

# Oman Budget 2022: Key Highlights

January 2022



His Majesty Sultan Haitham bin Tarik issued a Royal Decree (“RD”) on 1 January 2022, published in the Official Gazette on 2 January 2021, promulgating the 2022 State Budget (RD 1/2022). In this News Alert, we are setting out the key features of the 2022 State Budget.

## Snapshot of the key features

### Oman budget 2022

Royal Decree No.1/2022 was issued on 1 January 2022, and published in the Official Gazette dated 2 January 2022, promulgating the State’s Budget for the year 2022. Below are the key features of the 2022 budget :

Projected Revenue	OMR 10.6 billion
Projected Expenditure	OMR 12.1 billion
Projected deficit	OMR 1.5 billion
Projected income from the Oman Investment Authority (“OIA”)	OMR 0.8 billion
Projected investments by the OIA	OMR 2.9 billion
Projected investments by Energy Development Oman (“EDO”)	OMR 1.2 billion
Projected average oil price	\$50

Oman is projecting a fiscal deficit of OMR 1.5 billion in 2022, down 32% year-on-year, as growth in state spending is outpaced by a stronger growth in revenues on the back of projected higher oil and gas receipts.

Revenues and expenditures were estimated, taking into account the framework of the medium-term fiscal plan (the 10th Five-Year Development Plan (2021-2025)) impacted by such factors as changes in oil price estimates, the ongoing uncertainty arising from dealing with the Covid-19 pandemics and the establishment of the Oman Energy Development Company. Also important in determining the budget are the set of foundations and assumptions that aim in their entirety to ensure the continuity of providing public and basic services such as education, health, housing and social welfare, alongside improving the business environment and stimulating investment.

Oil and gas revenues are forecasted at around OMR 7.2 billion, or 68% of overall receipts, up from OMR 5.4 billion in 2021, when it made up 63% of the total. Oman's projected revenue figures are based on an assumed oil price of \$50 per barrel, up from an expectation of \$45 per barrel in the 2021 budget. The projected average oil price seems to be on a conservative basis considering that the current oil prices are relatively higher. Oman's fiscal breakeven oil price needed to balance its 2022 budget will be \$67 per barrel, compared with \$74 per barrel in 2021.

The uptick in expected oil and gas revenues come as a result of both higher oil prices and higher oil production, in line with the ongoing Opec+ production restraint deal. Oman has seen its production ramp up in a stepwise manner since the middle of last year as the Opec+ group gradually restores all the oil it took off the market in May 2020 in response to the Covid-19-induced collapse in global oil demand.

## Economic developments in Oman Middle East

### Summary of State Budget released in Royal Decree 1/2022

	2022 Budget			2021 Budget		2021 actuals*	
	Target oil prices at \$50/bbl			Target oil prices at \$45/bbl		Average oil prices at \$61/bbl	
	OMR (m)	% of total	% change from 2021	OMR (m)	% of total	OMR (m)	% change from 2021 budget
<b>Revenues</b>							
Oil	4,490	42%	26%	3,550	41%	5,555	56%
Gas	2,750	26%	47%	1,870	22%	2,628	41%
<b>Total Oil and Gas</b>	<b>7,240</b>	<b>68%</b>	<b>34%</b>	<b>5,420</b>	<b>63%</b>	<b>8,183</b>	<b>51%</b>
Taxes and Fees	1,759	17%	8%	1,622	19%		
Non Tax revenue	1,401	13%	2%	1,378	16%		
Capital Income and Recoveries	180	2%	(18%)	220	3%		
<b>Total Non Oil and Gas</b>	<b>3,340</b>	<b>32%</b>	<b>4%</b>	<b>3,220</b>	<b>37%</b>	<b>2,761</b>	<b>(14%)</b>
<b>Total Revenues</b>	<b>10,580</b>	<b>100%</b>	<b>22%</b>	<b>8,640</b>	<b>100%</b>	<b>10,944</b>	<b>27%</b>
<b>Expenditures</b>							
Defense and Security	2,965	24%	0%	2,965	27%	2,885	(3%)
Oil and Gas	1,600	13%	105%	780	7%	1,767	127%
Civil Ministries	4,300	35%	6%	4,075	37%	4,320	6%
Loan Interest	1,294	11%	8%	1,200	11%	1,070	(11)%
Investments	900	7%	0%	900	8%	1,100	22%
Supporting the electricity sector	500	4%	0%	810	7%	550	10%
Others (including provision for debt repayment)	571	5%	24%	150	1%	475	3%
<b>Total Expenditures</b>	<b>12,130</b>	<b>100%</b>	<b>11%</b>	<b>10,880</b>	<b>100%</b>	<b>12,600</b>	<b>12%</b>
<b>Deficit</b>	<b>(1,550)</b>		<b>(31%)</b>	<b>(2,240)</b>		<b>(1,223)</b>	<b>(45%)</b>

