Oman Tax Authority

Awareness Webinar – Country by Country Reporting ('CbCR') in the Sultanate of Oman

7 December 2020

This webinar is strictly for the purpose of awareness. If any information mentioned herein is contradictory to the Oman CbCR legislation, the legislation will hold precedence.

Agenda

1.	Introduction and opening statement
2.	Oman's CbCR journey
3.	Snapshot of CbCR legislation in Oman
4.	Relevance of CbCR and impact on Oman businesses
5.	Detailed compliance requirements
6.	Overview of CbCR portal
7.	Updates from OECD
8.	Key takeaways
9.	Q&A

01
Introduction and opening statement

Opening Statement by the OTA

Oman Tax Authority

Haitham Al Hosni
Acting Director
International Cooperation Department

With his extensive experience and exposure to International Organisations, Haitham has facilitated the communication between the Tax Authority and the international community. As a focal point with the Organization for Economic Cooperation and Development ('OECD'), he has been involved in introducing and implementing Automatic Exchange of Information ('AEOI') matters within the Tax Authority and other stakeholders in Oman.

With you today from PwC

Safae Guennoun

Partner - Transfer Pricing, Tax policy, PwC

Safae has undertaken transfer pricing and value chain transformation projects for various industries. Safae also has extensive experience in providing transfer pricing support to the governmental organisations in the Middle East region.

Darcy White

Partner - Oman Tax Leader, PwC

Darcy is the lead tax partner for PwC Oman, based in Muscat. Darcy has been involved in a number of government projects over his career including the introduction of Oil and Gas legislation in a number of countries and other regulatory assignments.

Gaurav Kapoor

Director - Tax Reporting and Strategy Leader for Oman, PwC

Gaurav is a Tax Director based in Muscat and leads the corporate tax practice of PwC in Oman. Clients view Gaurav an enthusiastic, proactive and valuable resource.

Jaikishan Kothari

Manager - Transfer Pricing, PwC

Jaikishan is a Transfer Pricing Manager with experience in implementation of CbCR for GCC government and interaction with tax authorities through APAs, as well as experience with litigation and implementation of CbCR requirements from a business perspective.

Ainur Zhamisheva

Senior Associate - Transfer Pricing, PwC

Ainur is a Transfer Pricing Senior Associate with experience in undertaking transfer pricing compliance and advisory for various multinational groups, as well as interacting with tax authorities on improvement of the existing transfer pricing regime and law-making.

02

Oman’s CbCR journey

Overview of BEPS initiative

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- CbCR is a part of the Base Erosion and Profit Shifting (**BEPS**) project, led by the **G20** and the Organisation for Economic Co-operation and Development (**OECD**)

- The first wave of the BEPS initiative involved **15 Action Points** released in 2015. These Action points are aimed at **preventing tax planning** that exploits gaps and mismatches in tax rules to **artificially shift profits** to low or no-tax locations where there is little or no economic activity

- 137 jurisdictions, including Oman, are members of **BEPS inclusive framework** and committed to implement at least the **four 'minimum BEPS standards', including CbCR**

The 15 BEPS Action Points

Action 1 Address the challenges of the **digital economy**	***Action 2*** Effect of **hybrid mismatch arrangements**	***Action 3*** **Controlled foreign company** rules	***Action 4*** **Interest deductions** and other financial payments
Action 5 Counter **harmful tax practices**	***Action 6*** Prevent **treaty abuse**	***Action 7*** Prevent the **artificial avoidance of PE** status	***Action 8*** Align TP with value creation - Intangibles
Action 9 Align TP with value creation – Risk and Capital	***Action 10*** Align TP with value creation – high risk transactions	***Action 11*** Methodologies to **collect and analyse data on BEPS**	***Action 12*** Disclose their **aggressive tax planning arrangements**
Action 13 **CbCR and other TP documents**	***Action 14*** Make **dispute resolution mechanisms** more **effective**	***Action 15*** Develop a **multilateral instrument**	

Minimum BEPS standards

The four BEPS minimum standards

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Action	Commitment	Description
Action 5	**Addressing harmful tax practices**	● Address harmful tax practices ● Commitment to transparency through mandatory spontaneous exchange of information on taxpayer-specific rulings
Action 6	**Preventing treaty abuse**	● Prevent the use of conduit companies to channel investments through countries with favourable tax treaties in order to reduced tax liability
Action 13	**Implementing Country-by- Country Reporting (CbCR)**	● CbCR is expected to give tax administrations **a global picture of where MNEs' profits, tax and economic activities are reported**, and the ability to use this information to **assess TP and other BEPS risks**, so they can focus audit resources where they will be most effective
Action 14	**Improving dispute resolution process**	● Strong political commitment to the effective and timely resolution of disputes through the mutual agreement procedure (MAP)

Timeline of CbCR implementation in Oman

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October 2017

Oman joined the BEPS Inclusive Framework and committed to implement the four BEPS minimum standards (i.e. Actions 5, 6, 13 and 14)

March 2019

Oman was added to the EU list of non-cooperative jurisdictions for not making sufficient progress in implementing exchange of information protocols

September 2020

Oman introduced CbCR regulations with the objective to enhance international cooperation and increase tax transparency

2017 · 10 · 2018 · 2019 · 03 · 2020 · 07 · 09 · 10

July 2020

Oman signed the Multilateral Competent Authority Agreement on the exchange of CbC reports

Oman activated exchange relationships with more than 20 jurisdictions

October 2020

Oman was removed from the EU list of non-cooperative jurisdictions for tax purposes

03
Snapshot of CbCR legislation in Oman

Snapshot of CbCR requirements in Oman

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Applicability

- For financial years **beginning on or after January 1, 2020**
- **Oman** tax resident **constituent entities** of Multinational **(MNE) Groups** with **consolidated revenue of OMR 300 million or more** in the preceding Group financial year

Compliance requirements

- **CbCR Notification** filing by the **end of Group financial year -** *All Oman tax resident constituent entities of MNE Group*
- **CbC Report** filing within **12 months from the end of Group financial year -** *Oman tax resident Ultimate parent entities and Surrogate parent entities. Other constituent entities, only in certain cases.*

Penalties

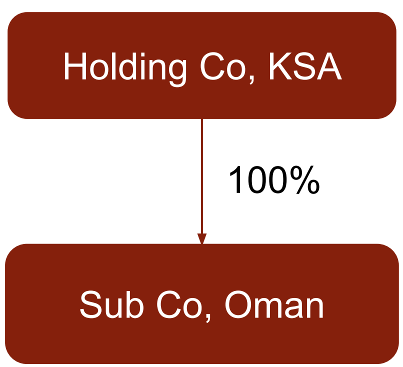
- The legislation forms part of the Income tax legislation. **Penalties as per income tax law (Part 7 - penalties and punishments) will be applicable.**

Multinational Group (MNE Group)

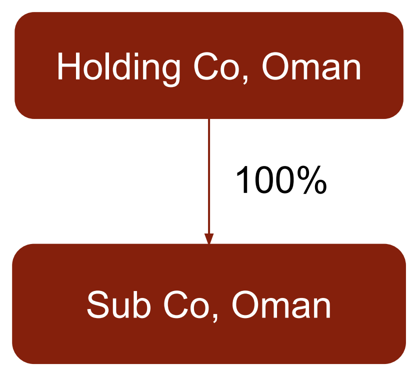
For CbCR purposes an MNE Group is the group which consists of **two or more enterprises** that are **residents for tax purposes in different jurisdictions**

Illustration - Which is / are MNE Groups?

