

Global Tax Alert

News from Transfer Pricing

Oman introduces Country-by-Country Reporting requirements

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Executive summary

On 27 September 2020, Oman introduced, Country-by-Country (CbC) Reporting (CbCR) requirements through Tax Authority Decision No. 79/2020 (TA Decision 79/2020).

The new requirements apply to all businesses that have a legal entity or branch in Oman and are members of a multinational enterprise (MNE) group with annual turnover above OMR300 million (approximately US\$780 million or €670 million).

The CbCR rules are effective for fiscal years beginning on or after 1 January 2020. Affected entities will need to submit a **CbCR notification** before the last day of the fiscal year and submit the first **CbC report** 12 months after the last day of the fiscal year end.

Entities affected by the new rules will need to make arrangements to comply with the new requirements, as well as review the impact that Oman's new rules may have on the MNE group's reporting and notification requirements in other countries.

Detailed discussion

Background

In October 2017, Oman became a member of the Organisation for Economic Co-operation and Development's (OECD) Base Erosion and Profit Shifting (BEPS) Inclusive Framework, committing Oman to align its domestic tax rules with the shared international consensus on international tax rules, and implementing the BEPS minimum standards.

One of the minimum standards is CbCR, which is covered in Action 13. It introduces a requirement for MNE groups to file a CbC report, setting out financial information for each tax jurisdiction where the group has a presence. The objective of a CbC report is for tax authorities to assess high-level risks related to transfer pricing and BEPS for MNE groups.

In addition, Oman became a signatory to the Multilateral Competent Authority Agreement (MCAA) on the exchange of CbC reports in July 2020, which provides a mechanism for the automatic exchange of CbC reports among members.

New rules in Oman

On 27 September 2020, Oman's Tax Authority published TA Decision 79/2020, which introduces CbCR rules for MNE groups operating in Oman. Broadly, the rules are in line with the OECD model legislation set out in the Action 13 report and Annex III of Chapter V of the *OECD Transfer Pricing Guidelines*.

Under the new rules, an entity or branch located in Oman is required to file a CbCR notification and/or CbC report in Oman if it is a member of an MNE group that had at least OMR300 million consolidated group revenue in the preceding fiscal year. The new reporting requirements apply to fiscal years beginning on or after 1 January 2020. An entity affected by the CbCR rules is referred to as a Constituent Entity.

Filing requirements under the new rules

An Omani Constituent Entity will be required to submit a notification no later than the last day of the reporting fiscal year of such MNE group. This notification should identify whether the Constituent Entity is the Ultimate Parent Entity (UPE) or the Surrogate Parent Entity (SPE) of the MNE group. If the Constituent Entity is neither the UPE nor the SPE, the notification shall include the identity and tax residence of the Reporting Entity. For MNE groups with a 31 December 2020 fiscal year end, **the first notification deadline will be 31 December 2020.**

An Omani Reporting Entity (i.e., UPE or SPE) must file its CbC report no later than 12 months after the last day of the reporting fiscal year of the MNE group. For MNE groups with a 31 December 2020 fiscal year end, **the first CbC report filing deadline will be 31 December 2021.**

The CbC report should include the following details:

- a. Aggregate information relating to the amount of revenue, profit (loss) before income tax, income tax paid, income tax accrued, stated capital, accumulated earnings, number of employees, and tangible assets other than cash or cash equivalents with regard to each jurisdiction in which the MNE group operates
- b. An identification of each Constituent Entity of the MNE group setting out the jurisdiction of tax residence of such Constituent Entity, and where different from such jurisdiction of tax residence, the jurisdiction under the laws of which such Constituent Entity is organized, and the nature of the main business activity or activities of such Constituent Entity

TA Decision 79/2020 does not prescribe a specific format/template for the CbCR notification or CbC report. Although, it does mention that the submission of the CbC report should be in the format which is prepared electronically for this purpose. The Tax Authority recently activated the Automatic Exchange of Information (AEOI) section on their Online Portal.

Penalties for non-compliance

Currently, TA Decision 79/2020 does not stipulate any fines or penalties for non-compliance.

Implications

MNE groups with operations in Oman will need to assess if they are subject to CbCR notification and filing requirements under the new rules.

Groups headquartered outside Oman, with an Omani presence, will be required to submit a CbCR notification and may (depending on certain circumstances) be required to submit their CbC report in Oman also.

Many Oman-headquartered groups may be required to file a CbC report for the first time. For Oman-headquartered groups that have filed CbC reports for previous reporting years in the jurisdiction of an SPE, the new rules could result in the filing location of the CbC report transferring to Oman from the SPE's tax jurisdiction.

All affected MNE groups will need to review their CbCR processes to ensure compliance with global CbCR requirements in all relevant jurisdictions and the new Oman requirements.

Oman has not yet activated any exchange relationships for CbCR. However, it is expected that these will get activated and become effective in advance of the first CbCR deadline (i.e., 12 months after the last day of the fiscal year end). MNE groups should continue to review this point, as it could impact their CbCR notification and filing requirements in other countries.

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