#### Deficit funded by:

Foreign Borrowing	305	20%	948	42%
Local Borrowing	845	55%	692	31%
Reserves	400	26%	600	27%

\*Source of information: Royal Decree 1/2022 and Ministry of Finance press release

## Economic developments in Oman Middle East

### Overview

#### Oman Budget 2022 (RD 1/2021)

The FY 2022 Oman budget represents the second year of the Tenth Five-Year Development Plan (2021-2025) ("the 10th FDP"), which paves the way to implement Oman Vision 2040 development objectives. The budget was prepared in context of similar themes to the previous year, in that financial and economic challenges resulting from the COVID-19 pandemic persist, and the Sultanate continues to be committed to the agreement of the Petroleum Exporting Countries (OPEC +) in limiting the production of oil to 1,055m barrels a day alongside ongoing economic and geopolitical challenges.

The Sultanate had good reason to be cautiously optimistic in preparing the 2022 budget, as 2021 afforded a number of positives that would have factored into the budget, such as:

- the world economy slowly recovering from the initial impact of the Covid-19 pandemic, with the IMF projecting a medium-term global economic growth of 3.3% and forecasting Oman's GDP to grow around 2.5% in 2021 and about 3% average growth over the medium term;
- Oman's actual 2021 revenues exceeding budget, and therefore strengthening the Sultanate's efforts to meet its Medium-Term Fiscal Plan (2020-2024) of reducing its deficit;
- VAT and Excise Taxes "going live" in 2021, which allowed Oman to include a new revenue stream in the 2022 budget, and to begin reaping the benefits of implementing the new fiscal policies; and
- the Sultanate's credit outlook having improved across the three main agencies.

As such, while the 2022 General Budget is very much shaped by Oman's Vision 2040 priorities such as achieving fiscal sustainability and reducing the ratio of the size of public debt to GD, it does so already having hit initial milestones under the short- and medium- terms plans underpinning Vision 2040.

#### 2022 Budget Objectives

The State's General Budget for 2022 is consistent with the objectives of the 10th FDP, as the general budget aims to achieve the following set of economic and social development goals:

- 1) Encouraging investment and pushing the private sector to lead and revitalise the economic sectors, and to expand partnership projects with the private sector.
- 2) Maintaining safe and sustainable levels of public spending through continued implementation of the medium-term financial plan initiatives.
- 3) Continuing efforts to maintain balanced financial stability and intensifying efforts to support and stimulate economic activity without prejudice to the sustainability of budget indicators and public debt.
- 4) Giving priority to the implementation of projects that serve the economic and social objectives related to the productive sectors, especially the sectors of economic diversification, and delaying the implementation of non-urgent projects, and giving great importance in return for the operation of projects that are completed during the year.
- 5) Providing the necessary incentives to encourage the establishment of private sector companies (especially public joint stocks companies) to serve development and provide the necessary opportunities for investment.
- 6) Continuing work to improve the credit rating of the Sultanate of Oman and increase investor confidence.

Oman's 2022 budget was build on the basis of \$50 per barrel and the Ministry of Finance confirmed that a precautionous approach was taken once again in this regard. This is especially in consideration of the ongoing uncertainty of the oil price scene in light of the new Covid-19 variants, and the approaching date of the end of the OPEC+ agreement in April 2022. This is despite the estimates of the International Energy Agency, the International Monetary Fund and credit rating agencies (Fitch, Moody's, Standard & Poor's, and other global agencies) that put the average price during 2022 between \$53 and \$84.

Revenue is budgeted to increase by 23% to OMR 10.6 billion (FY21 OMR 8.6 billion), with oil and gas revenue representing c.68% (FY21 OMR 7.2 billion). The Ministry of Finance confirmed in a statement that, should revenues in excess of those budgeted at \$50 per barrel be achieved, any excess will be utilised to further reduce the deficit and repay loans.

## Economic developments in Oman Middle East

### Overview (continued)

#### Oman Budget 2022 (RD 1/2022)

The Sultanate also foresees a rise in non-oil revenue to around OMR 3.3 billion in 2022, up 6% from around OMR 3.2 billion in 2021 budget. This continued growth in non-oil revenues supports Oman's objective of reducing its dependency on oil and gas revenues.

The budget included higher revenues from local taxes & fees at OMR 1,759 million (FY21 OMR 1,622 million). VAT and Excise Tax are expected to contribute OMR 450 million and OMR 85 million of these revenues, respectively. Customs taxes are expected to contribute OMR 260 million in revenues.

The forecasted revenue from corporate tax is estimated at OMR 465 million (FY21 OMR 400 million) with an increase of 17% in comparison to taxes budgeted to be collected in year 2021. This is mainly due to an effective vaccine rollout and other containment measures have allowed the economy to open, while higher international oil prices have supported a broader recovery.