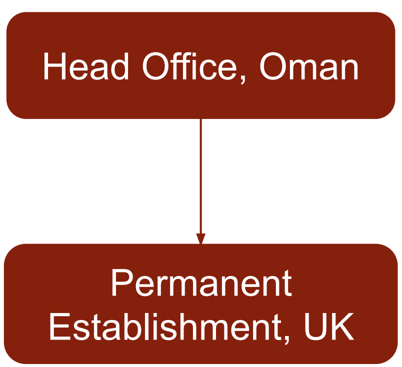
Option 1



Option 2



Option 3



Constituent entity of MNE Group (1/2)

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1. Any **separate business unit** of an MNE Group that is included in the **Consolidated Financial Statements**; or

2. **Excluded** from Consolidated Financial Statements **solely on size or materiality grounds**; or

3. Any **permanent establishment** of any separate business unit of the MNE Group referred to in paragraphs 1 or 2 above, **if separate financial statements prepared** for any purpose

Constituent entity of MNE Group (2/2)

Illustration - <u>Which of these is / are constituent entities of the MNE Group?</u>

Items	Hold Co, Oman	KSA PE of Hold Co	Sub Co, UAE	Elimination	Consolidated
Sales	75	25	20	(10)	110
Purchase	60	20	18	(9)	89
Profit	15	5	2	(1)	21
Share of profit from **ABC Co, UK**	5	-	-	-	5

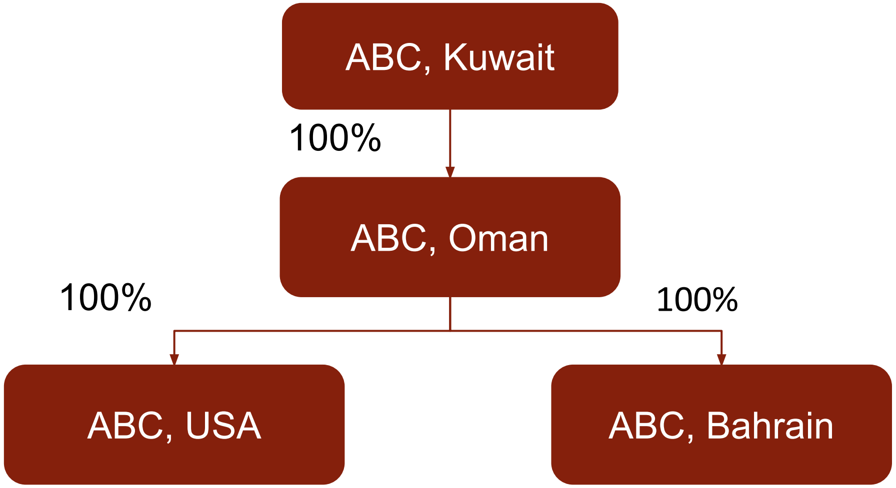
Ultimate parent entity of MNE Group (1/3)

1. Owns directly or indirectly a sufficient interest in one or more other Constituent Entities of such MNE Group such that it is **required to prepare Consolidated Financial Statements**; **and**

2. There is **no other Constituent Entity** of such MNE Group that **owns** directly or indirectly **an interest in the above Constituent entity**.

Ultimate parent entity of MNE Group (2/3)

Illustration 1 - <u>Which is the Ultimate Parent Entity of the Group?</u>



Ultimate parent entity of MNE Group (3/3)

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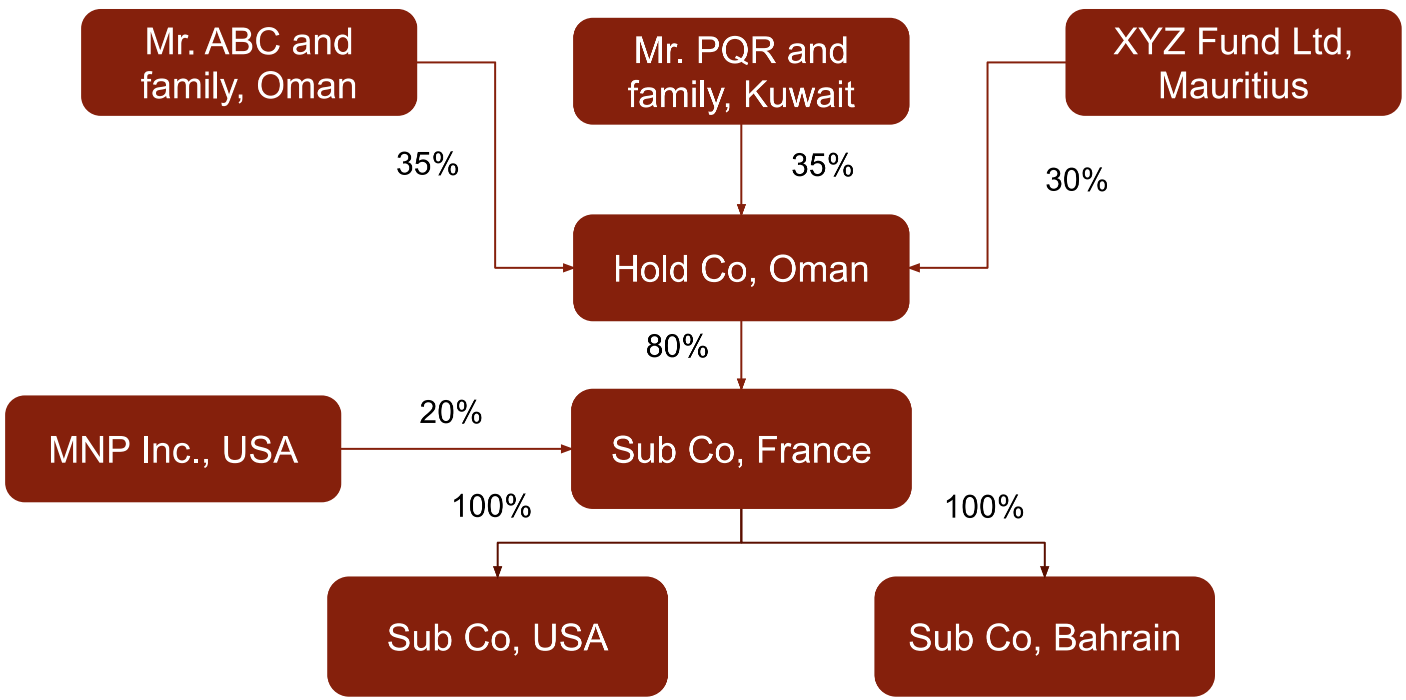
Illustration 2 - <u>Which is the Ultimate Parent Entity of the Group?</u>



Surrogate parent entity (1/2)

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One Constituent Entity of the MNE Group that has been **appointed by such MNE Group**, as a **sole substitute for the Ultimate Parent Entity**, **to file the Report** in that Constituent Entity's jurisdiction of tax residence, on behalf of such MNE Group

Conditions for appointment of Surrogate Parent Entity ('SPE')

- Jurisdiction of **Ultimate Parent** (Bahrain in this case), **does not have CbCR requirement**; **or**
- Jurisdiction of Ultimate Parent has CbCR legislation but **does not have CbCR exchange agreement with Oman**; **or**
- Jurisdiction of Ultimate Parent has CbCR legislation and exchange agreement with Oman; but **there is a systemic failure to exchange information**; **and**
- Constituent entity **notifies Oman** of being appointed as a surrogate.

Surrogate parent entity (2/2)

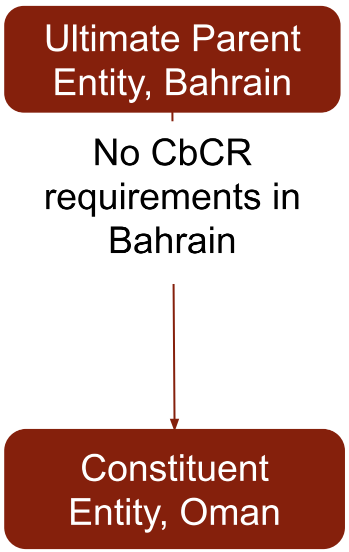

Illustration - <u>Can the Oman constituent entity of the Group be appointed as Surrogate parent entity to file the CbCR on behalf of the Group in Oman</u>?

