

Guide to Establishing A Business in Oman



Introduction:

Oman is bordered by the United Arab Emirates (“UAE”) to the northwest, Saudi Arabia to the west and Yemen to the South West. The capital city Muscat is located on the South East coast, the main cities Sohar and Sur in the North and Salalah in the South. Oman has a beautiful coastline. The landscape is varied, central Oman is mostly desert and there are dramatic mountain ranges along the north and southeast coasts. Oman has a population of 4 million.

In response to the growth and expansion of Oman as a competitive global economic hub under the leadership of Sultan Qaboos, the government strives to represent, support and protect the interests of the business community. Politics in Oman take place in a framework of an absolute monarchy whereby the Sultan of Oman is the head of state and the head of government. Oman has strong laws and regulations, which are constantly amended to provide a flexible and up to date legal frame work to do business in.

According to international indices, Oman is one of the most developed and stable countries in the Arab world. The country’s political and social fabric is very strong and the government’s focus is on social and economic growth and development.

Beside oil and gas which is the main source of income for the government of Oman, Oman is progressively developing the sectors of fisheries, agriculture and mining as other sources of income and encourages foreign investors to invest in those fields. The government of Oman is making huge investment in a public transportation network including a railway project to connect Oman with the other GCC member states providing another option for the movement of people and goods between Gulf States.

Establishment Options in Oman

Limited Liability Company (LLC)

A Limited Liability Company 'LLC' is the most popular form of company establishment in Oman. An LLC must have a minimum of two and a maximum of 40 shareholders and the minimum share capital of a LLC with foreign shareholding is OR 20,000 to OR 150,000.

Unlike other GCC countries a foreign shareholders may own up to 70 per cent of the shares in an Omani LLC. Shareholders from the GCC and the US, benefit from a free trade agreement and may at the discretion of the Ministry of Commerce and Industry, have a 100 per cent shareholding.

The management of an LLC is carried out by a manager, or managers, who must be natural persons and may or may not be shareholders. Omani law does not provide for an LLC to have a board of directors, although a board can be established by way of contract, such as a shareholder agreement.

The LLC structure suits a small operation with a limited number of promoters.

Branch Office

A foreign company which is performing a specific contract in Oman may set up a branch office if the project "facilitates the performance of a public service or utility," i.e. has a contract with a Government or quasi-government entity.

The branch registration is dependent upon the term of the government contracts, which must also be registered. The branch office is not normally entitled to seek and carry out business within the private sector.

In this case, there is no need for an Omani partner and the foreign party can own 100% of the business. Accordingly, this kind of corporate entity requires neither share capital nor a local partner. However, a branch office is only entitled to perform the specific contract for which it is registered.

Representative Trade Office

This can be used to promote a foreign company in Oman and introduce its products to Omani companies as a non-trading 'shop-window'.

Representative offices are governed by the Representative Office Regulatory Law. A representative office of a foreign company is legally distinct from a branch office of a foreign company in that it is only permitted to promote its parent company's activities. Therefore, if a parent company deals in the sale and/or production of certain products and opens a representative office in Oman, the office will only be able to promote and market the sale and/or production of such products and facilitate contracts in Oman.

The Trade Representative Office is allowed to perform in the following manner:

Contact clients to acquaint them with its foreign establishment and companies that it represents their services and production in order to widen its distribution circle.

Contact exporters and the sellers of materials and semi-manufactured material needed by the authorities it represents and removing barriers that obstruct the arrival of these materials to the authorities quickly.

Inform the authorities that it represents about the complaints it receives on its products, and to soften any difficulties related to the distribution of the products.

The Trade Representative Office is forbidden to do the following:

- Export, import or sell except what it imports of the commercial samples of goods that are manufactured by the company or establishment that it represents for the sake of promotion.
- Obtain credit facilities

- Promote products and/or services that are not manufactured or presented by the company or establishment that it represents.
- Make contact directly with consumers.

Again, there is no need for an Omani partner and the foreign party can own 100% of the business. However, this is not an option for many companies who are looking to trade in products and services delivered in Oman

Things to Consider When Starting a Business in Oman

Choose the correct Omani partner

The Omani partner can be in the form of an individual Omani or a 100% fully owned Omani company. Having an Omani company as a partner is often a more secure and robust solution for the foreign company and there are a number of companies which have been established with the sole purpose of assisting foreign entities establish a business presence in Oman.

It is also worth noting that, should a business fail, there is a personal risk to the owner, since debt and financial irregularities are considered to be serious offences, and the person may not be allowed to leave the country. This risk is greater if loans have been taken out from Oman-based banks rather than home-country ones.

Other Considerations:

Once a company is established, it will need to apply for work permits and labour clearances. The process of applying for work permits for expatriates is tightly regulated by the Ministry of Manpower and is granted upon certain conditions being met, including the skills of the proposed employee, as well as with regard to the state's Omanisation policy (the aim of Omanisation is to limit the sultanate's dependence on expatriate staff – different sectors of industry are given different Omanisation thresholds). Failure to meet Omanisation targets can give rise to the company being fined, as well as being blocked from carrying out labour clearances.

The current rate of tax for all Omani companies, regardless of foreign ownership, is 12 per cent on earnings above OR30,000.

The country is an evolving market for a broad spectrum of businesses. The government of Oman aims to develop its economy through a series of five-year plans, under the umbrella framework known as Vision 2020. The government is committed to steady progress, diversification and the involvement of the international and local private sectors, and the legal framework is continually developing to improve and support foreign investment.

Next Steps

If you are looking to establish your company in Oman and would like further information and a consultation with one of our directors, please contact PRO Partner Group on info@propartnergroup.com and we will happily discuss your establishment options further.

Many thanks,

The PRO Partner Group Team

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