One of the most important pillars of the Sultanate's general budget for 2022 is maintaining safe and sustainable levels of public spending, while continuing to raise non-oil revenue contributions, and giving priority to the implementation of projects related to the productive sectors and others. The Sultanate's general budget 2022 aims to spend 40% of the total current spending on basic services, which will be distributed as follows: 17% on education, 7% on social security and welfare, 11% on health and 5% on housing.

Government expenditure, meanwhile, will rise to OMR 12.1 billion in the 2022 budget, up 11% from its 2021 estimates. Actual investment expenditures represents about 24% of total expenditure or OMR 2.9 billion. A total of 110 investment projects will be implemented and developed in 2021-2022, and it is expected that more projects are to come from the series of deals signed by a raft of state-owned and private Omani firms with Saudi Arabian companies during the visit by the Saudi Crown Prince His Royal Highness Mohammed bin Salman to the Sultanate.

In addition, the Government appears keen to outsource other services and projects to the private sector to further ease expenditure, with the aim of bringing improved efficiency and cost savings.

According to the estimates of the Ministry of Economy, it is expected that the total Gross Domestic Product "GDP" at current prices by the end of 2021 will reach about OMR 30 billion.



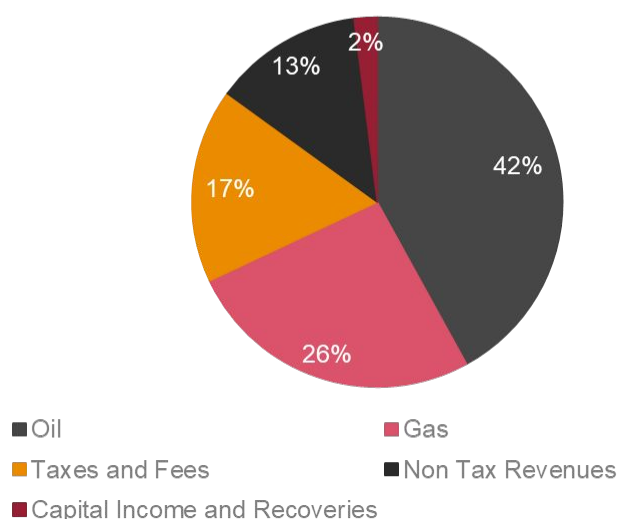
## Economic developments in Oman Middle East

### Further insights Oman Budget 2022

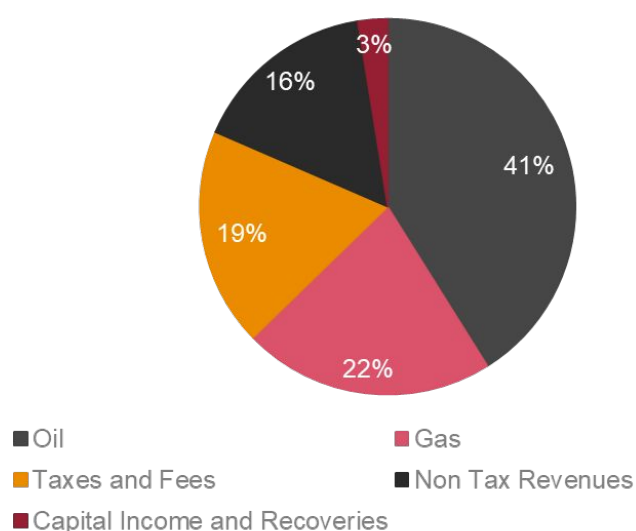
#### Revenue

Oman's 2022 budget estimates total revenues at OMR 10.6 billion, 3% less compared to actual revenues in 2021. Oil and gas revenues comprise 68% of this figure at OMR 7.2 billion, and the remaining OMR 3.3 billion is estimated from non-oil and gas revenues.

2022 REVENUE ESTIMATES



2021 REVENUE ESTIMATES



Revenue estimates are based on the following considerations:

- Oil price assumed at \$50 per barrel.
- Oman's commitment to cut oil production (i.e. 1.055m barrels/day) in line with OPEC's decision to reduce production volumes. This commitment quota is effective for the period starting from May 2020 to April 2022.
- Revenue generated from the estimated sale of gas as per consumption expected for the year 2022.