Filing obligation for other constituent entities

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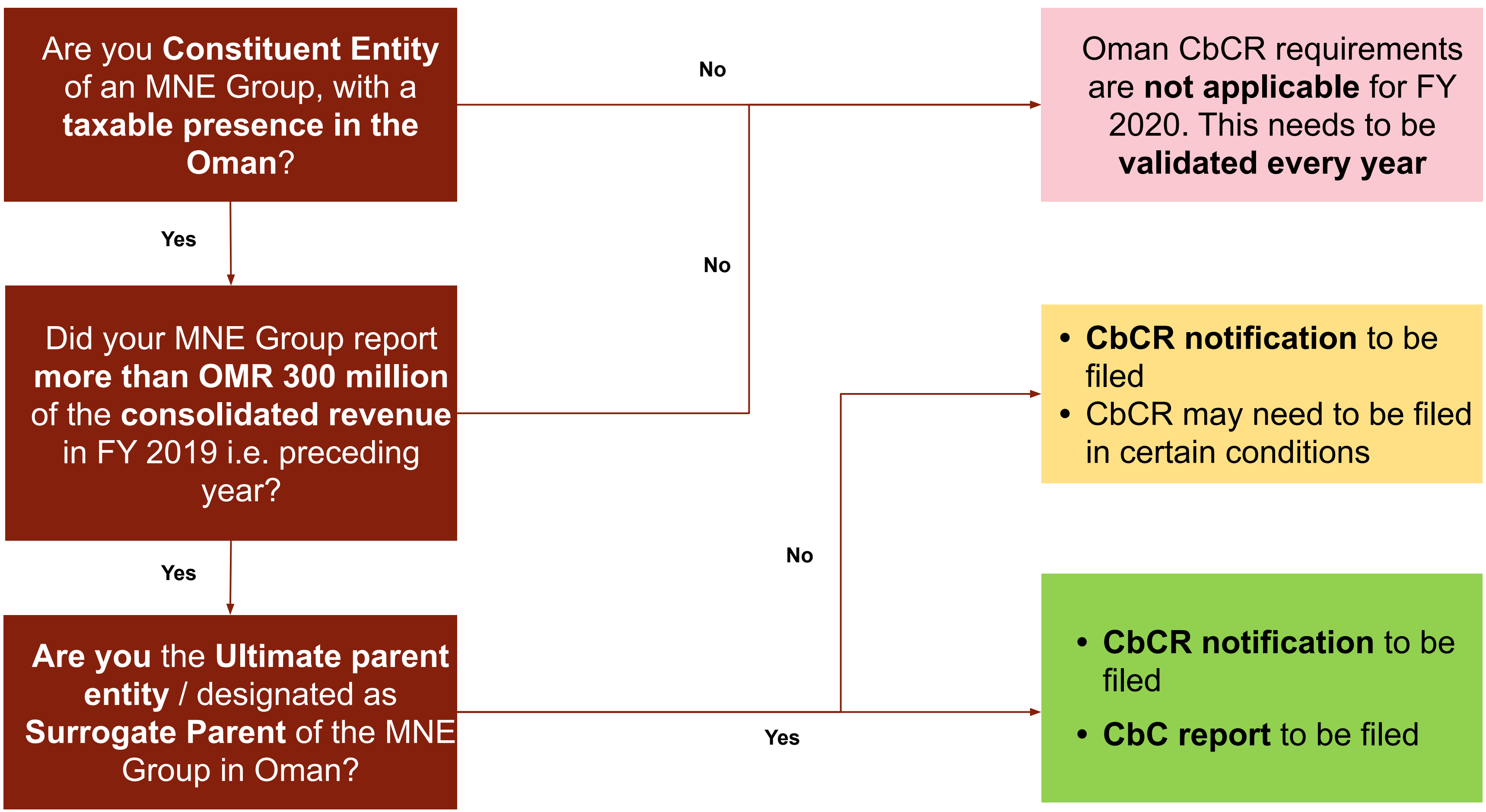
Secondary filing of CbCR

Applicable to constituent entities, which are neither the Ultimate parent nor the surrogate parent of the Group in either of the following cases:

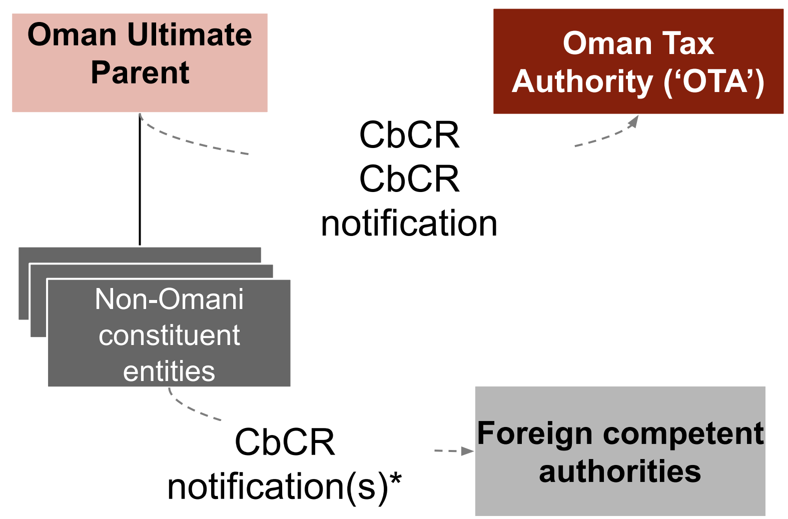
1. The jurisdiction of Ultimate parent **does not have CbCR legislation**; or
2. Jurisdiction of Ultimate Parent / Surrogate parent **does not have CbCR exchange agreement** with Oman; or
3. There has been a **systemic failure** to exchange CbCR with Oman by the jurisdiction of Ultimate Parent / Surrogate parent.

Determining filing obligation



Filing obligations – Illustrations (1/2)

Scenario 1: MNE Group with an Ultimate Parent Entity in Oman



(*) May be required to file CbCR under secondary filing in jurisdictions with this requirement, if either of conditions for secondary filing in the respective overseas jurisdictions are satisfied

Filing obligations – Illustrations (2/2)

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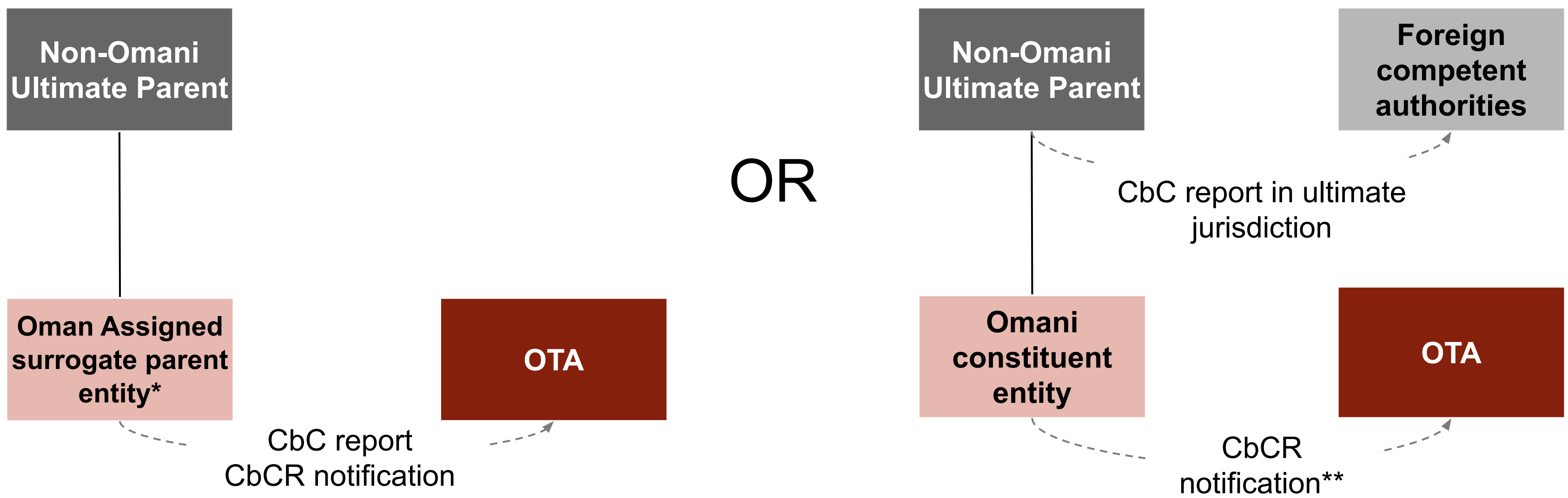
Scenario 2: MNE Group with an Ultimate Parent Entity outside of Oman



(*) If conditions are met to be appointed as a Surrogate Parent in Oman

(**) May also be required to file CbCR under secondary filing if conditions are satisfied

04

Relevance of CbCR and impact on Oman businesses

Relevance of CbCR (1/2)

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The focus of transfer pricing is to ensure **alignment of profit allocation** (remuneration) **with value creation** (functions performed, risks assumed and assets owned) for each entity in the Group

To determine the fair share of profits attributable to Oman, it is important to:

- Understand the Global operations of the Group; and
- Determine Oman's relative contribution to these operations.

