



Update on Oman's Economic Stimulus Plan

21 March 2021

Oman's Ministry of Finance (MOF) has announced Economic Stimulus Plan (ESP) to support efforts to mitigate the implications of COVID-19 pandemic on the national economy. The ESP is based on following five pillars:

1. Tax exemptions & reduction in regulatory fees;
2. Fostering conducive business environment for attracting investment;
3. Promoting and supporting Small & Medium Enterprises (SMEs);
4. Easing labour market restrictions; and
5. Incentives given by the banking sector.

Corporate Tax:

1. **Corporate tax exemption for 5 years for all companies registering their main activity in the economic diversification sectors.**

With an objective of diversifying national economy, MOF announced corporate tax exemption for five years. Detailing of such exemption would be done by Tax Authority (TA) by way of Regulations which is expected to be issued in due course.

2. **Corporate tax exemption announced for the Hotel Industry for the year 2020 and 2021.**

Such exemptions shall support the hotels reeling under the pressure of COVID-19 pandemic. It is expected that TA shall clarify whether such exemption applies for financial year or calendar year.

3. **Tax payments in installments without any additional tax.**

Similar announcement was made for limited part in the year 2020 and the same appears to have been continued in 2021. However, it appears that relaxation from payment of 1% additional tax under the installment scheme appears to be limited for the additional tax arising only during the calendar year 2021.

4. **Waiver of 1% of tax dues with a maximum relief amount of RO 10,000.**

Whilst this is a welcome move for rewarding diligent tax payers but nuances of the benefit is expected to be clarified by TA.

5. **Continue to suspend withholding tax on dividends for five years, starting from the year 2020 for the companies listed in Muscat Security Market.**

This is in continuation of the relief announced by Capital Market Authority (CMA) on 16 May 2019. However, the current announcement appears to cover only dividend and not interest which was included in May 2019 announcement.

6. **Allowed taxable loss for the year 2020 to be set off against the future years profit for an indefinite period.**

Typically, losses were available for set-off for a period of five years from the year in which the loss was incurred. With this relief the tax-payer can now set off loss which is incurred in the financial year 2020 indefinitely instead of five years. This will help businesses recover after the pandemic eases out.

7. Specific corporate tax benefit for SMEs (reduction of rate from 15% to 12% for the years 2020 and 2021).

SMEs definition¹ as per SMEs Development Authority is:

- *Micro establishment shall have 1-10 workers and its annual revenues be less than OMR 150,000.*
- *Small establishment shall have 11-50 workers and an annual revenue ranging between OMR 150,000 and OMR 1,250,000.*
- *Medium establishment shall have 51-150 workers and an annual revenue ranging between OMR 1,250,000 and OMR 5 million.*

It appears that the aforesaid conditions can be self-satisfied. Additional clarity should be sought from TA before implementing the same. Also, TA has to update its e-services portal to accommodate such lower income tax.

Tourism and Municipality Tax:

- **Exemption from collecting tourism tax and municipality tax from the tourists until end of the year 2021.**

Typically, tourism tax and municipality tax cumulates to 7%, which to an extent hurts the consumer spending at designated establishments. With the recent announcement, it appears that the benefit is to the consumers and eventually to the designated establishments where the footfall is expected to increase.

- **Postponing the payment of tourism tax and municipality tax until the end of year 2021.**

This shall support the hotel industry by postponing payment of taxes collected up to 9 March 2021, which may aide in cash flows.

Relief announced on Government fees, rent and tariffs:

- Reducing fees of environmental licenses, which is to be renewed in the year 2021, by 50% for the entire license period;
- Waiver of the penalties resulting from the expired environmental licenses provided that such licenses are renewed within 3 months from the date of its expiry.
- Reducing rent by 25% of land located within Special Economic Zone at Duqm (SEZAD) and industrial areas of Public Establishment for Industrial Estates (Madayn) with effect from January 2021 until the end of 2022.
- Applying fixed electricity tariffs, depending on electrical loads, for higher electricity consumers (more than 100 thousand kilowatt hour (kWh)).

Announcement for Small and Medium Enterprises (SMEs):

- To continue the postponement of loan installments, due for Al Raffd Fund for SMEs, until the end of December 2021;
- Government contracts of less than RO 10,000 shall be confined to SMEs;

Labour Market and Employment Incentives:

- Allocating RO 20 million in 2021 Budget to train job-seekers;
- Reducing recruitment permit fees of expat workforce as specified in Article 2 of the Ministerial Decision no. 12/2021, issued by the Ministry of Labour regarding high and middle level positions and types of professions and occupations as set forth in sections 1, 2, and 3 of Item One, and Section 3 of Item Two, as follows:
 - 50% for enterprises and companies that achieved Omanisation rate.
 - 25% for enterprises and companies that have Omani workforces.

¹ <https://omannews.gov.om/NewsDescription/ArtMID/392/ArticleID/15118/Ministerial-Decision-Amends-Classification-of-SMEs-Per-Workforce-Revenues>

Stimulating Business Environment and Investment Climate:

- Investors can start business and investment activity immediately after obtaining provisional license without waiting for the final licence. Ministry of Commerce, Industry and Investor Protection (MOCIIP) shall issue regulations in this regard;
- The companies registered under the Foreign Capital Investment Law investing in economic diversification sectors and the enabler sectors shall be treated at par with the citizens in terms of commercial registration fees;
- Further, three permits for recruiting expat workforce based on the applicable rules and regulations shall be provided automatically;
- Allow companies to own land with 5,000 sqm and more, and real-estate for the purpose of practicing the authorised activity in accordance with the applicable rules and regulations, with an exception to the land which are not permitted to be owned by non-Omanis;
- Business activities related municipality fees shall be restructured by the concerned authorities.

Banking Sector Incentives provided by Central Bank of Oman (CBO)

- To continue to postpone repayment of loan installments for Omani employees who have been laid-off and whose salaries have been reduced until the end of September 2021;
- All banks to continue addressing the request for postponing the installments and interest/profit of all borrowers affected by the current situation for a period of another six months, until the end of September 2021;
- The CBO shall liaise closely with various banks and finance companies with regards to rescheduling of loans in order to match the new cash flows of borrowers so as to ensure their ability to fulfil their contractual obligations with financial institutions, without imposing fees on rescheduling of loans.

In conclusion

This set of relaxation clearly shows the noble intention of His Majesty and the Ministry of Finance to mitigate the effects of COVID-19 in the Sultanate of Oman with equal support from the Oman TA. While we should expect more clarity from Oman TA on certain matter, please do reach out to our expert team who can identify reliefs applicable for your business and who can provide end-to-end support in availing such reliefs.

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