



# Oman Tax flash



## Tax Flash News – Oman announces Capital Market Incentive Program

### Background

On 11 August 2024, certain sections of the media reported that the Financial Services Authority (“FSA”) announced the Capital Market Incentives Program (“CMIP”) to encourage private companies by offering them opportunities to list on the Muscat Stock Exchange (“MSX”) through three distinct pathways. Each pathway is expected to be supported by a dedicated incentive package summarized below. This initiative by the FSA is one of the key objectives of the National Program for Fiscal Sustainability and Financial Sector Development "Estidamah". Based on Royal Directives, it aims to develop the investment and business environment in Oman, support economic development and align with the strategic goals of Oman Vision 2040.

### First pathway: Establishment of/conversion to Public Joint Stock Company (SAOG)

The first pathway encourages companies to list on the main stock market, Muscat Stock Exchange (i.e. MSX), and aims to facilitate the establishment of new SAOGs or conversion of private and family-owned companies with a market value exceeding OMR 10 million into SAOGs. This package is valid for five years from the date of establishment of/conversion to SAOG.

### Second pathway: Establishment of MSX-AIM market

The second pathway establishes an alternative market within the MSX called Promising Companies Market (MSX-AIM) to target private companies with a market value exceeding OMR 500,000.

It provides financing options to startup companies, small and medium enterprises (SMEs) and family-owned businesses. It also allows companies to list and trade with reduced disclosure requirements and lower costs to support their future transition to the MSX. Typically, these companies have significant growth and expansion opportunities, with a high degree of risk, and consequently, trading on the MSX-AIM market is restricted to experienced investors.

A closed joint-stock company (SAOC) or company converting to SAOC is eligible to list on MSX-AIM either through an Initial Public Offering (IPO) or a direct listing, provided they meet the required criteria. This package is valid for five years from the date of listing on MSX-AIM.

According to media reports, MSX-AIM is expected to be established by the end of 2024, subject to regulatory approvals.

### Third pathway: Conversion of Limited Liability Company (LLC) into SAOC

The third pathway promotes the conversion of LLCs to SAOCs to help them gradually implement governance requirements before conversion to SAOGs. This package is valid for two years from the date of conversion to SAOC.

**Incentives offered under each pathway and conditions to be fulfilled for availing incentives under each of those pathways**

Particulars	First pathway	Second pathway	Third pathway
Eligibility criteria	<ul style="list-style-type: none"> <li>The market value of the company must not be less than OMR 10 million</li> <li>Must offer at least 25% of its shares for public subscription</li> <li>Should not convert to any other legal form for 5 years following the incentive period, unless FSA grants an exception</li> </ul>	<ul style="list-style-type: none"> <li>The market value of the company must not be less than OMR 500,000</li> <li>Should not exit the market within 5 years after the incentive period ends, with exceptions for converting to SAOG or for merging with another company</li> </ul>	<ul style="list-style-type: none"> <li>Must have at least three partners. Where a company has only two partners, it would need to add a third partner after the approval of its application by the Ministry of Commerce, Industry and Investment Promotions.</li> <li>The market value of the company must not be less than OMR 500,000</li> <li>Must employ at least 20 Omani nationals</li> <li>Must have permanent licensed premises to undertake its commercial activities</li> <li>Must be compliant with tax payments and have no outstanding obligations (e.g. tax dues, etc.) with the OTA</li> <li>Must meet in-country value criteria</li> </ul>
Incentives by the Ministry of Finance ("MoF")	<ul style="list-style-type: none"> <li>MoF will refund <b>two-thirds</b> of the income tax paid for <b>five years</b> from the date of listing on the MSX (resulting in a reduction of tax rate from 15% to 5%)</li> </ul>	<ul style="list-style-type: none"> <li>MoF will refund <b>one-third</b> of the income tax paid for <b>five years</b> from the date of listing on MSX-AIM (resulting in a reduction of tax rate from 15% to 10%)</li> </ul>	<ul style="list-style-type: none"> <li>MoF will refund <b>one-third</b> of the income tax paid for <b>two years</b> after conversion to SAOC (resulting in a reduction of tax rate from 15% to 10%)</li> </ul>
Incentives by the Oman Tax Authority ("OTA")	<ul style="list-style-type: none"> <li>The OTA will permit payment of corporate income tax in installments for <b>five years</b> with waiver of additional tax (i.e. 1% interest per month) on these installments for up to six months from the due date</li> </ul>	<ul style="list-style-type: none"> <li>Same as the incentive offered in the first pathway</li> </ul>	<ul style="list-style-type: none"> <li>The OTA will permit payment of corporate income tax in installments for <b>two years</b> with waiver of additional tax (i.e., 1% interest per month) on these installments for up to 6 months from the due date</li> </ul>
Incentives by the General Secretariat of the Tender Board ("GSTB")	<ul style="list-style-type: none"> <li>The GSTB will offer a 10% price preference in awarding procurement contracts and tenders issued</li> </ul>	<ul style="list-style-type: none"> <li>Same as the incentive offered in the first pathway</li> </ul>	<ul style="list-style-type: none"> <li>The GSTB will offer a 10% price preference in awarding procurement contracts and tenders issued for two years from the date of conversion to SAOC</li> </ul>
Incentives by the FSA	<ul style="list-style-type: none"> <li>Exemption from listing fees for three years</li> <li>Exemption from fees for IPO prospectus and any other subsequent prospectus fee for three years</li> <li>Free consultation to the company for one year on</li> </ul>	<ul style="list-style-type: none"> <li>Exemption from listing and prospectus fees for three years</li> <li>Free consultation to the company seeking to list on MSX-AIM</li> <li>Support to</li> </ul>	<ul style="list-style-type: none"> <li>Not applicable</li> </ul>