A CbC Report provides high level overview of global profit allocation and distribution of functions within the Group

Relevance of CbCR (2/2)

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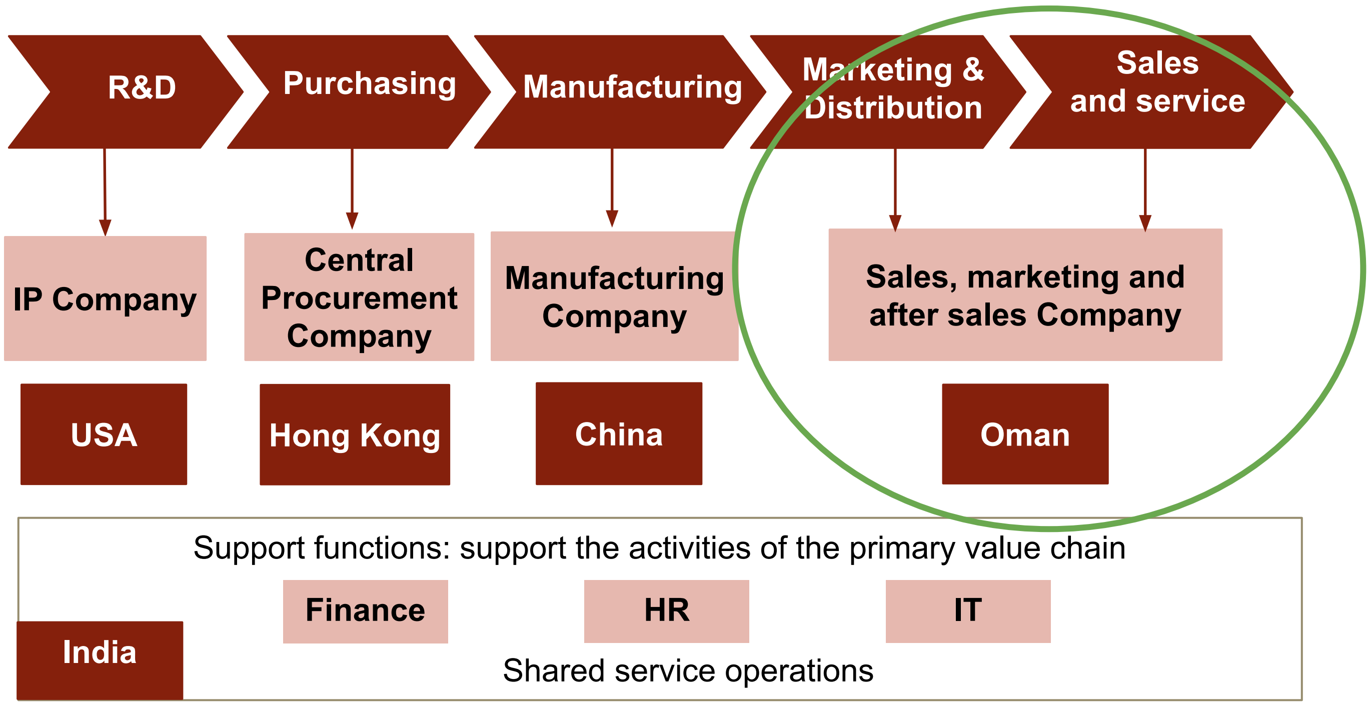
A simplified value chain for a physical product is provided below:



Can the ***fair share of profits attributable to Oman*** be determined by analyzing the activities performed in Oman alone?

Impact of the Oman CbCR legislation (1/2)

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Key Benefits

- **Reporting** CbCR information by the Oman headquartered Groups **to the OTA** (rather than to foreign tax authorities), thereby **preserving confidentiality** on such (potentially sensitive) information to be within Oman only
- **Network of Oman exchange of information framework** will ensure **minimum secondary filing requirements**. OTA is in process of activating further agreements
- Groups to get an **birds-eye view of operations** through CbCR information, where **risks can be identified** and where Groups can take **proactive steps to mitigate** such risks

Impact of the Oman CbCR legislation (2/2)

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Key challenges

- Additional **administrative and compliance burden**, only for those Oman headquartered businesses that are not already subject to CbCR requirements elsewhere

- **Increased oversight from international bodies** on how Oman headquartered groups conduct their businesses

05

Compliance requirements - CbCR notification / CbC report

CbCR notification requirements

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Who?

- **All Constituent entities of MNE Group** tax resident in Oman (including Ultimate parent / surrogate parent entities)

When?

- Annually by the **end of the MNE Group's financial year**s beginning on or after January 1, 2020 (Hence, the closest deadline being 31 December 2020)

What?

- Advance notice about the applicability of CbCR requirements for the relevant year
- Includes details of UPE/ SPE including entity name, tax ID, year end, etc.

How?

- Through the Oman Tax Authority AEOI Portal (aeoi.taxoman.gov.om)

CbCR requirements

Oman Tax Authority

Who?

- **Oman tax resident Ultimate parent / Surrogate parent entities of MNE Group** and other constituent entities subject to secondary filing

When?

- **Within 12 months** from the **end of the MNE Group's financial years** beginning on or after January 1, 2020 (Hence, the closest deadline being 31 December 2021)

What?

- **Quantitative and Qualitative information** about the MNE Group
- Contents further discussed in subsequent slides

How?

- Through the Oman Tax Authority AEOI Portal (aeoi.taxoman.gov.om)

Contents of CbC report

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Table 1

- Contains the **quantitative information per tax jurisdiction** such as third party and related party revenues, stated capital, taxes accrued and paid, employee count, etc.

Table 2

- Contains the **qualitative information per constituent entity** on the main business activities undertaken during the year

Table 3

- Contains any **additional information necessary to facilitate the understanding of Tables I and II** (e.g. assumptions on exchange rates, source of data, etc.)

General CbC report guidance

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Data Sources

- Consolidation reporting packages or Statutory financial statements or Internal management accounts
- The source should be **consistent year on year**

Currency

- CbCR should be in the stated **functional currency of the MNE Group** (e.g. OMR or USD)
- Conversions, if any, should be made at **average exchange rate during the year**, with the source mentioned in Table 3

Year of data to be included in the CbCR

- For <u>Ultimate Parent Entity</u> – Group financial year
- For <u>other constituent entities</u> – Group financial year or local financial year immediately preceding the Group financial year. E.g. if Group financial year ends December 31, 2020, the financial year end for other constituent entities can be anywhere between Jan 1, 2020 to Dec 31, 2010

Table 1: Overview of allocation of income, taxes and business activities by tax jurisdiction

Tax jurisdiction	Revenues			Profit (loss) before income tax	Income tax paid (on cash basis)	Income taxes accrued – current year	Stated capital	Accumulated earnings	Number of full time employees	Tangible assets (other than cash and cash equivalents)
	Unrelated party	Related party	Total							

Table 1: key points for consideration

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Information to be reported on an aggregated basis and not a consolidated basis within a jurisdiction

Whole amounts should be reported. No rounding off in thousands, millions, etc.

