



Transfer Pricing
Country Summary

Oman

March 2023



1. Introduction	2
2. Laws & Regulations	2
a) References to OECD/EU/Local Rules	2
b) Definition of Related Party	2
c) Nature of Transfer Pricing Documentation	3
d) Tax Havens & Blacklists	3
e) Advance Pricing Agreement (APA)	3
f) Audit Practice	3
3. Transfer Pricing Documentation	3
a) Level of Documentation	3
b) Industry Analysis	4
c) Company Analysis	4
d) Functional Analysis	4
e) Choice of Transfer Pricing Method	4
f) Economic Analysis – Benchmark Study	4
g) Inter-company (IC) Legal Agreement	4
h) Financial Statements	4
i) Production Process for TP Relevant Returns, Documents, Forms and Financials	5
j) Mandatory Language	6
k) Notification Requirement	6
l) Record Keeping	7
m) Penalties and Interest Charges	7

1. Introduction

The Oman Tax Department is increasingly focusing on the pricing of related party transactions, and the guidance includes only very broad related party principles in the context of tax law. This can make it difficult for a company to demonstrate that the transactions were conducted at arm's length.

The Oman income tax law establishes a comprehensive tax assessment system. The Tax Department has five years from the end of the fiscal year in which the income tax return was filed to make inquiries. Typically, enquiries are raised between 3 and 5 years after the date of filing, with multiple tax years being investigated at the same time.

There is no requirement to prepare formal transfer pricing documentation or to have documentation in place at the time of filing the income tax return; however, an extended enquiry period of 10 years may apply and may impact a company's ability to respond to enquiries, for example, where relevant people have left the company and/or documents have been lost or misplaced, etc.

2. Laws & Regulations

a) References to OECD/EU/Local Rules

Income Tax Law No 28 / 2009 – Part Four, Chapter Two, Section One: Cases of Avoidance between related individuals – Articles 125 to 128. The Oman income tax law contains related party provisions (not specifically referred to as "transfer pricing" provisions) that allow the value of related party transactions to be ignored and taxable income to be calculated on the basis of an independent price instead.

The related party rules sit alongside more broad-reaching anti-avoidance rules, which give the Tax Department the authority to adjust a taxpayer's taxable income if it is determined that the "principle objective" of any transaction (or the combined effect of two or more transactions) is tax avoidance.

b) Definition of Related Party

The current related party rules are included in Income Tax Law No. 28/2009, effective 1 January 2010. Similar related party rules were included in the old income tax law, the Income Tax on Companies Act of 1981.

Persons are considered related for the purposes of the related party provisions if one party has control over the other or a third party has control over both of them.

Individuals are considered related if one is a relative of the other, up to the third lineage, i.e. from grandparents to grandchildren.

Control can be either direct or indirect. Control exists when a person has the right to exercise control over a company's activity and commercial matters. This will be particularly true if a person:

- owns a large portion of the company's capital or voting rights
- is entitled to the majority of the company's distributions (where the company distributes its total income)
- on dissolution or cessation, is entitled to the majority of the company's assets.

The 'control' test must consider entitlement to future rights, interests, or authority, as well as:

- rights vested in another person acting as a representative
- rights that must be exercised by another person in accordance with instructions
- relatives' rights up to the third lineage (whether direct or indirect).

c) Nature of Transfer Pricing Documentation

Taxpayers are required to disclose details of related party transactions on their income tax returns. There is no prescribed format for these disclosures, and they are typically referred to in the audited financial statements that are submitted with the income tax return.

There is no prescribed format for the disclosures required with the income tax return, and the related party disclosures in the audited financial statements submitted with the income tax return are typically referred to.

There is no requirement to submit additional related party documentation with or at the same time as filing the income tax return, nor is there any requirement to provide confirmation that documentation was prepared prior to filing the return.

Oman has a comprehensive tax assessment system, and the Tax Department has five years from the end of the tax year in which the income tax return was submitted to raise inquiries. The Tax Department has ten years (from the end of the tax year) to request such documentation. Although there is no requirement to prepare formal transfer pricing documentation or to have documentation in place at the time of filing the income tax return, the extended time limits may impact a company's ability to respond to enquiries, for example, where people with relevant knowledge may have left the company and/or documents may have been misplaced, and so on.

d) Tax Havens & Blacklists

Oman was removed from the EU list of non-cooperative jurisdictions for tax purposes (the "EU Blacklist") on October 6, 2020. Oman was previously placed on the EU Blacklist on March 12, 2019, for failing to make adequate progress in implementing information exchange protocols.

This encouraging development follows Oman's recent efforts to improve its tax framework and implement information exchange protocols.

e) Advance Pricing Agreement (APA)

There is no APA mechanism in the income tax law, and there are no other ways for a taxpayer to obtain an APA.

f) Audit Practice

The Tax Department is very active in requesting documentary evidence to support related party transactions from taxpayers.

The Tax Department has a backlog of unassessed tax years, and it is not uncommon for taxpayers to have unassessed income tax returns for three, four, or five years. To bring things up to date, there is now a push within the Tax Department to clear these open tax years, and assessments are being accelerated, with several years' assessments being dealt with at the same time.

As a result, taxpayers are being asked to provide supporting documentation for multiple years. If documentation was not prepared at the time of completing the tax return, the company faces a significant burden, and if adequate documentation cannot be provided, they may be penalized by the Tax Department's final assessment.

3. Transfer Pricing Documentation

a) Level of Documentation

Not applicable.

b) Industry Analysis

By identifying value drivers for the relevant industry, a first indication of the level of profitability common in the industry is being given.

c) Company Analysis

A description of the management structure of the local entity, a local organisation chart, and a description of the individuals to whom local management reports and the country(ies) in which such individuals maintain their principal offices.

