

Freezones Al-Mazunah

Type	Questions and Answers
Date	1 Jan 2021
Source	Freezones Practical Guidance
Jurisdiction	Al-Mazunah Freezone

Document link: https://bo-meo.lexisnexis.fr/pg/fpg/AlMazunahFreezone_Freezones_Al-Mazunah



Table of contents

1. What law established this free zone?	3
2. What are the main internal regulations governing this free zone?	3
3. Does this free zone has reciprocal arrangements with other free zones?	3
4. What key areas of local legislation must a business operating in this free zone still comply with? What are the most important examples of how this affects operations?	3
5. What key agencies do businesses operating in this free zone need to register with or be aware of?	3
6. How does a company set up in this Free Zone?	3
7. What features go companies set up in this Free Zone have?	4
8. What can companies set up in this Free Zone do?	4
9. What can companies set up in this Free Zone not do?	5
10. What types of business are allowed to operate in this Free Zone?	5
11. What inheritance laws apply in this free zone?	5
12. What taxation applies?	5
13. What accounting and auditing rules do businesses operating in this free zone need to adhere to?	6
14. Where do businesses operating in the free zone generally locate their bank accounts?	6
15. Are there any specific rules governing when the moveable property is removed from the free zone area or transferred into the free zone area from another jurisdiction?	6
16. Are any specific licenses required to operate as a specific type of company in this free zone?	6
17. Is there any specific ongoing regulation or monitoring firms operating as particular types of companies by this free zone authority?	6
18. How are disputes settled in this free zone?	6
19. How are disputes between onshore companies and companies in this free zone settled?	7
20. What are the main rights and duties of an employer and employee working in this free zone?	7
21. How are employment disputes between employers and employees working in this free zone settled?	7
22. What entry qualifications and permits are required for staff working in this free zone, and how are employees registered with the authorities?	7
23. How are staff working within this Free Zone registered with the authorities?	7
24. What rules govern the remuneration and minimum benefits of staff working in this Free Zone?	7
25. What rules govern the working time and leave of staff working in this Free Zone?	7
26. What are the main features of a property lease in this free zone and what are the key restrictions when leasing a property? .	8
27. Is it possible to apply for a building permit in this free zone? How is this done, and what steps are required?	8
28. What environmental requirements must construction companies building in this free zone consider, e.g. form of building, landscaping or building height?	8
29. What are the key restrictions when leasing a property in this Free Zone?	8
30. What are the rules governing the use of utilities in this free zone?	8
31. How do retail premises establish themselves in this Free Zone?	8
32. Is it possible for hotels and retail establishments to operate in this free zone- how do they establish themselves?	8
Firm	8
Author	9

1. What law established this free zone?

Al-Mazunah Free Zone is located close to the Yemeni border, in the southern governorate of Dhofar. It was established in line with Oman Sultani Decree No. 103/2005 and was assigned to the Public Establishment for Industrial Estates called Madayn which is the operating body of this Free Zone.

2. What are the main internal regulations governing this free zone?

The internal regulations of this Free Zone are managed by the Public Establishment for Industrial Estates. It aims to develop a clear legislative, legal and regulatory framework in current Free Zones as well as future Free Zones. Oman Decision No. 22 /2010 of the Public Establishment of Industrial Estates concerning regulations of the Free Zone in Al-Mazunah is the main internal regulation for this Free Zone.

3. Does this free zone has reciprocal arrangements with other free zones?

No, Al-Mazunah Free Zone does not have reciprocal arrangements with other free zones.

4. What key areas of local legislation must a business operating in this free zone still comply with? What are the most important examples of how this affects operations?