Revenues should include extraordinary income and gain from investment activity, but exclude dividends from other constituent entities

Related parties mean the constituent entities of the MNE Group

Income tax accrued includes current year taxes accrued, whereas income tax paid includes any taxes paid during the year (advance tax, WHT, prior year taxes arising from dispute, taxes paid under protest, etc.). Tax refunds should be reduced from tax paid. If refunds included as revenue, a note should be included in Table 3

For PEs, stated capital and accumulated earnings to be reported under legal entity and not PE

Employees should be reported as of year end on Full Time Equivalent basis. Independent contractors may be included

Table 2: List of all constituent group entities included in each aggregation per tax jurisdiction

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Tax jurisdiction	Constituent entities resident in tax jurisdiction	Tax jurisdiction of incorporation if different from residence	Main business activities												
			1	2	3	4	5	6	7	8	9	10	11	12	13
	1				√		√								
	2						√								
	1										√				
	2													√	

Business activity

1. Research and Development
2. Holding or managing Intellectual Property
3. Purchasing or Procurement
4. Manufacturing or Production
5. Sales, Marketing or Distribution
6. Administrative, Management or Support Services
7. Provision of services to unrelated parties
8. Internal Group Finance
9. Regulated Financial Services
10. Insurance
11. Holding Shares or Other Equity Instruments
12. Dormant
13. Other

Table 2: key points for consideration

All the constituent entities to be listed tax jurisdiction wise

In case jurisdiction of incorporation is different than the tax residence jurisdiction, jurisdiction of incorporation to be reported

Main business activities performed by each constituent entity to be indicated

In case the activity selected is ‘Other’, short description to be provided

Two additional columns - ‘TIN’ and ‘Address’ mandatorily required as per OECD xml schema, but not included in Action 13 report

Table 3: additional information

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*Please include **any further brief information** or **explanation** you consider necessary or that would **facilitate the understanding** of the compulsory information provided in **Table 1 and Table 2** of the Country-by-Country Report*

The disclosures are based on the facts of each case. Certain examples of Table 3 disclosures are provided below:

- Data source
- Reasons in case Tax ID numbers of certain entities are not available
- Reporting periods of constituent entities
- Assumptions made with respect to computation of FTE employees
- Tax refunds included in 'revenue' or reduced 'income tax paid'
- If accumulated earnings include negative figures
- Description of 'Other' activities selected in Table 2
- Exchange rates
- Whether any part year information is included (In case of mergers / demergers)
- Explanations about any inconsistencies on a year on year basis

06

Overview of CbCR portal

Overview of the business process

Oman Tax Authority

https://aeoi.taxoman.gov.om/

Entities to register through an enrolment process → Entities to login and change the temporary password provided → Option to change the authorized user the or details of the entity → Filing the CbCR notification for FY 2020 by December 31, 2020 → Filing the CbC report for FY 2020 by December 31, 2021, if required

Enrolment on the portal (1/3)

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Purpose of the enrolment process

- Applicable MNE Groups can register on the system through enrolment process
- Only upon successful enrolment, MNE Groups will be able to comply with Oman requirements i.e. CbCR notification and filing

Content of the enrolment request

- Particulars of entity being registered, including name, address, identification numbers
- Particulars of primary user authorized by the entity, including name, email and phone number
- Documentary evidence:
  - Signed letter from the authorized person of the entity, specifying the primary user for CbCR;
  - ID proof of primary used (photo should be clearly visible); and
  - list of authorised representatives of the Reporting Entity from the commercial registration.

Enrolment on the portal (2/4)

Oman Tax Authority

OMAN TAX AUTHORITY AEOI PORTAL

Not logged in

Welcome to the Oman Tax Authority AEOI Portal

The Oman Tax Authority AEOI Portal is an online application that will allow you to submit your CRS & CbC filings to the Sultanate of Oman Tax Authority.

To access the Oman Tax Authority AEOI Portal, please enter your email address and password below. Note that the password is case sensitive.

If you require AEOI assistance, contact the Sultanate of Oman Tax Authority at aeoi@taxoman.gov.om or telephone: +968 2474 7655.

For other general questions please use info@taxoman.gov.om or telephone: +968 2474 6996.

To enrol for CRS or CbC please follow this link: Enrolment for CRS or CbC

Email address: *

Password: *

Login

Forgotten Password

Enrolment on the portal (3/4)

Oman Tax Authority

Please use the form below to enrol for CRS or CbC reporting with the Tax Authority.

Reporting Entity & Primary User Enrolment

In accordance with the OECD's Multilateral Competent Authority Agreement, entered into by the government of Sultanate of Oman and participating partner jurisdictions for the purposes of exchanging tax information on an annual basis, all Reporting Entities are required to enroll with the Sultanate of Oman Tax Authority using the form below.

Reporting Entity Information

Reporting Entity Name *

Entity Type *

Reporting Type *

Reporting Entity GIIN (Optional for CRS & CbC)

Identification Number (Issued by Tax Authority)

Fiscal Year End (format: dd/mm)

Registered Office Address or Sponsoring Entity Address

Street Address *

City/Town *

State/Province/Region

Country: Oman *

Post Code

Entity Email Address

Enrolment on the portal (4/4)

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Primary User Information

First name *

Surname *

Email Address *

Confirm Email Address *

Telephone number * *

international | area code | number

Position *

Please attach a scan of your Civil ID or a recognised form of identification.

Browse *

Please attach a letter, signed by an authorised person of the Reporting Entity, which specifies you as the primary user for CRS or CbC compliance.

Browse *

Please also attach a list of authorised representatives of the Reporting Entity from the commercial registration.

Browse *

Declaration:

I confirm that the information submitted in this application is true and correct and is in accordance with the relevant AEOI obligations requirements of the Sultanate of Oman Tax Authority and the laws of the Sultanate of Oman. *

I also acknowledge that provision of inaccurate or false information in this application results in the Reporting Entity committing an offence and as such the Reporting Entity may be liable to a penalty under the relevant laws of the Sultanate of Oman.

CbCR notification (1/4)

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Purpose of notification process

- Applicable MNE Groups to notify one year in advance of CbCR filing due date to update OTA that CbCR is applicable to the Group
- Further, the notification will include the identification of the constituent entity as Ultimate parent entity, surrogate parent entity or other constituent entity

Content of notification

- **Some of the details will be auto-populated** from the enrollment (such as name of the entity, tax ID, etc.).
- Key information that will need to be provided includes:
  - Business activity of the notifying entity;
  - Identification whether filing is made by UPE / SPE or constituent entity;
  - Name of the MNE Group;
  - Name, TIN and jurisdiction of the UPE/ SPE (in case of notification by other constituent entities.

CbCR notification (2/4)

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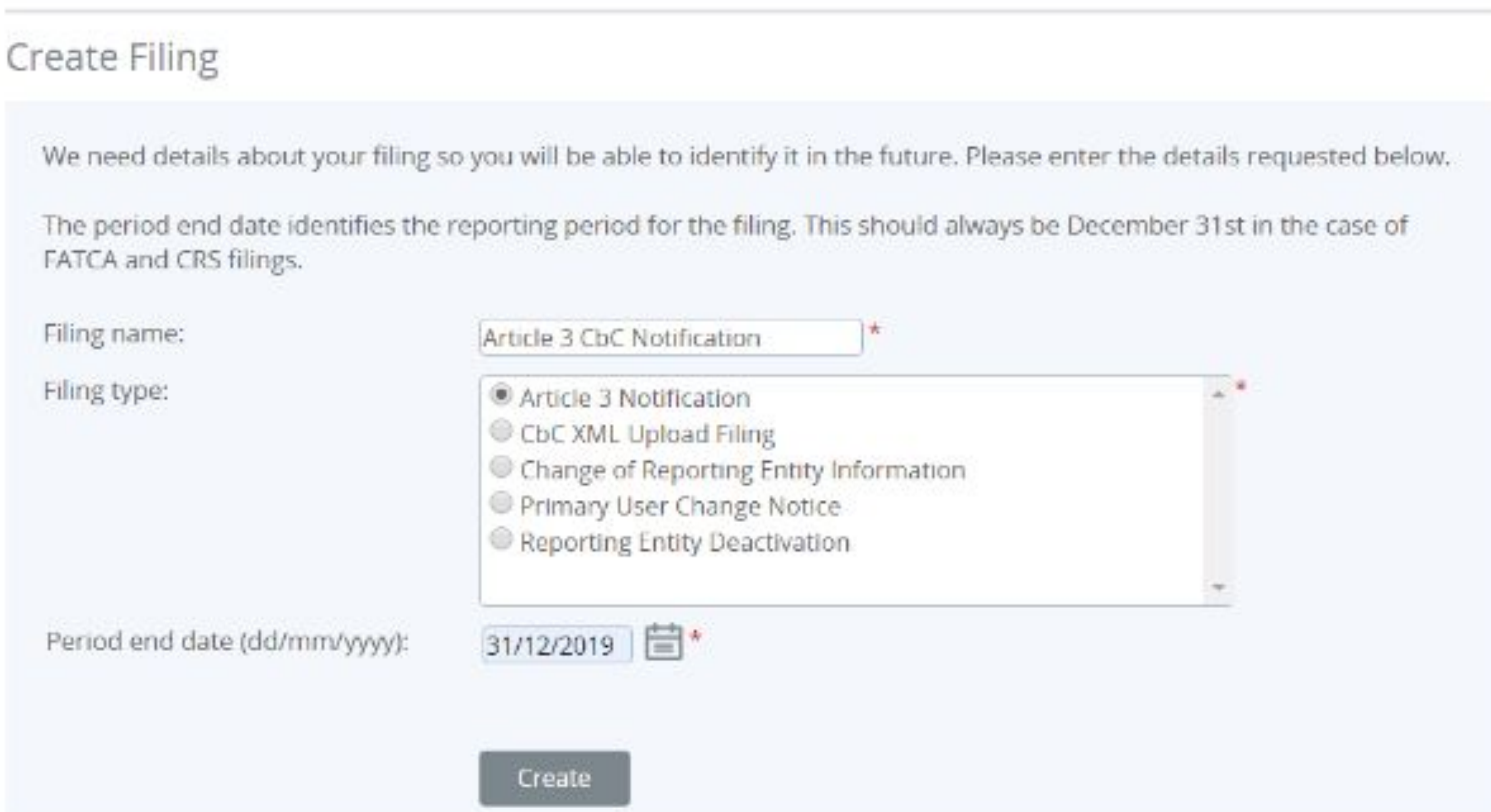