A detailed description of the business and business strategy pursued by the local entity including an indication whether the local entity has been involved in or affected by business restructurings or intangibles transfers in the present or immediately past year and an explanation of those aspects of such transactions affecting the local entity.

d) Functional Analysis

In conducting a functional analysis, an assessment is made of the significant activities and responsibilities that are performed by the related parties relevant to the Intercompany Transactions under review, the tangible and intangible assets that are employed and the risks that are borne in undertaking the business activities. Such an assessment is consistent with the recommendations that have been made in the OECD Guidelines at paragraph 1.51.

e) Choice of Transfer Pricing Method

The Tax Department believes that Chapter II of the OECD Guidelines provides an appropriate basis for pricing related party transactions.

The most appropriate method is selected based on the facts of the case and the availability of comparable data. Although there is no requirement for formal documentation, some minimum level of analysis would be advised in order to support the characterization of the 'tested entity' and the use of the particular pricing method.

f) Economic Analysis – Benchmark Study

There are no related regulations in place.

g) Inter-company (IC) Legal Agreement

Although an Inter-company legal agreement formalizes the business and financial relationship between group entities, the legal agreements have a lower ranking since the OECD 2017 Guidelines made the "conduct of parties" the prevailing concept.

h) Financial Statements

International Financial Reporting Standards must be used by all companies in Oman, according to directives from the Capital Market Authority of Oman, the Central Bank of Oman, and the Tax Authority of Oman.

Specifically:

- Companies that have issued securities for public subscription must prepare annual, half-yearly, and quarterly financial reports and submit them to the Capital Market Authority, according to Article 5 of the Capital Market Law (English, Arabic).
- Accountants are required to comply with international standards in the preparation of financial reports, according to Article 30 of the Law Organizing the Accountancy and Auditing Profession

(English, Arabic) (unless other accounting standards are notified by the Omani Minister of Commerce and Industry).

- Article 72 of the Banking Law (English, Arabic) requires licensed banks to submit an annual report to the Central Bank of Oman in accordance with the Central Bank's requirements. The Central Bank has issued Banking Circulars which require reports to be prepared in accordance with international standards.

Because there is no endorsement or adoption process in Oman, IFRS as promulgated by the International Accounting Standards Board is applied without modification.

i) [Production Process for TP Relevant Returns, Documents, Forms and Financials](#)

In the chart below, the existence of the filing requirements with the details of which format is used, the latest filing date, notification requirement and its deadline, thresholds to be applied in case it exists, and the required languages are demonstrated. This information can be seen respectively for CIT, master file, local file, CbCR, local forms, annual accounts and segmented P&L documentations.

	Prepare or File?	Format	Deadline	Notification Deadline*	Threshold* (Yes/No)	Local Language (Yes/No)* (If "No", it can be filed in English)
Corporate Income Tax	File	Local IFRS	April, 30 th .	N/A	N/A	Yes
Master File	N/A	N/A	N/A	N/A	N/A	N/A
Local File	N/A	N/A	N/A	N/A	N/A	N/A
CbCR	File	OECD XML Schema 2.0 standard format	December, 31 st .	Yes	Yes	No
Local form	Prepare	TP Documentation	April, 30 th .	No	Yes	Yes
Annual Accounts	File	Local IFRS	October, 31 st .	No	No	Yes
Segmented P&L	N/A	N/A	N/A	N/A	N/A	N/A
* Oman has signed the MCAA agreement for the filing of CBCR.						
* Oman does not request as much and detailed information from smaller and less complex enterprises (SMEs included) than it does from large and complex enterprises.						

j) Mandatory Language

Arabic or English. Objections to tax assessments, as well as higher level appeals, must be submitted in Arabic.

k) Notification Requirement

The notification requirement only applies constituent entities (CEs). The notification must contain:

- the notifying entity's activity, legal form, commercial registration number, and address;
- whether the entity notifying is a UPE, SPE, or CE;
- End of fiscal year;
- information on the name and description of the MNE group.

The deadline of the notification is the last day of the reporting period. For reporting on the fiscal year ended 31 December 2020, the deadline for filing the CbC notification was moved from 31 December 2020 to 30 April 2021.

A specific form must be submitted online via the AEOL tax portal; the form may be submitted in English.

l) Record Keeping

The following are the records and statements that an entity must keep:

- Daily record of day-to-day transactions related to business activity in chronological and sequential order. Also, keep all documents that allow you to check the legitimacy of these activities;
- The Master record monitors account openings and transactions based on this account, assuming that a separate account for each type of supply (taxable or exempt) exists;
- The inventory record, which includes the inventory items and total count;
- Documents and records pertaining to the import and export of goods and services;
- Documents and records pertaining to intra-GCC supplies of goods and services;
- Records and documentation pertaining to all customs transactions;
- All documents demonstrating taxable supplies at the zero (0 percent) rate in accordance with VAT law articles (51) and (54);
- All tax invoices and other documents issued by the registered business must be kept on file;
- A thorough record of all tax invoices and other documents received by the VAT-registered business;
- Records containing information required to determine the proper tax treatment;
- Any other records deemed necessary by the authority.

Businesses must keep tax invoices, accounting records and books, customs documents relating to the import and export of goods, and any other documents for ten years after the end of the tax year in which the VAT Return is filed.

In the case of real estate, all books and records must be kept for 15 years.

m) Penalties and Interest Charges

The Tax Department's Assessment Order specifies the due date for payment of any additional tax. Failure to pay by the due date will result in an additional tax of 1% per month on the unpaid amount (or balance thereof) until settled.