failure of the principal officer to submit the correct taxable income in the return of the establishment, Omani company or the permanent establishment;
2. Intentionally abetting or assisting a taxpayer to submit incorrect returns, accounts, records, statements of assets and liabilities or any other documents relating to the tax liability of the taxpayer;

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(\*) The 1<sup>st</sup> paragraph and items (1) and (3) have been replaced by RD No 9/2017 issued on 19th February, 2017.



3. under this Law, if such actions of destroying, concealing or discarding are made within the period of two years from the date of receiving the notice from the Secretariat General<sup>(1)</sup>.

**Article (186) :** Public action for the crimes specified in this Chapter may be filed upon a request from the Secretary General. The Secretariat General shall coordinate with the Public Prosecution when filing the public action arising from these crimes.

The request submitted for filing the public action for any of the crimes specified in this Article may not be relinquished <sup>(2)</sup>.

**Article (187) :** The Secretary General may agree to make compounding in a case of commitment of any of the crimes specified in this Chapter, either before or after filing the suit to the competent Court, and before a judgment is issued thereto.

Conciliation may be made only after payment of an amount equal to twice the maximum limit of fine specified for that crime. Payment of this amount shall be made to the Secretariat General.

In all cases, the conciliation shall result in the termination of the criminal case arising from the aforementioned crimes <sup>(3)</sup>.

**Article (187) bis :** Notwithstanding the provisions of Articles 186 and 187 of this Law, if it is revealed to the public prosecution that committing any of the crimes set forth in this chapter

is considered as a predicate offense in the application of the provisions of the referred to Anti-money Laundering and Terrorist Financing Law; the public action for such crime shall then be filed in accordance with Article 4 of the referred to Code of Criminal Procedures, and no conciliation may be made thereon <sup>(4)</sup>.

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(1) The 1<sup>st</sup> paragraph has been replaced by RD No 9/2017 issued on 19th February, 2017.

(2) Article 186 has been replaced by RD No 9/2017 issued on 19th February, 2017.

(3) The statement: “the amount specified by the Secretary General on condition it shall not exceed half the maximum limit of fine “ has been replaced by: “an amount equal to twice the maximum limit of fine “ by RD No 9/2017 issued on 19th February, 2017.

(4) Article 187 bis has been added by RD No 9/2017 issued on 19th February, 2017.

**Article (187) bis 1 :** The Responsible Minister has the right to impose administrative fines on violating the provisions of the Executive Regulation of the law or other executive decisions; provided that the amount of fine shall not exceed (RO 3,000) three thousand Omani Rials<sup>(\*)</sup> .

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<sup>(\*)</sup> Article 187 bis (1) has been added by RD No 9/2017 issued on 19th February, 2017 .

**PART EIGHT  
MISCELLANEOUS AND  
TRANSITIONAL PROVISIONS**

## PART EIGHT

### MISCELLANEOUS AND TRANSITIONAL PROVISIONS

**Article (188) :** The following two terms shall replace the terms specified against each of them, wherever they appear in the laws and Royal Decrees:

1. The term «Income Tax Law» shall replace the terms «The Law of Income Tax on Companies», or the term «The Law of Profit Tax on Establishments»;
2. The term “Income Tax” shall replace the terms “Income Tax on Companies”, or the term “Profit Tax on Establishments”.

**Article (189) :** The time-limit specified in this Law for taking a specific procedure shall be extended, if the end thereof is an official holiday, to the first working day following the end of such holiday.

**Article (190) :** The procedural time-limits which have not lapsed before the date on which this Law takes effect, shall be extended in accordance with the provisions of Article 189 thereof.

**Article (191) :** The commercial and industrial establishments and Omani companies - for which tax exemption decisions were issued under the provisions of the Law of Income Tax on Companies ,or the Law of Profit Tax on Establishments - shall continue to be exempted from tax until the end of the exemption period specified in those decisions.

The Omani companies and commercial establishments for which tax exemption decisions were issued under Article 51 (bis 4) of the Law of Income Tax on Companies and Article 5 (bis 2) of the Law of Profit Tax on Establishments shall continue to be exempted from tax for a period of ten years from the date specified in those decisions. Net loss realized within the first five years of the exemption period determined in accordance with the said decisions may be carried forward and deducted for any number of tax years until such net loss is entirely set off.

**Article (192) :** Provisions of Articles 148 and 149 (first paragraph) of this Law shall apply to any assessment made by the Secretariat General during the five years period preceding the date on which this Law takes effect (\*).

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(\*) The statement: “provisions of Article 148” has been replaced by “provisions of Articles 148 and 149 “1<sup>st</sup> paragraph” by RD No 9/2017 issued on 19th February, 2017.

- Article (193) :**
1. The rules for procedures specified in this Law shall be applied from the date on which this Law takes effect. However, the determination of taxable income or loss or tax or additional tax shall be made by following the substantive rules which were in force for the tax year for which such determination is to be made.
  2. The rules for procedures governing the examination of objections, contestations and suits and decisions thereon specified in this Law shall apply to the objections, contestations and suits under examination on the date on which this Law comes into force unless they are deferred for the issuance of the decision or pronouncement of the judgement.

**Article (194) :** In application of this Law, the provisions of tax treatment prescribed for either the citizens of the Gulf Cooperation Council (GCC) - of natural or legal persons- or investments owned by them by virtue of the economic agreement signed in the Supreme Council of the Gulf Cooperation Council (GCC) Meeting held during the month of December 2001 shall be complied with <sup>(1)</sup>.