#### Actual revenue in 2021

The actual revenue realised in 2021 was OMR 10.9 billion, which represents c. 27% increase (OMR 2.3 billion) compared to the 2021 budget estimates of OMR 8.6 billion. This revenue increase can mainly be attributed to the following factors:

- **Oil Revenues:** The uptick in oil and gas revenues as a result of both higher oil prices and higher oil production, in line with the ongoing Opec+ production restraint deal. Oman has seen its production ramp up in a stepwise manner since the middle of last year as the Opec+ group gradually restores all the oil it took off the market in May 2020 in response to the Covid-19-induced collapse in global oil demand.
- **Non-hydrocarbon Revenues:** Total non-hydrocarbon revenues in 2021 were down by c. 14% compared to 2021 budget estimates (i.e. OMR 459 million). This mainly relates to the continued relief supplied by the government to the economy industries to help the businesses sustain the economic downturn caused by COVID-19. The relief measures continued to include waiving collection of taxes from tourism tax, municipality fees and taxes, rent due on factories operating in industrial areas, penalty fines on expired labor cards and the reduction of corporate income taxes, shipping and handling fees.

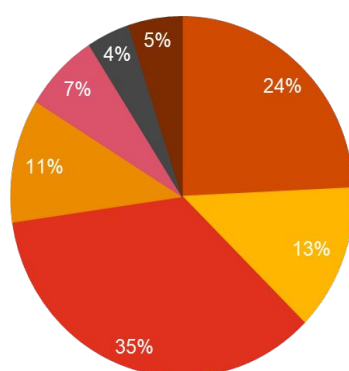
## Economic developments in Oman Middle East

### Expenditure

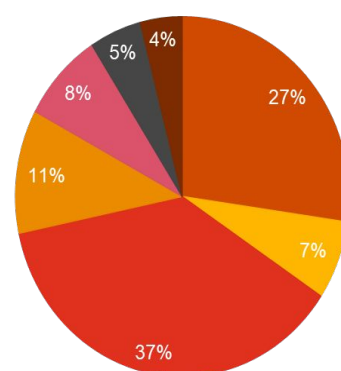
Total expenditure in FY22 is estimated at OMR 12.1 billion, an increase of OMR 1.3 billion (12% more) as compared to total expenditure projected in the 2021 budget. This increase in expenditure can be mainly attributed to the following considerations:

- Expenditures of Government units, including periodical allowances and 2011 batch promotion costs.
- Allocations for gas, electricity, water and transport expenditure, taking into account subsidy reform plans.
- Cost of public debt service in accordance with the existing and planned loans over the year.

2022 EXPENDITURES



2021 EXPENDITURES



### Actual expenditure in 2021

The actual expenditure in FY 2021 was OMR 12.2 billion, a 12% increase compared to the 2021 projection. This increase can mainly be attributed to the following:

- Allocating funds to manage the outbreak of the COVID-19 pandemic.
- Increasing capacity in higher education institutions to reach 31 thousand academic seats.
- Covering the costs of recruitment and training programs associated with employment.
- Payment of OMR 418 million for financial arrears for previous years.
- Payment of OMR 1.2 billion for financial dues to private sector companies to the end of 2021
- Allocating OMR 200 million for the costs involved in repairing the damages caused by the climatic conditions "Shaheen".
- Covering the government's contribution to the capital and operational expenses of the oil and gas sectors as a result of the delay in the operational procedures of the Energy Development Oman Company.

## Economic developments in Oman Middle East

### Deficit

The 2022 budget estimates the deficit at OMR 1.5 billion. The table below illustrates the results of Oman's efforts to gradually decrease its deficit since the 2016 peak.

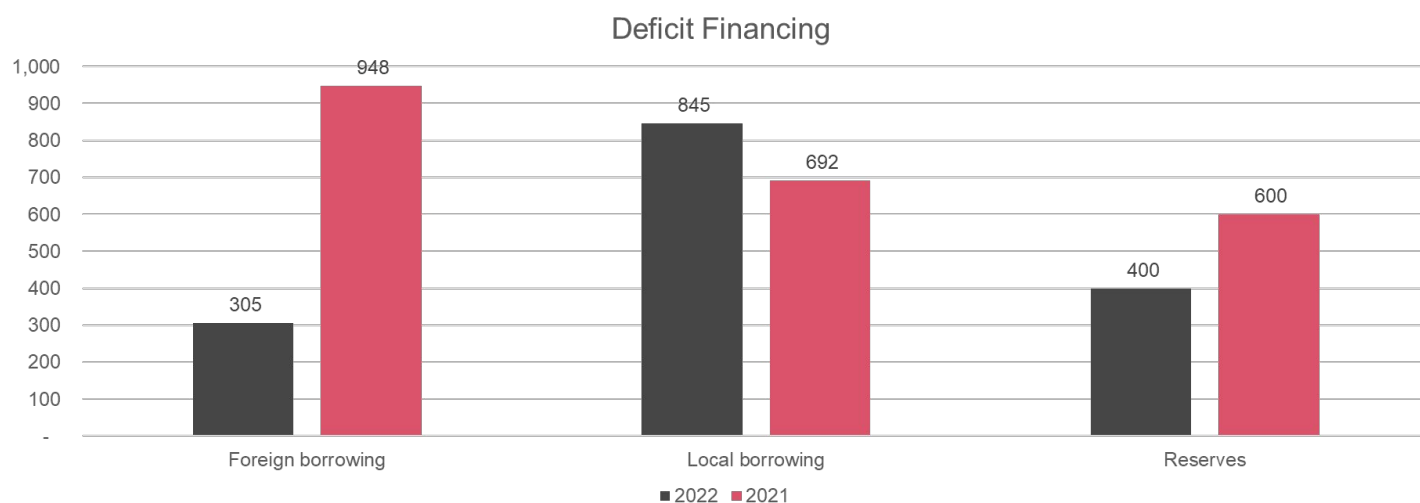
All amounts in OMR (millions)