The key areas of Oman Legislation which businesses operating in this Free Zone must comply with are:

- Oman Sultani Decree No. 50/2019 promulgating the Foreign Capital Investment Law. Under the Decree all procedures and permits required for foreign investments in Oman will be approved through the Investments Services Centre of the Commerce and Industry Ministry. Detailed regulations under the new law are yet to be announced. However, before the COVID-19 crisis, Ministry practice saw the effective ending (for businesses in most economic sectors) of the stipulation that provided that a minimum level of Omani participation, usually at least 30%, was required where foreign investors acquired or set up corporate entities in mainland Oman. Project and privatised entities will also be specifically capable of 100% foreign ownership. Additionally, land for investment projects will be allotted for long-term leases or usufruct agreements, effectively bypassing the provisions of Oman Sultani Decree No. 5/1981, which otherwise regulates usufruct matters as part of land laws in Oman.
- The Commercial Companies Law, Oman Law No. 4/1974. New legislation introduced-Oman Sultani Decree No. 18/2019 promulgating the Commercial Companies Law.
- The Free Zones Law issued in Oman Sultani Decree No. 56/2002.
- The Commercial Register Law, Oman Law No. 3/1974.
- The Law of Money Laundering and Terrorist Financing issued in Oman Sultani Decree No. 79/2010.
- The Labour law issued in Oman Sultani Decree No. 35/2003.
- The GCC Common Customs Law by Oman Sultani Decree No. 67/2003.

The non-GCC national carries out their business activity through one of the types of companies recognised by the Commercial Company Law (Oman Sultani Decree No. 18/2019 as amended) (CCL)

The above list is not exhaustive, but any laws which are not covered by the internal regulations of the Free Zone must be complied with..

5. What key agencies do businesses operating in this free zone need to register with or be aware of?

The agencies which a business operating in this Free Zone needs to register with mainly depends on the type of activity carried out by the company. For example, for industrial projects, clearance is needed from the Environment and Climate Affairs Ministry.

Some agencies include the:

- Commerce and Industry Ministry.
- Foreign Affairs Ministry.
- Oman Chamber of Commerce and Industry.
- Environment and Climate Affairs Ministry.

6. How does a company set up in this Free Zone?

On receiving a completed application form, the registration of a new company in Al-Mazunah Free Zone is fairly quick.

The following are the steps generally involved:

- a) Submission of a completed Application Form.
- b) Documents reviewed by the officials.
- c) On the approval of the officials, the business entity needs to be registered with the Chamber of Commerce in Al-Mazunah Free Zone.
- d) Once this is completed, the entity needs to be registered at the Municipality and obtain the relevant certificate. There are several documents required for the incorporation of an entity in this Free Zone; they are:
 - Business Plan.
 - Letter of Intent.
 - Entity's Company Profile.
 - Financial Report.
 - Registration Documents.
 - Tenancy Agreement: Lease of Plot.
 - Environmental and Industrial Approval.
 - Member Certificate from Chamber of Commerce.
 - Industry Production Sketch.

7. What features go companies set up in this Free Zone have?

Like most other Free Zones which are granted benefits, incentives and other facilities by the Free Zones Law, Oman Sultanate Decree No. 56/2002, Al-Mazunah Free Zone offers various incentives which attract foreign and local investors like the following:

- Import of goods to the Zone without the import permit.
- Permission to import all eligible goods into the Sultanate of Oman;
- Possibility of 100% ownership of the invested project's capital;
- Omanisation percentage for the operating company stands at 20%;
- Facilitate the granting of residence visas for non-Omani investors;
- No minimum capital requirement as prescribed in the Commercial Companies Law or other related laws.
- Yemeni workforce allowed to work in the zone without the requirement of entry visa or the permanent residence permit on the condition this zone ensures non-entry of the workforce in compliance with the relevant authorities.
- Reduced Omanisation percentage to 10% subject to Omani Labour Law.
- Yemeni Customs Centre's statements are considered by the Zone Customs Section without the need to pass through the Al-Mazunah Customs Section (subject to certain conditions).
- Certificates of origin (foreign origin or free zone products) by the Zone.
- One-Stop Shop facility for set up, obtaining labour clearances, visas, etc.
- Commercial representation office establishment of an operating company in the Customs territory in line with the Commercial Registry Law.