Create Filing

We need details about your filing so you will be able to identify it in the future. Please enter the details requested below.

The period end date identifies the reporting period for the filing. This should always be December 31st in the case of FATCA and CRS filings.

Filing name: Article 3 CbC Notification *

Filing type: *
- (•) Article 3 Notification
- ( ) CbC XML Upload Filing
- ( ) Change of Reporting Entity Information
- ( ) Primary User Change Notice
- ( ) Reporting Entity Deactivation

Period end date (dd/mm/yyyy): 31/12/2019 *

Create

CbCR notification (3/4)

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Article 3 Notification

Article 3 of the Action 13 model legislation for CbC reporting includes an option for jurisdictions to require notificatior administration identifying the Reporting Entity for the MNE Group.

Notifying Entity Information

Notifying Entity Name	Health Production Ltd
Legal Form of Notifying Entity	Multinational
Activity of the Notifying Entity	Manufacturing or Production *
Notifying Entity TIN	
Commercial Registration Number	
UPE/SPE/other Constituent Entity	Ultimate Parent Entity *
Other Constituent Entity	
Fiscal Year End	31/12

CbCR notification (4/4)

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Information of the Multinational Enterprise/Entity of the Notifying Entity

MNE Group Name	Health Ltd *
MNE Group Additional Information	
Description of CbC filing & Notification Type	

Constituent Entity Information

Reporting Entity Name	
Legal form of the Reporting Entity	
Activity of the Reporting Entity	
Jurisdiction of tax residence	
Tax identification Number	

Declaration:

I confirm that the information submitted in this application is true and correct and is in accordance with the relevant AEOI obligations, requirements of the [TAX Authority] and the laws of the [Client Country]. *

I also acknowledge that provision of inaccurate information in this application may result in the Reporting Entity committing an offence and as such the Reporting Entity may be liable to a penalty under the relevant laws of the [Client Country].

)nce you have completed the required information, please submit this form through the 'Submit Filing' page on the Portal application. You will eceive notification by email once your Article 3 Notifcation information has been reviewed and a decision has been made.

ıfter validation, your enrolment will be submitted for approval by the Tax Authority. You will receive notification by email once your enrolment ıformation has been reviewed and a decision has been made.

Save as Draft | Validate & Save

Change in user

Purpose of primary user change

- In case the existing primary user is no longer associated with the Entity or no longer responsible for CbCR, this request will enable the entities to notify the OTA

Content of primary user change request

- Details of existing primary user (name, email, phone, position)
- Details of new primary user (name, email, phone, position)
- Documentary evidence:
  - Signed letter from the authorized person of the entity, specifying the new primary user;
  - ID proof of authorized person

Change in entity information

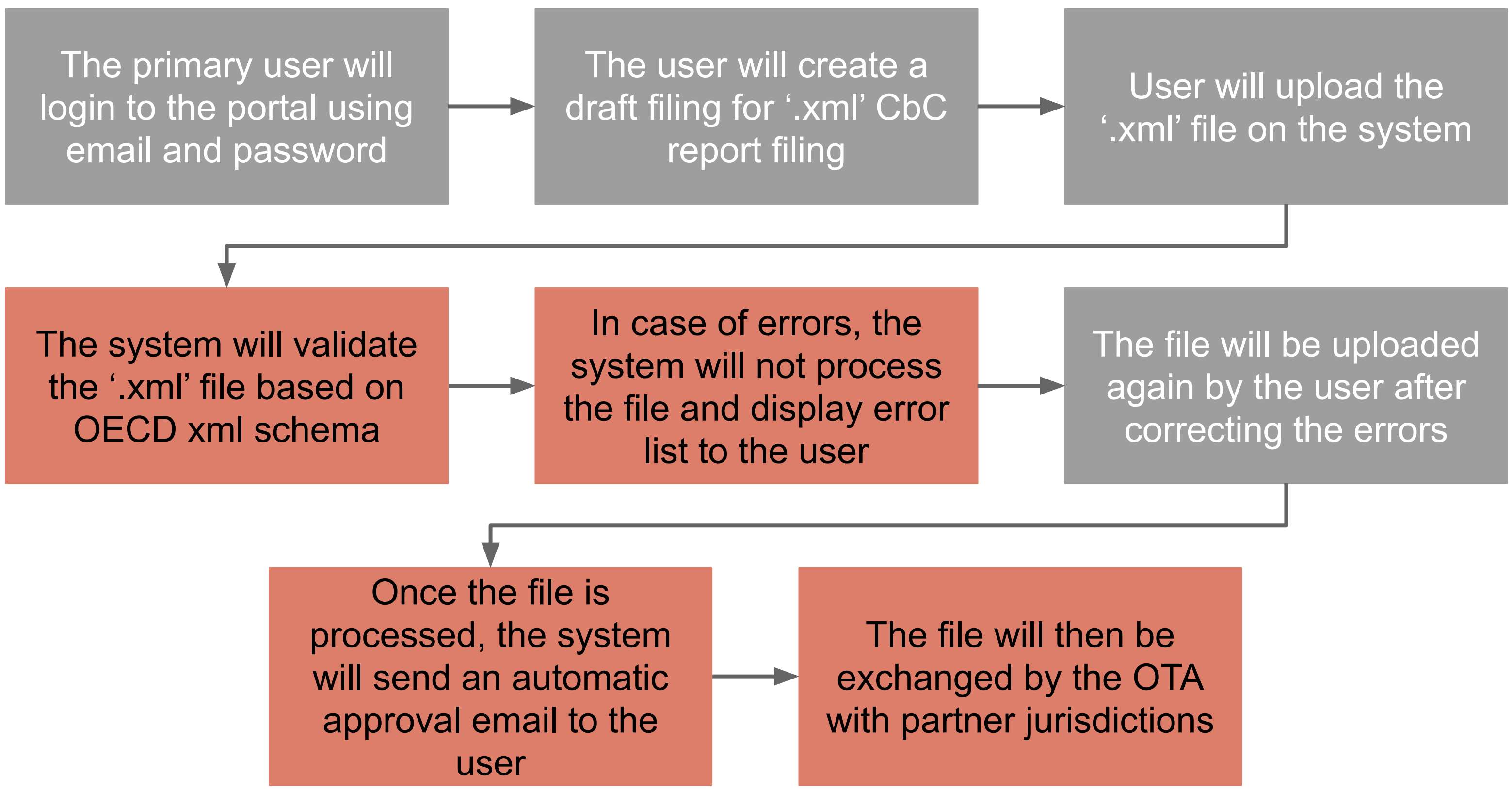
Purpose of reporting entity information change

- In case the address, year end or tax ID number of the entity is updated, it can be changed through this request

Content of reporting entity information change request

- All the following information of the reporting entity:
  - Address
  - Tax ID number (e.g. in case it was entered incorrectly)
  - Year end
- Relevant documentary evidence to support the change in information (e.g. tenancy contract, utility bills, etc.)