	2016 (actual)	2017 (actual)	2018 (actual)	2019 (actual)	2020 (actual)	2021 (actual)	2022 (budget)
Revenue	7,600	8,500	10,900	11,100	8,464	10,944	10,580
Expenditure	12,900	12,300	13,600	13,700	12,660	12,167	12,130
Deficit	(5,300)	(3,800)	(2,700)	(2,600)	(4,196)	(1,223)	(1,550)

### Deficit financing

74% of the 2022 budget deficit is expected to be covered by external and domestic borrowing while the remaining 26% will be covered by drawing on the reserves. This is in line with the Government's continued guidance to maintain the sovereign reserve funds and to rely upon borrowing to finance any deficit.

All amounts in OMR (millions)





## Economic developments in Oman Middle East

### Credit Rating

The credit ratings for Oman remained unchanged in 2021 compared to 2020; however, each of the three main agencies improved their outlook for Oman in 2021: Standard & Poor from stable to positive, Fitch from negative to stable, and Moody's from negative to stable.

The following statement shows the development of the credit rating of the Sultanate issued by international rating agencies during the period (2014 - December 2021):

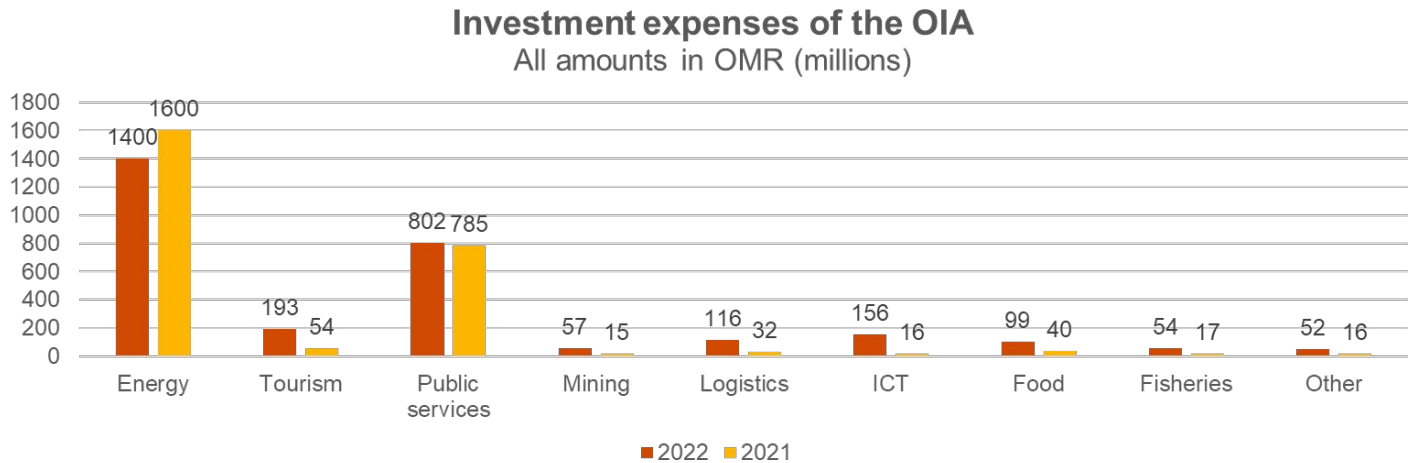
<b>Credit Agency</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Moody's	A1	A1	BAA1	BAA2	BAA3	BA1	BA3	BA3
S&P	A	BBB+	BBB-	BB	BB	BB	B+	B+
Fitch	-	-	-	BBB-	BB+	BB+	BB-	BB-

#### **Factors that prompted credit rating agencies to positively adjust their outlook for the rating of the Sultanate of Oman:**

- Financial control measures
- Oil price hike
- Reducing external financing pressures
- Annual non-oil revenue growth
- Expectations of a shrinking public budget deficit
- Decrease in the public debt-to-GDP ratio

## Economic developments in Oman Middle East

### OIA investments in 2022



The Investment Authority plans to work on 110 local projects in 10 sectors next year, namely the energy sector, tourism, logistics, communications and information technology, food, fisheries, public services, mining and other sectors, with a total planned investment expenditure of OMR 2.9 billion.