8. What can companies set up in this Free Zone do?

Following are the activities which a company in Al-Mazunah Free Zone can carry out:

- a) Commercial Sector
 - Storage, import and re-export of all types of goods.
 - Storage and trading of spare parts and vehicles of various kinds.
 - Fruit and vegetable trade.
 - Meat and livestock trade.
 - Equipment, spare parts and machinery trade; and other.
- b) Service Sector (Including catering services)
 - Distribution and transportation services to and from the Free Zone to both Yemen and Oman.
 - Custom clearance services.
 - Handling services of equipment and goods.
 - Correspondence, translation, fax, printing, grocery and internet services and other.
- c) Industrial Sector

- Packaging and sorting factories.
- Agricultural products processing; foodstuff processing units; packaging of fruit and vegetable.
- Maintenance workshops for heavy and medium equipment.
- Vehicle repair and maintenance workshops.
- Light plastic industries.
- Manufacturing of ready-made garments.
- Carpentry plants and woodworking industries.
- All kinds of light industries; and other.

9. What can companies set up in this Free Zone not do?

Generally, any activity which does not conflict with the applicable laws in Oman is not permitted in the Free Zone.

Article 115 of Oman Ministerial Decision No. 3/2014 concerning Operation Controls of the Free Zone in Al-Mazunah mentioned the acts and activities which are prohibited in the Free Zone. Some of them are as follows:

- Actions which threaten the security of investors, workers, facilities or the dealers;
- Acts which disrupt or interrupt the computer systems or devices;
- Practising activities which are not stipulated in the license;
- Storage or possession of goods which are prohibited in the Sultanate;
- Commencing construction in the Free Zone without relevant approvals from authorities, like the environment approval;
- Any other activities or acts are prohibited by a decision of the relevant authorities.

The above list is not exhaustive, but an idea of what is prohibited in this Free Zone.

10. What types of business are allowed to operate in this Free Zone?

The following are the activities which a company in Al-Mazunah Free Zone can carry out:

- a) Commercial Sector
 - Storage, import and re-export of all types of goods.
 - Storage and trading of spare parts and vehicles of various kinds.
 - Fruit and vegetable trade.
 - Meat and livestock trade.
 - Equipment, spare parts and machinery trade; and other.
- b) Service Sector
 - Distribution and transportation services to and from the Free Zone to both Yemen and Oman.
 - Custom clearance services.
 - Handling services of equipment and goods.
 - Correspondence, translation, fax, printing, grocery and internet services and other.
- c) Industrial Sector
 - Packaging and sorting factories.
 - Agricultural products processing; foodstuff processing units; packaging of fruit and vegetable.
 - Maintenance workshops for heavy and medium equipment.
 - Vehicle repair and maintenance workshops.
 - Light plastic industries.
 - Manufacturing of ready-made garments.
 - Carpentry plants and woodworking industries.
 - All kinds of light industries; and other.

11. What inheritance laws apply in this free zone?

The inheritance law as mentioned in the 1996 Basic Statute of the State is governed by Sharia Law.

12. What taxation applies?

Working companies in the tax territory cannot exercise any unlicensed business or activity without complying with the applicable laws, systems and regulations. Payment of financial obligations is essential to the Government, public institutions and authorities as well as their entities. This is collected by the relevant authorities in line with the Regulation on Collection of Taxes and Fees which is issued by Oman Sultani Decree No. 32/1994.

The working companies are exempt from taxes as well as from submitting income returns as stipulated in the Law of Income Tax on the Companies. These exemptions are in line with a decision issued by the Minister who is supervising the Finance Ministry according to rules set by the Committee.

13. What accounting and auditing rules do businesses operating in this free zone need to adhere to?

A company undertakes to maintain regular accounts of all the activities carried out by it, approved by an accounts auditor who is licensed to conduct the profession of auditing and accounting. The Auditor must provide the Secretariat with the accounts.

Working companies must provide the relevant department with soft copies of the updated entries and registers at the end of each calendar month, which will be kept until the auditing date.