CbC report filing (1/2)



User actions

CbCR portal processes

CbC report filing (2/2)

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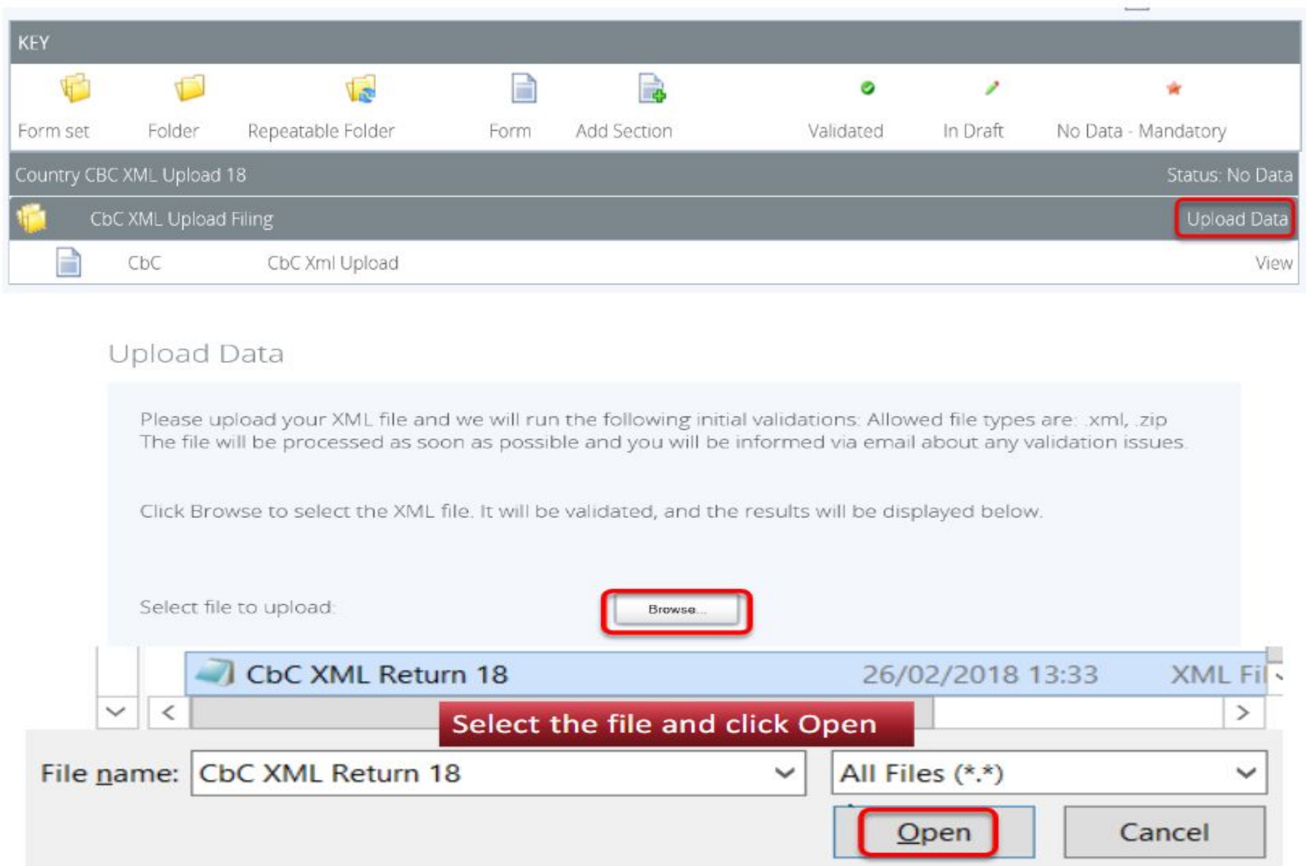

07

Updates from OECD

Review of the CbCR minimum standard

Oman Tax Authority

The BEPS Action 13 report also included a requirement that a review of the CbC reporting minimum standard be completed by the end of 2020 (the 2020 review). In view of this, OECD is facilitating discussions on changes to Action 13 implementation matters, including:

- Changes to the model CbCR legislation
- Changes to BEPS Action Plan 13
- Changes to implementation guidance
- Changes to the CbC template

As an inclusive framework member, Oman will be expected to implement the updated recommendations by the OECD, once finalised

A public consultation document was released by the OECD in February / March 2020. The updated Action 13 is expected to be released later this year, based on the review

The **key issues** which were released for public consultation included lowering threshold, adding columns to Table 1, etc. These issues may or may not form part of updated Action 13.

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Key takeaways

Key takeaways (1/2)

Oman Tax Authority

Ultimate parent entities of Oman headquartered Groups (with Consolidated Group Revenue more than OMR 300 million in previous year) and Oman designated Surrogate entities need to file the CbC reports and the CbCR notification in Oman

Oman constituent entities of the non-Omani headquartered Groups subject to CbCR requirements need to file the CbCR notification in Oman and may need to file CbC reports in certain cases (secondary filing)

Groups can identify risks from CbCR information and take proactive steps to mitigate the risks for subsequent periods

Key takeaways (2/2)

Oman Tax Authority

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Preparation of CbCR can encourage improving business processes and provide useful organizational insights on a global scale

The group accounting strategies need to be aligned globally in order to make consolidated reporting easier and more consistent

Q&A

Questions on applicability and scope of legislation (1/3)

Oman Tax Authority

Question	Answer
We understand that the CbCR notification is required to be submitted by MNE groups that exceed RO 300 million turnover in the preceding financial year. Is the notification also required to be submitted by the MNE groups that do not exceed RO 300 million turnover threshold?	Both CbCR and CbCR notification requirements are applicable to the Oman tax resident constituent entities of the MNE Groups that exceed the OMR 300 million threshold. Hence, there is no requirement to submit CbCR notification by constituent entities of MNE Groups that do not meet the OMR 300 million consolidated revenue threshold.
We understand that CbCR regulation of some other countries prescribes a turnover threshold of EUR 750 million. Upon conversion of RO 300 million to EURO it amounts to approx. EUR 660 million. If the ultimate parent entity is having turnover of EUR 700 million in its home country and is not required to file CbC report under the local laws, is the Oman constituent entity required to file the CbC report on behalf of the ultimate parent company?	Based on the OECD guidance, If the Ultimate Parent entity is located outside Oman is not subject to CbCR requirements in its jurisdiction, solely because it does not cross the threshold of EUR 750 million or equivalent, there will be no CbCR/ CbCR notification requirements for the Oman tax resident constituent entities of such MNE Groups.
Are Commercial Representative Offices, Branches and Dormant Entities considered as Constituent Entities for CbCR purposes?	An Oman tax resident constituent entity is - ● Any separate business unit of an MNE Group that is included in the Consolidated Financial Statements; or ● Excluded from Consolidated Financial Statements solely on size or materiality grounds; or ● Any permanent establishment of any separate business unit of the MNE Group referred to in paragraphs 1 or 2 above, if separate financial statements prepared for any purpose.