#### Energy Sector

The investments of OIA in the energy sector focus on oil, gas and petrochemical projects, with approved investments with a budget of about OMR 1.4 billion. The sector's investments will be directed to four major projects, all of which will be completed or expanded without entering into new projects. The approved investment budget does not cover projects that have not yet reached a final investment decision, including green hydrogen projects. Noting that the investment allocations for the energy sector for the year 2022 will decrease by 12.5% from year 2021 budget. The OQ Energy Group, which is affiliated with the OIA, will direct the funds allocated to the energy sector to expand and enhance exploration and production operations and continue work on the Duqm Refinery, oil storage facilities at Ras Markaz, and the Salalah Ammonia Project.

#### Public Services Sector

The sector with the second highest share of investments is the public services sector, including electricity, water and waste management, with investments of OMR 802 million in 2022, with a slight increase in the budget compared to OMR 785 million in 2021. The sector will focus on building a new industrial waste treatment facility as a new project, in addition to continuing work on the ongoing plans to develop the infrastructure for waste management, landfills and transfer stations, and cover the ongoing cost of power generation under power purchase agreements, and the capital expenditures of the Electricity, Water and Wastewater Companies Group (Nama).

#### Tourism Sector

As for Omran Group, the government's real estate and tourism development arm, the list of tourism projects that will be worked on includes 7 new projects starting in 2022 with allocated funding of OMR 193 million, compared to OMR 53 million in 2021, an increase equivalent to 257%. The group will develop: Yeti Sustainable City, Eastern Commercial District in Madinat Irfan, Port Sultan Qaboos Waterfront Project in Muttrah, Four Seasons Hotel Muscat, Souk Al Hafa, Al Sharq District Project and Diyar Ras Al Had Project.

Other allocations within the framework of the investment plan of the OIF for the year 2022 include financing the fourth production line of the Oman Cement Company, the industrial services projects of the Majis Services Company, and the expansion of the National Pharmaceutical Industries project.

## Economic developments in Oman Middle East

### Key developments during FY 2021

In 2021, the world continued to face a global health crisis with new COVID-19 variants, alongside fluctuations in oil prices during the year. These two factors continued to result in severe economic impact and business disruption worldwide, which is expected to take significant amount of time to recover. Like the vast majority of countries, Oman attempted to control the spread of COVID-19 by enforcing phased lockdowns, travel restrictions, and temporary closure of businesses, which in turn caused major slowdown of the economic growth.

Despite of the economic downturn caused by the pandemic, 2021 witnessed massive changes to the business, legal, and tax frameworks in the country, forming a continuation of development steps, set forth in the previous years, with the aim of achieving, among other objectives, fiscal sustainability & economy diversification.

Below is a summary of the key economic, tax and other development that were unfolded during the year 2021.

### Reforms aimed at improving the business environment and investment climate

#### Incentives announced by the Government as part of Oman Vision 2040

As part of Oman's Vision 2040 and a plan to diversify the economy away from oil, His Majesty Sultan Haitham Bin Tarik approved tax incentives for companies, as part of an economic stimulus plan to enhance growth rates. As per the International Monetary Fund, Oman's economy suffered a 6.4% shrinkage in 2020 after being hit heavily by the COVID-19 pandemic and dipping oil prices. Construction, hospitality, wholesale and retail sectors were particularly affected.

The incentives are aimed at economic diversification and combating the economic slowdown contributed primarily by the ongoing global pandemic situation. It is believed that a long-term growth strategy will facilitate achievement of Oman Vision 2040.

The measures were approved by His Majesty on 9 March 2021 and became in force from 10 March 2021.

These incentives are as follows and aim to ease companies and the economy alike:

- Exemption from income tax
- Incentives relating to payment of income tax
- Indefinite carry-forward for declared tax losses
- Measures relating to withholding tax (WHT) (on dividends and interest)
- Reduction in income tax rates for SME
- Reduction in rental values
- Reduction in fees and other taxes
- Incentives relating to business, investment and labour
- Long term residency permits for foreign investors
- Banking / financing incentives

Please refer to below link for our news alert with details on the above

[Incentives announced by the Government as part of Oman Vision 2040](#)

## Economic developments in Oman Middle East

### Reforms aimed at improving the business environment and investment climate (continued)

#### **New fees for obtaining work permit to recruit non-Omani Workforce**

Oman's Ministry of Labour ("MOL") issued a Ministerial Decision ("MD") No. 12/2021 published in the Official Gazette on 31 January 2021, introducing an increase in the fees related to obtaining work permit for recruiting non-Omani workforce. This is part of a series of initiatives taken by the Omani government recently with the aim of addressing nationalisation program targets by making the national labour force less expensive for employers to recruit. It is also aiming at serving the objective of optimising non-oil revenue of the country amid current economic conditions caused by COVID-19.

