

## Oman amends Income Tax Law

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### Executive summary

On 14 September 2020, His Majesty Sultan Haitham Bin Tarik issued Royal Decree No. 118/2020 (RD 118/2020), which amended various provisions of Oman's Income Tax Law (ITL). The most notable changes are:

- ▶ For tax years starting on or after 1 January 2020, replacement of the process of filing both provisional and final income tax returns with the process of filing a single return within four months from the end of the accounting period.
- ▶ Introduction of a new concept of tax residency.
- ▶ Provision of additional powers to the Tax Authority to request information from licensed banks to comply with provisions of international agreements.

Taxpayers should familiarize themselves with the amendments to comply with their tax filing obligations under the amended ITL.

### Detailed discussion

#### Amendments to tax filing obligations

The annual tax compliance requirement has now been reduced to a single tax return filing per year termed as the income tax return (ITR). The previous requirement to submit two tax returns (i.e., the provisional and final return of income) has been replaced.

The ITR is required to be submitted within four months from the end of the relevant tax year or accounting period for which the ITR is prepared.

The new rules come into effect for tax years commencing on or after 1 January 2020.

### Introduction of tax residency

A new concept of tax residency has been introduced and provides that:

1. A natural person will be a resident if he or she spends 183 days or more (consecutive or intermittent) in Oman during the tax year.
2. A legal person will be a tax resident if it has been established in accordance with the laws and Royal Decrees in force in Oman, or if its head office or headquarters is in Oman.

The reference to foreign persons in the charging section for withholding tax in the previous law has been amended to apply to nonresident persons (i.e., a person not fulfilling the above criteria).

### Licensed banks operating in Oman

The recent amendment provides additional powers to the Tax Authority to request and obtain directly from the licensed banks operating in Oman, the details of any person as may be required under the provisions of international agreements. Such details may be shared by the Tax Authority in accordance with the provision of the international agreements.

The amendment also stipulates that the licensed banks are obliged to provide such details as requested by the Tax Authority within the timeframe set out in the request. Such details may be provided by the bank without indicating the account holder for which such request is made. The Tax Authority has the right to review documents and records at the headquarters of the bank.

A designated person shall be assigned and entrusted with the responsibility to collect, preserve and provide such information for the automatic exchange of information by a decision issued by the Chairman of the Tax Authority. Ministerial Decision 78/2020 sets out detailed definitions and rules in relation to the automatic exchange of information.

Penal provisions in the ITL have been extended to include noncompliance with the new rules.

### Other notable amendments

The term "Chairman" has replaced "Responsible Minister" and "Secretary General." The term "Authority" replaces the term "Secretariat General."

The Income Tax Committee that hears appeals against objection decisions issued by the Tax Authority has been renamed as the Tax Grievance Committee. The Committee shall be formed by the decision of the Chairman of the Tax Authority with the approval of the Council of Ministers. The Committee shall comprise of a Chairman, Deputy Chairman and three members.

The jurisdiction of the Tax Authority has been extended to enter into new tax-related bilateral/multiparty agreements and protocols.

The definition of "enterprise" and "principal officer" now include a single person company.

Certain provisions relating to tax cards including timelines for initial registration (60 days from the commencement of business) and updates to permanent information (30 days from modification) have now been clarified to include permanent establishments.

The confidentiality provisions in the ITL have been extended to include every person who has access to the taxpayer's information, in addition to the officials at the Tax Authority.

### Effective date

The provisions on annual tax compliance take effect for tax years starting on or after 1 January 2020. The other amendments take effect from 21 September 2020, the day following the date when RD 118/2020 was published in the *Official Gazette*.

### Implications

The amendments in RD 118/2020 are expected to bring about significant changes to the tax landscape in Oman. The changes also directly affect the compliance requirements for taxpayers beginning from tax year 2020. Taxpayers should familiarize themselves with the amendments to reduce the risk of non-compliance with the amended ITL.



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