

## Oman ratifies automatic exchange of information

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### Executive summary

Oman ratified, on 14 September 2020, the automatic exchange of information (AEOI) through Royal Decree No. 118/2020 (RD 118/2020) to support the implementation of the Common Reporting Standard (CRS) developed by the Organisation for Economic Co-operation and Development (OECD). On 17 September 2020, the Chairman of the Tax Authority issued Tax Authority Decision No. 78/2020 (TA Decision 78/2020) outlining related administrative rules.

The effective date for the CRS in Oman was 1 July 2019 and the first reporting is due by 31 October 2020 (based on a Circular issued by the Tax Authority on 4 October 2020). Reporting Financial Institutions (such as banks, funds, brokers, custodians and insurance companies offering cash value or annuity products) need to have processes and procedures in place to meet their compliance requirements. If these were not fully implemented in time for this year's reporting, any necessary remediation should be carried out as soon as possible.

Individuals and entities that are not Reporting Financial Institutions should be prepared to provide relevant documentation to Reporting Financial Institutions to support their tax residency status.

## Detailed discussion

### Background

The CRS is a standard developed by the OECD relating to automatic exchange of financial account information and requires jurisdictions to obtain information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. Oman is one of more than 100 jurisdictions that have committed to the CRS.

### Timeline

- ▶ **1 July 2019:** New account holders' onboarding processes must be effective
- ▶ **31 December 2019:** Review of pre-existing high value individual account holders must be completed
- ▶ **31 October 2020:** Extended first reporting deadline for period 1 July 2019 to 31 December 2019 for CRS in Oman
- ▶ **31 December 2020:** Complete due diligence on pre-existing entity and lower value individual account holders
- ▶ **31 May 2021:** Reporting deadline for tax year 2020 for CRS in Oman (based on TA Decision 78/2020)

### Automatic Exchange of Financial Account Information

Reporting Financial Institutions (RFIs) in Oman must undertake a comprehensive review of their pre-existing account holders (accounts maintained as of 30 June 2019) to identify account holders that are tax residents of the CRS participating countries who hold financial accounts, either directly or indirectly. Further, RFIs must identify any new account holders (accounts opened from 1 July 2019 onwards) that are tax residents of the CRS participating countries. All reportable account holders must be reported to the local tax authority on an annual basis with details of their address, tax identification number(s), date and place of birth (for individuals), account balances and depending on the type of the account details of interest or dividends paid, gross proceeds from the sale of redemption of financial assets and aggregate amounts of redemption payments made.

RFIs may apply the following procedures to perform their review:

- ▶ Apply the due diligence procedures for new accounts to pre-existing account holders.
- ▶ For pre-existing lower value individual accounts, treat the account holder as tax resident of the jurisdiction identified in the current residence address held in the RFI's records.

- ▶ For pre-existing entity accounts, use any classification on record that was based on a standardized industry coding system.
- ▶ Electronically report details of the reportable accounts to the Oman Tax Authority and associated information by 31 May of the year following the calendar year to which the report relates. If no reportable accounts are identified, a nil report should to be filed.
- ▶ Maintain documentation for these due diligence procedures for a period of not less than five years from the end of the following calendar year during which the report is required to be submitted.
- ▶ Use the "alternative attestation procedure" for certain employer-sponsored group insurance or annuity contracts such that a member's interest is not a reportable account until an amount is payable to the employee/certificate holder or beneficiary.
- ▶ For due diligence purposes, account balances that are not in US Dollars should be converted to US Dollars at the spot rate for the purpose of applying the de-minimis limits.
- ▶ For reporting purposes, the equivalent value of reportable accounts (if in other currencies) needs to be determined in Omani Rials.

### Penalties for non-compliance

TA Decision 78/2020 does not stipulate any fines or penalties for non-compliance. Nevertheless, RD 118/2020 specifies that the Tax Authority may take all actions to obtain such information from the taxpayer.

### Effective date

The provisions relating to AEOI take effect from 21 September 2020, the day following the date when RD 118/2020 and TA Decision 78/2020 were published in the *Official Gazette*.

## Implications

Entities and branches of foreign entities based in Oman will need to assess their classification under the CRS requirements to determine whether they are classified as RFIs and have reporting obligations under the CRS rules.

Individuals and entities not classified as RFIs should be prepared to provide the relevant documentation and self-certifications to RFIs to support their tax residency status.

For additional information with respect to this Alert, please contact the following:

**Ernst & Young LLC, Muscat**

- |                           |                                   |
|---------------------------|-----------------------------------|
| ▶ Ahmed Al Esry           | ahmed.amor@om.ey.com              |
| ▶ Alkesh Joshi            | alkesh.joshi@om.ey.com            |
| ▶ Hannah Shipley          | hannah.shipley@ae.ey.com          |
| ▶ Ramesh Lakshminarayanan | ramesh.lakshminarayanan@om.ey.com |
| ▶ Manjot Singh Chug       | manjot.singh@om.ey.com            |
| ▶ Mohammed Raza           | mohammed.raza@om.ey.com           |

**Ernst & Young LLP (United States), Middle East Tax Desk, New York**

- |             |                   |
|-------------|-------------------|
| ▶ Asmaa Ali | asmaa.ali1@ey.com |
|-------------|-------------------|

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