14. Where do businesses operating in the free zone generally locate their bank accounts?

Working companies are required to open a local bank account before obtaining the Free Zone license. For this, a copy of the authorised signatory forms, commercial registration, Oman Chamber of Commerce and Industry affiliation certificate, a deposit of capital amount as stated in the Commercial Register and application signed and sealed by the authorised signatory must be submitted.

15. Are there any specific rules governing when the moveable property is removed from the free zone area or transferred into the free zone area from another jurisdiction?

Activities are generally confined to the Free Zone. Operation in other zones may require the assistance of a local agent /distributor.

16. Are any specific licenses required to operate as a specific type of company in this free zone?

Companies in this Free Zone only carry out economic activity post obtaining the relevant license. Additionally, the company cannot practice an activity which has not been specified in the license. Licenses issued in this zone are:

- Industrial License.
- Commercial License.
- Residential License.
- Service License.
- Agricultural License.
- Animal License.
- Fishy License.
- Government License.
- Real Estate License.
- Logistics License.

17. Is there any specific ongoing regulation or monitoring firms operating as particular types of companies by this free zone authority?

The operations of this Free Zone are monitored and regulated by the Public Establishment for Industrial Estates.

18. How are disputes settled in this free zone?

Generally, the contract mentions the dispute resolution mechanism to be followed where a dispute arises. In the absence of this, the courts in Oman assist in resolving disputes. The main courts in Oman are:

- a) The Court of First Instance.
- b) The Court of Appeal.
- c) The Supreme Court.

Without prejudice to other laws, the Committee Chairperson has the power to impose penalties in certain situations and in extreme cases, may revoke or withdraw the license on the basis of fraud and cheating. The Chairperson may settle the matter without resorting to the courts. The Free Zone has a point based system for different classes of offence which are categorised into six groups. On reaching ten points, the Zone authority may take action as it considers right in line with the rules and regulations of the Zone and the applicable laws in it.

19. How are disputes between onshore companies and companies in this free zone settled?

Generally, the contract mentions the dispute resolution mechanism to be followed where a dispute arises. In the absence of this, the courts in Oman assist in resolving disputes. The main courts in Oman are:

- a) The Court of First Instance.
- b) The Court of Appeal.
- c) The Supreme Court.

Without prejudice to other laws, the Committee Chairperson has the power to impose penalties in certain situations and in extreme cases, may revoke or withdraw the license on the basis of fraud and cheating. The Chairperson may settle the matter without resorting to the courts. The Free Zone has a point based system for different classes of offence which are categorised into six groups. On reaching ten points, the Zone authority may take action as it considers right in line with the rules and regulations of the Zone and the applicable laws in it.

20. What are the main rights and duties of an employer and employee working in this free zone?

Oman Sultani Decree No. 35/2003 issuing the Oman Labour Law provides a comprehensive framework for employment in Oman.

For example, Article 27 of Oman Sultani Decree No. 35/2003 mentions certain duties of an employee related to working diligently under the supervision of the employer, to obey the employer's instructions as long as it is not inconsistent with contract and the laws, not disclose work secrets, not use tools of work outside of the workplace except on obtaining the approval of the employer, etc. Additionally, according to Article 33 of Oman Sultani Decree No. 35/2003, the employer must provide employees with adequate access to medical facilities. Article 34 of Oman Sultani Decree No. 35/2003 states an employer must provide all the employees with suitable means of transport, accommodation, meals, drinking water etc. for practices specified by the Minister.

21. How are employment disputes between employers and employees working in this free zone settled?

Unless a separate mechanism has been agreed on in the employment contract, the labour dispute resolution is addressed before a designated body which is the Department for the Settlement of Labour Disputes at the Manpower Ministry.

22. What entry qualifications and permits are required for staff working in this free zone, and how are employees registered with the authorities?

All Omani employee contract must be registered with the authorities. This is done via One Stop Shop within 15 days of the Omani employee joining the company.