The newly-introduced fees range between OMR 140, which is for work permit of domestic workers and the like, to OMR 2,000, which is for top positions as classified by the MOL and specified professions set out in the MD, or for employees with monthly salary of OMR 4,000 & above, regardless of their occupation.

Special consideration is given to Small-&-Medium-Enterprises ("SMEs") of which the respective fees for obtaining work permit can be as low as OMR 100 during the first two years of establishment subject to meeting certain conditions.

The new fees are effective within 90 days from the date of issuance of the MD in the Official Gazette i.e. by 1st May 2021.

Please refer to below link for our detailed news alert in this regard.

[New fees for obtaining work permit in Oman](#)

#### **Executive Regulations to the Commercial Companies Law**

In implementation of the provisions of the Commercial Companies Law issued by Royal Decree No. (18/2019), His Excellency Qais bin Muhammad bin Moosa Al-Yousef, the Minister of Commerce, Industry and Investment Promotion, ("MOCIIP"), issued Ministerial Decision No. (146/2021), promulgating the much-awaited Executive Regulations of the Commercial Companies Law ("the ER").

The ER were issued on 14th October 2021, published in the Official Gazette on 24th October 2021, and effective from the following day of its publication, i.e. from 25th October 2021.

The ER set out controls, rules, and procedures for establishing and regulating commercial companies. These regulations are applicable to all types of commercial companies established in Oman or carrying out their principal activities in Oman, except public joint stock companies, which are subject to separate regulations issued by the Capital Market Authority.

The introduction of the ER forms part of the steps taken by the Omani government to enhance and improve the legislative framework for commercial companies in a way that contributes to achieving the national priorities of Oman Vision 2040 of stimulating the private sector and activating the national economy.

Please refer to below link for our detailed news alert in this regard.

[Executive Regulations to the Commercial Companies Law](#)

## Economic developments in Oman Middle East

### Reforms aimed at improving the business environment and investment climate (continued)

#### Indirect Tax

##### Value Added Tax

Oman implemented Value Added Tax (VAT) from 16 April 2021. With a few transactions being zero rated and exempt from VAT, the standard rate of VAT in Oman is 5%

On 1 February 2021 onwards the business in Oman could apply for the VAT registration. The Oman Tax Authority ("OTA") released the VAT Registration Manual Guide stating the information/ documents required to be provided and steps for submitting the VAT registration application.

Please refer to below link for our detailed news alert in this regard [VAT Registration Guidance](#)

Further to the implementation of Value Added Tax law (VAT law) in Oman, the Tax Authority issued the VAT Executive Regulations on 14 March 2021 via Official Gazette No.1383. The Executive Regulations are divided into thirteen chapters, and include details relating to the procedures and conditions relating to the implementation of VAT Law in Oman.

The Executive Regulations in both languages here can be accessed through the following link: [Oman Tax Portal](#)

As per the VAT law, VAT returns are to be submitted online on a quarterly basis. For the purpose of assisting the taxpayer and provide with a clear guidance on how to file the VAT returns the Oman Tax Authority released VAT Taxpayer Guide. Please refer to below link to download the VAT Taxpayer Guide from Oman Tax Portal [VAT Taxpayer Guide](#)

##### VAT Guides

###### Real estate guide

On 27 September 2021, the Oman Tax Authority released on their website the real estate guide. This was the first sector specific guide.

The guide provides clarity on the VAT treatment of the commercial and residential real estate supplies in the Sultanate, in accordance with the provisions of the VAT law and the Executive Regulations.

###### Special Zones guide

Supplies to or within the Special Zones in Oman are subject to VAT at zero rate subject to the provisions of the VAT Executive Regulations.

As of 1 January 2022, only the following are considered as special zones for VAT purposes:

1. Al Mazunah Free Zone.
2. Sohar Free Zone.
3. Salalah Free Zone.
4. Duqm Special Economic Zone.

On 31 October 2021, the Oman Tax Authority released on their website the special zone guide. The Guide has provided the tax treatment of supplies to or within Special Zones. It clarifies the procedural aspects and the documents required for zero rating the supplies made to taxpayers in the Special Zones.

###### VAT registration for a non - resident

The OTA has released Guide on VAT registration procedures for Oman non-resident applicants. This also clarifies that the a non resident person is required to appoint a responsible person resident in Oman or a tax representative, and the requirements/ conditions in terms of the appointment of tax representative / responsible person resident in Oman have been explained.

In a case where a non resident person is not able to appoint a responsible person resident in Oman or a tax representative, a taxpayer has been given an option to furnish a bank guarantee.