Questions on applicability and scope of legislation (2/3)

Question	Answer
Is there any definition of consolidated revenue?	Consolidated revenue as per the applicable accounting principles to the MNE Group should be considered. Further, based on the OECD guidance, the consolidated revenue should include extraordinary income and gains from investment activities in total consolidated group revenue.
The Group did not cross the threshold of OMR 300 million during FY 2019, but is expected to cross the threshold during FY 2020. Will the Group need to file the notification for FY 2020?	The applicability of CbCR is determined based on the consolidated revenue in the preceding year. Hence, if the Group crossed the threshold in FY 2020, the legislation will be applicable for FY 2021 and not FY 2020.
What is the due date for non-calendar year end entities (e.g. March)?	CbCR legislation in Oman is applicable for the years beginning on or after January 1, 2020. Hence, for entities with non-calendar year end, the first year of applicability will be years ending during 2021 (e.g. March 2021 and not March 2020).
Are the other Action 13 transfer pricing documentation requirements (i.e. Master file / Local file) applicable in Oman?	Oman has not introduced any formal transfer pricing documentation requirements. However, under the Oman Income Tax Law, the burden of proof is on the taxpayer to prove that the transactions between related parties has been conducted on an 'arm's length' basis.
What if each subsidiary has a revenue income of more than 300,000 m, should each of them register and submit CbC report?	For the purpose of applicability of CbCR legislation, the consolidated revenue of the MNE Group as a whole in the preceding year should be considered (and not individual subsidiary revenue). In case the threshold is crossed, each Oman tax resident constituent entity of such MNE Group should enrol and submit the notification separately. The CbC Report needs to be submitted only by Oman tax resident Ultimate Parent Entities or Surrogate Parent Entities of such Group in Oman. Other constituent entities may need to submit CbCR after taking into consideration the provisions related to secondary filing.

Questions on applicability and scope of legislation (3/3)

Oman Tax Authority

Question	Answer
We are part of V Limited, India and in Oman we have two entities registered as Omani LLC company. **1. V Oman LLC -** **65% shareholding by V Netherlands , Netherlands (V Netherlands is a 100% shareholding company of V Limited, India) &** **35% shareholding by M. S. Enterprises, Local Omani Company.** **2. L. V. E Services & Trading LLC -** **40% Shareholding by V Netherlands , Netherlands, (V Netherlands is a 100% shareholding company of V. Limited, India)** **20% Shareholding by V Limited, India &** **40% Shareholding by L Trading & Contracting, Local Omani Company** **would like to know which company needs to be registered for CBCR notification & Reporting.,in our case the Ultimate Parent Company is V Limited, India. So please advise further on this.**	For the purpose of applicability of CbCR legislation, the consolidated revenue of the MNE Group in the preceding year should be considered. In case the threshold is crossed, each Oman tax resident constituent entity of such MNE Group should enrol and submit the notification separately. The CbC Report needs to be submitted only by Oman tax resident Ultimate Parent Entities or Surrogate Parent Entities of such Group in Oman. Other constituent entities of such Group may need to submit CbCR in Oman after taking into consideration the provisions related to secondary filing. Further, for the purpose of determining the Ultimate Parent Entity, the following definition provided in the legislation should be referred to: *An Ultimate Parent Entity is the Constituent Entity of an MNE Group that fulfill the following criteria:* *a) it owns directly or indirectly a sufficient interest in one or more other Constituent Entities of such MNE Group such that it is required to prepare Consolidated Financial Statements under accounting principles generally applied in its jurisdiction of tax residence, or would be so required if its equity interests were traded on a public securities exchange in its jurisdiction of tax residence; and* *b) there is no other Constituent Entity of such MNE Group that owns directly or indirectly an interest described in subsection (a) above in the first mentioned Constituent Entity.*

Questions on CbCR notifications

Oman Tax Authority

Question	Answer
Whether the Oman tax authority has specified the format of notification, whether the notification should be submitted online or manually, what should be the contents of the notification, whether it should be submitted in English / Arabic ?	Notifications should be filed on the online portal in English https://aeoi.taxoman.gov.om/.
Are we required to submit CBCR notification as at 31 Dec 2020 for the Financial reporting year 2019? or it will start from Financial reporting 2020?	CbCR legislation in Oman is applicable for the years beginning on or after January 1, 2020 and the notification needs to be filed on or before the end of the year. Hence, notifications will need to be filed for FY 2020 by December 31, 2020.
What is the due date for filing CbCR notification?	The due date for filing the notification is on or before the reporting year end of the MNE Group.
The notification is required in Oman for FY 2020 by the end of FY 2020. If the constituent entity notifies the Oman tax authority of the surrogate parent entity, and there is any change in legislation in the jurisdiction of Ultimate Parent (i.e. Bahrain), can the notification be revised?	The notification template includes free text field (MNE Group additional information field), where any specific situations can be explained.
If there are more than one constituent entities in Oman, can one combined notification be filed?	Each constituent entity needs to enrol separately and file a separate notification.

Questions on secondary filing

Oman Tax Authority

Question	Answer
• **In what cases will be secondary filing required in Oman by the local constituent entities of MNE Groups with Ultimate parent / surrogate parent located outside Oman.** • **Where can we find the latest activated exchange relationships?** • **If Oman is non-reciprocal, whether all local constituent entities will be required to file CbCR in Oman?**	Secondary filing is required in the following situations: a) the Ultimate Parent Entity (UPE)/ or designated Surrogate Parent Entity (SPE) of the MNE Group is not obligated to file a CBCR in its jurisdiction of tax residence; or, b) the jurisdiction in which the UPE / SPE is resident for tax purposes has a current International Agreement to which Oman is a party but does not have a Qualifying Competent Authority Agreement in effect to which Oman is a party by the due date to file CbCR; or, c) there has been a Systemic Failure of the jurisdiction of tax residence of the UPE to share the CbCR. With respect to point (b) above, the term 'International Agreement' means *"the Multilateral Convention for Mutual Administrative Assistance in Tax Matters, any bilateral or multilateral Tax Convention, or any Tax Information Exchange Agreement to which Oman is a party, and that by its terms provides legal authority for the exchange of tax information between jurisdictions, including automatic exchange of such information"*. Further, the term 'Qualifying Competent Authority Agreement' means *"an agreement that is between those jurisdictions that are parties to an International Agreement and that requires the automatic exchange of CbCR between the party jurisdictions."* In view of the above, secondary filing under point (b) will apply to entities with UPEs/ SPEs located in those jurisdictions with which Oman has an International Agreement, but no agreement is activated for automatic exchange of CbCR. The updated list of global CbCR exchange relationships can be found on the OECD website (https://www.oecd.org/tax/beps/country-by-country-exchange-relationships.htm). The earliest due date to file the CbCR in Oman is December 31, 2021. Hence, taxpayers should continue monitor the relationships and determine the secondary filing obligation closer to the due date. Further, clarity is awaited on the reciprocity status of Oman and any updates will be communicated to taxpayers at a later stage.

Questions on CbCR portal

Oman Tax Authority

Question	Answer
Can there be more than one access to the AEOI Portal?	Upon successful enrolment on the portal, the primary user can login using the credentials provided and add a ‘secondary user’, who will also have access to the portal for the relevant constituent entity.
Enrollment page for CbC on OTA website is not active till now? A runtime error is received once the enrollment page is opened.	The issue has been resolved. The enrolment form should be accessible now.
Can the tax advisor of the Oman constituent entity register on the tax portal on behalf of the constituent entity and submit the CbCR notification? What is the process?	The portal does not have any restriction on appointing external advisors as a primary user. The authorization letter (signed by the authorized person of the constituent entity) may assign any individual as the primary user on the portal. However, it is important to note that the primary obligation to comply with the legislation is on the constituent entity.
What are the special tools to convert xls to XML ?	There may be third party tools available to convert files to xml or the tools can also be developed internally by the taxpayers. For the purpose of compliance, it is expected that converted xml files are submitted on the portal. For the latest guidance on the xml schema, please visit the OECD website (http://www.oecd.org/ctp/country-by-country-reporting-xml-schema-user-guide-for-tax-administrations.htm).
Does the Reporting entity mean the Ultimate parent of the Group (which may be located outside Oman) or is it the Omani entity?	For the purpose of the CbCR online portal enrolment, the reporting entity is the Omani constituent entity, which needs to file the notification and CbC Report, if applicable.
Can the primary user be from outside Oman or he should be from Oman only?	For the Oman headquartered Groups, Oman based individuals should be assigned as primary users. For Groups headquartered outside Oman, the Oman resident constituent entity may assign any individual as the primary user. However, Oman based individuals are recommended to be assigned.

Thank you

Website: **https://tms.taxoman.gov.om/portal/web/taxportal/home**
CbCR portal: **https://aeoi.taxoman.gov.om/**
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