### **Lexis**® Middle East

### Freezones Salalah Freezone

Type Questions and Answers

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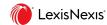
Jurisdiction Salalah Freezone

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#### 1. What law established this free zone?

The Sultan of Oman promulgated Oman Sultani Decree No. 62/2006 (the Decree) to establish the Salalah Freezone (SFZ). The Decree was issued on 20 June 2006. SFZ is a categorically carved out zone which is governed by commercially friendly laws to promote foreign investment and the development of the company.

Oman Sultani Decree No. 56/2002 consents to establishing free trade zones in Oman and the SFZ was established under the Decree.

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

The SFZ Company SAOC is the sole operator for the free zone which is owned 100% by the Government. The regulations governing the SFZ are:

- Oman Sultani Decree No. 101/1996, the Basic Statute of the State.
- The Commercial Register Law (Oman Sultani Decree No. 3/1974 as amended by Oman Sultani Decree No. 88/1986).
- Oman Sultani Decree No. 4/1974, the Commercial Companies' Law. On 13 February 2019, the new Commercial Companies Law was issued by Sultan Qaboos. Oman Sultani Decree No. 18/2019 is introduced 60 days after publication and supersedes Oman Sultani Decree No. 4/1974).
- Oman Sultani Decree No. 47/1981, the Corporate Income Tax Law.
- Oman Sultani Decree No. 77/1989, the Corporate Profit Tax Law.
- Oman Sultani Decree No. 56/2002, the Free Zones Law.
- Oman Sultani Decree No. 67/2003, the Unified Customs Law.

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

No, SFZ does not have reciprocal arrangements with other Omani 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?

Apart from the internal regulations governing the SFZ, the legislation which leads businesses in SFZ are:

- Oman Sultani Decree No. 79/2010-The Law of Money Laundering and Terrorist Financing; Combating Money Laundering and Terrorism Financing Law (Oman Sultani Decree No. 30/2016).
- Oman Sultani Decree No. 35/2003-The Labour Law.

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

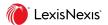
The registration with the agencies primarily depends on the nature of the activity of the company. Some agencies include:

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

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

Company formation in SFZ takes up to three working days. The following is the standard formation procedure:

- Submitting the duly completed application form with required documents.
- Submitting the No-Objection Certificate (NOC).
- Due diligence of the companies.
- Approving the selection of the plot.
- Paying the fees.



- Obtaining the Commerce and Industry Ministry (MCI) license.
- Obtaining the registration certificate from the SFZ authority.
- Obtaining permits from the Oman Chamber of Commerce and Industry (OCCI).

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

The key features of SFZ are:

- Repatriation of profits and income-100%.
- Exemption on Income tax up to 30%.
- Full foreign ownership-permitted.
- No minimum capital requirement.
- Relaxation on the applicable rates.
- No personal incomes tax.
- Zero customs duties-Imports and Exports.
- Low Omanisation requirement levels.
- A lease renewable for 50 years.

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

SFZ offers following licenses to the companies based on the nature of their activity:

- a) General Trading License: export, import, storage and distribution of products.
  - b) Trading License: export, import, storage and distribution of specified products on the company trade license.
  - c) Industrial License: importing raw materials, carrying out the manufacturing of specific products, and exporting the finished product. The Industrial License is subject to clearances to be obtained from the respective ministries.
  - d) Service License: carrying out the services in the company trade license, within the SFZ.

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

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

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

SFZ offers following licenses to the companies based on the nature of their activity:

- a) General Trading License: export, import, storage and distribution of products.
  - b) Trading License: export, import, storage and distribution of specified products on the company trade license.
  - c) Industrial License: importing raw materials, carrying out the manufacturing of specific products, and exporting the finished product. The Industrial License is subject to clearances to be obtained from the respective ministries.
  - d) Service License; carrying out the services in the company trade license, within the SFZ.

#### 11. What inheritance laws apply in this free zone?

The inheritance law as contained in Oman Sultani Decree No. 101/1996 applies. The Basic Statute of the State is governed by Sharia Law.

#### 12. What taxation applies?

There is no personal income tax or customs tax for investors.

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

Companies in SFZ have to maintain proper financial and accounting records in line with the regulations of the International Financial Reporting Standards. The accounting year is generally the tax year when drafting the financial statements of the companies. Companies must file provisional tax returns within three years.



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

Companies have to open a local bank account before obtaining an SFZ license. They have to provide 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.