Please refer to below link for downloading the relevant guidances from Oman Tax Portal. [Oman Tax Portal - VAT guidance](#)

The Oil and Gas sector, Financial Services sector and the other sector specific VAT technical guides are expected to be released by the Oman Tax Authority in the year 2022.

## Economic developments in Oman Middle East

### Reforms aimed at improving the business environment and investment climate (continued)

#### Indirect Tax (continued)

##### Excise Tax

Excise Tax in Oman is applicable on specified products at the standard rates of 50% and 100%

The Oman Tax Authority has issued a Ministerial Decision No; (339/2021) on 16 December 2021, providing the fees for obtaining/ renewing a license for an Excise Tax warehouse in Oman.

The decision is effective from the day following its publication in the official gazette, i.e. 27 December 2021.

Please refer to below link for Ministerial Decision  
[Tax warehouse](#)



## Economic developments in Oman Middle East

### Oman Tax initiative to improve its tax framework

#### **Oman suspends 'local filing' of Country-by-Country Report (CbCR)**

On 27 September 2020, Oman introduced CbCR requirements via Ministerial Decision 79/ 2020. The CbCR requirements are applicable for reporting years beginning on or after 1 January 2020.

Entities resident in Oman and part of Multinational Groups with more than OMR 300 million of consolidated revenue are required to submit a notification to the Oman Tax Authority disclosing the jurisdiction in which the CbCR is submitted. Further, in case the local entity in Oman is the Ultimate Parent Entity (UPE)/Surrogate Parent Entity (SPE) of the Group, it is required to submit the CbCR within 12 months from the end of the reporting year.

On 7 July 2021, the Oman Tax Authority announced suspension of the 'local filing' requirement under the existing CbCR legislation.

Accordingly, the Omani resident entities of Multinational Groups headquartered outside Oman will not be required to submit the CbCR in Oman in any situation until further notice. However, the other obligations i.e. CbCR notification requirements will continue to apply.

Please refer to below link for our detailed news alert in this regard.

[Oman suspends 'local filing' of CbCR](#)

#### **Double Tax Avoidance Agreement between Oman & Qatar (DTAA)**

On 22 November 2021, Oman and Qatar signed a DTAA, which remarks the first DTAA to be concluded by Oman with a GCC country, and the second DTAA to be concluded between two GCC member states, after the DTAA signed between the UAE and KSA back in 2018.

There is no clarity yet on the terms of the agreement signed, however, we understand that the agreement covers double taxation, tax evasion on income, and capital taxes. Signing the DTAA by both states is the first step of the initiation of the DTAA. It is expected that the DTAA would become effective from 1 January 2023, if the procedural requirements are completed during 2022.

The DTAA is expected to facilitate further cross-border trade and investment between the two countries. We also believe that the DTAA may offer great potential reduction or exemption from tax with respect to cross-payments between Oman and Qatar.

Please refer to below link for our detailed news alert in this regard.

[DTAA between Oman & Qatar](#)

## Economic developments in Oman Middle East

### The takeaway

Over the past few years, the national economy passed through a succession of financial hurdles: The recession of international oil prices due to the decline of global demand, the rise of general debt to record levels, the pandemic of COVID-19, and the hike in the cost of borrowing—which all caused a collective negative impact on the Sultanate of Oman's creditworthiness. Despite this, Oman's economic good-news stories throughout 2021 demonstrate that the country is on track to achieving the 10th FDP deficit reduction objective. The 10th FDP's budget objective is to achieve a budget surplus by 2025. As it stands, the 2021 preliminary results have come in ahead of the 10th FDP budget projection, and preliminary indicators of the budget this year point to the possibility of achieving the lowest deficit since 2014, despite oil prices fluctuation, and to again meet the 10th FDP budget objective for 2022.

Given that the 2022 General Budget was drafted with the 10th FDP and Oman Vision 2040 in mind, we can expect to see Government spending and fiscal policy that consistently align with the objectives of the two medium and long-term plans.

Maintaining spending on basic services like education, health, and social welfare figure high on the agenda of Budget 2022, noting that, in case oil prices rise higher than the endorsed rate, priority will be given to the use of financial returns to cut down the deficit and repay loans.

In addition, enhancing the contribution of recently introduced taxes will also be an area of focus for the Government, as implementation of these have created several tangible non-oil revenue streams. The introduction of personal income tax ("PIT") is also on the horizon, following the Government's announcement to include PIT within the scope of the 10th FDP. Albeit, this is not anticipated to be implemented prior to 2023.

Lastly, we also expect to see a lot of movement in the public sector and amongst SMEs, as the Government has published a number of projects it intends to undertake during the year as part of its digital transformation plans, fiscal performance improvement measures, and SME enhancement programmes.

## Economic developments in Oman Middle East

### Let's talk

For a deeper discussion of how the 2022 Oman budget might affect your business, please contact:

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