While employing expatriates, three mandatory processes must be completed:

- a) Clearance by the Manpower Ministry.
- b) Issuing an employment visa by the Immigration Department of Royal Oman Police.
- c) Issuing a resident's card by the Immigration Department of Royal Oman Police.

23. How are staff working within this Free Zone registered with the authorities?

Once the visa is issued, it is collected by the Al-Mazunah Free Zone representative and deposited at an entry point in Oman and a post where a deposit slip is issued. A copy of both of these is sent to the company.

24. What rules govern the remuneration and minimum benefits of staff working in this Free Zone?

Oman Sultani Decree No. 35/2003 issuing the Oman Labour Law provides a comprehensive framework for employment in Oman and governs the remuneration and minimum benefits of staff working in this Free Zone.

25. What rules govern the working time and leave of staff working in this Free Zone?

Oman Sultani Decree No. 35/2003 issuing the Oman Labour Law provides a comprehensive framework for employment in Oman and governs the leave and working time of staff working in this Free Zone.

26. What are the main features of a property lease in this free zone and what are the key restrictions when leasing a property?

In this Free Zone, the Zone Committee's Chairperson signs the lease contracts of facilities and lands. The consent of the Committee Chairperson is based on the recommendations of management. The lease contract is concluded in line with all the forms which are approved by the Zone Committee. There are certain instances where the Committee Chairperson may revoke the contract. (Article 22)

27. Is it possible to apply for a building permit in this free zone? How is this done, and what steps are required?

Yes, it is possible to apply for a building permit. However, in line with Article 36, the working company will submit the insurance policy which should ideally cover all risks and damages which may result from the construction operations and this is done before the building permit is issued.

28. What environmental requirements must construction companies building in this free zone consider, e.g. form of building, landscaping or building height?

While talking about temporary accommodation for the workers, an appropriate and healthy environment in terms of services of sewage and sound ventilation is essential. Otherwise, standard application of the law in the Sultanate is advised.

Additionally, for all projects to begin in the Free Zone and those which are ongoing, environmental conditions are devised based on the nature of the construction. If the conditions are not adhered to, it is considered a violation under Group One of the Classifications of Violations.

29. What are the key restrictions when leasing a property in this Free Zone?

Essentially, a company must be registered in this Free Zone to lease the property here. On meeting the prerequisites of incorporating a company in this zone and obtaining the permit/license, the company may apply for leasing which has to be approved by the Committee Chairperson, although several clearances for this are handled before.

30. What are the rules governing the use of utilities in this free zone?

Generally, the One Stop Shop assists investors in obtaining and applying for all utilities. The Authority for Electricity Regulation provides tariffs throughout Oman.

31. How do retail premises establish themselves in this Free Zone?

There are no particular restrictions prohibiting retail establishments from operating in Al-Mazunah Free Zone. The same process will apply as for any other type of company incorporation.

32. Is it possible for hotels and retail establishments to operate in this free zone- how do they establish themselves?

Yes, hotels and retail establishments can operate in this Free Zone. The establishment procedure is similar to that for any other company incorporated in Al-Mazunah Free Zone.

Firm



STA Law Firm

Author



George SK

Partner, Fotis International Law Firm (Dubai, UAE)

info@fotislaw.com

corporate@fotislaw.com

Areas of expertise

Corporate/Commercial; Freezones; Laws of Fujairah

Education

BBA, LLB (Hons), University of Petroleum and Energy Studies, Dehradun, India

Memberships

Bar Council of Delhi

Biography

George S. Kuruvilla is a Partner at Fotis International Law Firm's UAE operations. He heads the firm's regional Corporate and Commercial Practice. With years of experience in the UAE, George caters to the legal requirements of well reputed domestic and international companies. Fotis houses dedicated team of lawyers specializing in different practice areas and industries. George is a qualified attorney from India and has contributed bespoke articles on several key areas including Indian laws and regulations and US laws in addition to taxation and corporate law.