# 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 SFZ. 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?

SFZ offers following licenses to the companies based on the nature of their activity:

- a) General Trading License: export, import, storage and distribution of products.
  - b) Trading License: export, import, storage and distribution of specified products on the company trade license.
  - c) Industrial License: importing raw materials, carrying out the manufacturing of specific products, and exporting the finished product. The Industrial License is subject to clearances to be obtained from the respective ministries.
  - d) Service License: carrying out the services in the company trade license, within the SFZ.

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

The SFZ Operating Company is given the privileges, incentives and facilities as detailed in the law. The Chairman of the SFZ Committee will issue the regulations, rules and decisions for implementing the law.

#### 18. How are disputes settled in this free zone?

Generally, the contract mentions the dispute resolution mechanism to be followed in a situation where a dispute arises. In the absence of this, the courts 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.

Commercial disputes will be resolved by the Commercial Courts.

#### 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 in a situation where a dispute arises. In the absence of this, the courts assist in resolving disputes. The main courts in Oman are:

- a) The Court of First Instance.
  - b) The Court of Appeal.
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Commercial disputes will be resolved by the Commercial Courts.

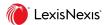
#### 20. What are the main rights and duties of an employer and employee working in this free zone?

Oman Sultani Decree No. 35/2003 makes provisions for and a comprehensive framework for labour law in the country. Article 27 of Oman Sultani Decree No. 35/2003 states certain duties and obligations which must be undertaken by the employee as follows:

- 1. The employee has to perform the work all by himself as per the directions given and under the supervision of the employer.
  - 2. The employee has to develop the skills and experience to work in accordance to the rules and procedures which are placed by the employer.
  - 3. Duly follow the instructions of the employer with respect to the work.
  - 4. Observe diligent occupational health and safety rules, etc.

Article 25-The Employer is obliged from not deviating from the terms of the contract or instruct the employee to work which has not been agreed upon only if the said work is temporary in nature and so necessary.

Article 33 states the employer's obligation to provide the employees with due access to these medical facilities as is provided in the contract.



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

In addition to Oman Sultani Decree No. 35/2003, unless a separate dispute resolution mechanism has been agreed on in the employment contract, the dispute is addressed before a designated body which is the Department for the Settlement of Labour Disputes at the Manpower Ministry. The Department is assigned with the duty to assist aggrieved employers and employees to resolve their disputes by way of labour court or arbitration.

### 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 Manpower Ministry. This is done through a One Stop Shop within 15 days of the Omani employee joining the company.

While employing expatriates, three mandatory processes must be completed:

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

There are basically four types of work visas provided:

- Business Visit Visa.
- Temporary Work Permit.
- Express Visa.
- Group Visa.

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

Once the visa is issued, it is collected by the SFZ representative and deposited at an entry point in Oman, post where a deposit slip is issued. A copy of both 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 employment law provides a comprehensive framework for employment in Oman and governs the remuneration and minimum benefits of staff working in this Free Zone etc.

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

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

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

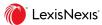
The entity must complete an application form for the plot, once the plot is finalized. This application is mandatory as it is referred to in the lease agreement. The final approvals are provided by the SFZ Authority. Once the company is formed, the lease agreement is signed to proceed with the operations.

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

Oman introduced a One-Stop Shop (OSS), which the SFZ deals with the formalities like the visas, employment permits, utilities applications, building and construction permits, environmental permits as well as the commercial licenses. The interested entities can apply for the construction permit via the OSS whose procedures are transparent and simple. They are effective, fact and efficient.

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

Oman introduced a One-Stop Shop (OSS), which the SFZ deals with the formalities like the visas, employment permits, utilities applications, building and construction permits, environmental permits as well as the commercial licenses. Entities interested can apply for the construction permits via the OSS whose procedures are transparent and simple. They are effective, fact and efficient.



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

Essentially, an SFZ company should be registered with the free zone for leasing the property. The company has to meet the requirements as proposed by the free zone in order to obtain permits and licenses. The SFZ will grant the land lease agreement.

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

Generally, the One Stop Shop supports investors to obtain and apply for all kinds of utilities. The Authority for Electricity Regulation (AER) provides electricity tariffs throughout Oman.

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

The SFZ makes no restrictions on establishing retail premises in the free zone. In the event the entity wishes to form a retail premises, it would flow in the same way as company formation.

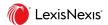
### 32. Is it possible for hotels and retail establishments to operate in this free zone- how do they establish themselves?

SFZ allows hotels and retail establishments to operate in the free zone. The establishment procedure is similar to that of any other company incorporation in SFZ.

#### 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 Fujeirah

#### **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.