**Article (195) :** The following shall be repealed as of the date of entry into force of this Law:

1. The exception granted for establishments and Omani companies from submitting the following:
2. Notification of the data relating to the mentioned establishments and companies and any amendments thereto in accordance with Article 11 (third paragraph) of this Law;
  - a) Return of income in accordance with Article 135 (second paragraph) of this law.
3. Exemption from submitting the accounts- provided for in Article 141 of the Law- prescribed for Omani companies and companies not excluded from the submission of a return of income in accordance with Article 142 thereof <sup>(2)</sup>.

**Article (196) :** All establishments and Omani companies- exempted on the effective date of this Law in accordance with Article 11- to provide the notification either with the data relating thereto, or any amendments in this data which may have occurred during the period of the exception; provided that the notification shall be done in accordance with the form provided for this purpose <sup>(3)</sup>.

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(1),(2) & (3), Articles 194 to 196 have been added by RD No 9/2017 issued on 19th February, 2017.

Any of the notifications provided for in the preceding paragraph shall be submitted within three months from the effective date of this law.

The Secretary General in the case of failure to submit any of the notifications referred to in this Article on the specified date to impose a fine in accordance with Article 179 of this Law, and without prejudice to the provisions of Articles 182 and 183 thereof.

**Article (197) :** Establishments and Omani companies- for which decisions of exemption from tax or renewal of exemption in accordance with Article 118 have previously been issued before the effective date of this Law, shall continue to be exempted from tax till to the end of the period specified in such decisions .

No decisions to renew the exemption for the abovementioned establishments and Omani companies may be issued after the effective date of this Law <sup>(1)</sup>.

**Article (198) :** All establishments and Omani companies exempted from tax on the effective date of this Law in accordance with Article 118 thereof, shall commit to submit the return of income for the tax year immediately following the last year of the exemption period in accordance with the provisions of Article 197 of this Law.

The return of income and attached accounts and the tax payable as per such return shall be submitted in accordance with articles 134 and 135 and from 138 to 141 and 150 of this Law.

The Secretary General may- in the case of failure to submit the return of income on the specified date - impose a fine in accordance with Article (179) of this Law and without prejudice to the provisions of Articles 182 and 183 thereof <sup>(2)</sup>.

**Article (199) :** Establishments and Omani companies- for which decisions of exemption from submitting the return of income were issued before the effective date of this Law and continued to be exempted till the referred to date- shall commit to submit the return of income for the tax year immediately following the year during which the validity of exemption expires without prejudice to the provisions of Article 198 (second and third paragraphs) of this Law <sup>(3)</sup>.

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(1),(2) & (3) Articles 197,198 & 199 have been added by RD No 9/2017 issued on 19th February, 2017.

**Article (200) :** Establishments and Omani companies- which have not been exempted from submitting the return of income and for which decisions of exemption from submitting accounts were issued and continued to be exempted till the referred to date- shall commit to submit accounts attached to the final return prepared for the tax year immediately following the year during which the exemption from submitting accounts expires and in accordance with articles 141 (second paragraph) of this Law.

The Secretary General- in the case of abstention from submission of accounts on the specified date for submission of final return as per the previous paragraph- may impose a fine in accordance with Article 181 (item 1) of this Law and without prejudice to the provisions of Articles 182 and 183 thereof <sup>(1)</sup>.

**Article (201) :** The Responsible Minister may- upon the suggestion of the Secretary General- decide the following:

1. The date from which the application of the tax card system provided for in Article 11 (item 1) of this Law would apply;
2. The rules governing the issuance by The Secretariat General of the tax residence certificates at the request of the person who meets the terms and conditions of residence specified in the agreements in force for avoidance of double taxation concluded between Oman and other countries in application of the provisions of Article 120 of this Law, or any other provisions of laws and regulations in force.<sup>(2)</sup>

**Article (202) :** The Secretariat General shall issue the Tax Card for taxable establishments, Omani companies and permanent establishments which carry on activity on the date specified in Article 201 of this Law if they have already submitted a notification containing the data relating to them within the time limit specified in Article 11 (second paragraph) of the Law <sup>(3)</sup>.

**Article (203) :** Establishments, Omani companies and permanent establishments which carry on activity on the date specified in Article 201 of this Law, which have not submitted the notification bearing the data related thereto within the time limit specified in Article 11 (second paragraph) of this Law and which are not excluded from the submission of notification in application of the third paragraph of that Article, shall commit to apply for issuance of the tax card on the form prepared for this purpose within the period specified by a decision from the Responsible Minister <sup>(4)</sup>.

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(1), (2), (3) & (4) Articles from 200 to 203 have been added by RD No 9/2017 issued on 19th February, 2017.

The settlement of tax dues for the period during which the notification of data has not been submitted shall be conducted according to liberal rules to be determined by a decision from the Responsible Minister upon approval from the Council of Ministers.

Submission of the application within the time limit specified in accordance with the first paragraph of this Article and the payment of tax dues, which have been settled according to the rules set forth in the preceding paragraph of this Article shall result in the exemption from any administrative penalties or punishments in accordance with Part VII of this Law.

In the case of failure to submit the application in time limit specified in accordance with the first paragraph of this Article, the punishment stipulated in Article 184 (first paragraph) of this Law shall be applied.



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