Particulars	First pathway	Second pathway	Third pathway
	<p>all legal and regulatory requirements through a dedicated communication channel (FSA employee) who will assist with compliance issues or resolution of any challenges that may arise during the listing process in coordination with the relevant authorities</p> <ul style="list-style-type: none"> <li>• Approval of the prospectus within three working days upon receipt of all required documents</li> <li>• Response to the company's communications within two working days</li> </ul>	<p>entrepreneurs and shareholders before listing on MSX-AIM through specialized trainers and content</p> <ul style="list-style-type: none"> <li>• Simplified templates for prospectus and financial disclosures</li> </ul>	
Incentives by Muscat Clearing and Depository Company ("MCDC")	<ul style="list-style-type: none"> <li>• Exemption from transfer agent fees for 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• Same as the incentive offered in the first pathway</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
Incentives by the MSX	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>• MSX will contribute to cover the cost of issuance manager for the first 5 companies listed on MSX-AIM</li> <li>• Marketing and media coverage of new listings</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>
Incentives by Oman Development Bank ("ODB")	<ul style="list-style-type: none"> <li>• The ODB will facilitate fast tracking of finance applications</li> </ul>	<ul style="list-style-type: none"> <li>• Same as the incentive offered in the first pathway</li> </ul>	<ul style="list-style-type: none"> <li>• The ODB will facilitate fast-tracking of finance applications for two years from the date of conversion to SAOC</li> </ul>
Other Parties	<ul style="list-style-type: none"> <li>• Preference in obtaining the incentives available from the relevant authorities, such as usufruct lands and concession areas</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>	<ul style="list-style-type: none"> <li>• Not applicable</li> </ul>

### The way forward

The announcement of CMIP by the FSA is a welcome move as it focuses on fostering the development of efficient and effective markets, enhancing the competitiveness of the financial sector and expanding the size and depth of the capital market thereby contributing to Oman's economic development. Within the framework of CMIP, listing on the stock market through an IPO will enhance the company's financial stability, credibility, investor base, brand visibility, governance, and facilitate shareholders' liquidity.

Detailed procedures to avail incentives under each pathway of CMIP are expected to be announced in due course. This is likely to include prescribed application forms, documentation requirements, submission process and any other guidelines.

Companies and businesses interested in participating in CMIP should carefully assess the benefits and eligibility criteria outlined by the program. We recommend a long-term strategic review will help businesses identify the most appropriate pathway based on their specific needs and their future growth objectives.

KPMG has a dedicated team of experienced tax specialists based in Oman, which is supported by a larger, experienced regional team. If you need assistance in evaluating the eligibility for the appropriate pathway that aligns with your future growth objectives, please reach out to your advisors at KPMG or the contacts mentioned below.

**Source:** <https://fsa.gov.om/Home/PublicPage/Programefinition>

## Contact us

**Aabha Lekhak**  
Partner, Head of Tax  
Oman  
KPMG Lower Gulf

**Raman Ohri**  
Director, Tax  
Oman  
KPMG Lower Gulf

**Sumit Bansal**  
Director, Indirect Tax  
Oman  
KPMG Lower Gulf

**Hussein Al Lawati**  
Associate Director, Tax  
Oman  
KPMG Lower Gulf



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