

Freezones Sohar

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1. What law established this free zone?

A Ministerial Committee was set up by His Majesty Sultan Qaboos bin Said establishing a new Port in Sohar in 1995 and to develop the Port of Salalah, formerly called Raysut. The Government of Oman and Port of Rotterdam signed a Memorandum of Understanding in July 2002 to draft a concession agreement for Sohar Port. The agreement was ratified by Oman Sultani Decree No. 80/2002 and it was issued in August 2002. In 2007, a concession agreement for the development of the 4,500-hectare acres Free Zone was signed and Sohar Free Zone was established in 2010. Oman Sultani Decree No. 123/2010 established the Sohar Free Zone. Under Oman Sultani Decree No. 105/2020, the Public Authority for Special Economic Zones and Free Zones (OPAZ) was established as the official regulator of the nation's special economic zones and free zones, including Sohar free zone.

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

This Free Zone is managed by Sohar Industrial Port Company, which is a 50:50 joint venture between the Sultanate of Oman and Port of Rotterdam.

The governing regulations for the operation of Sohar Free Zone are Oman Ministerial Decision No. 35/2016 issued by the Commerce and Industry Ministry. The above Rules and Regulations of Sohar Free Zone is in line with Free Zones law circulated by Oman Sultani Decree No. 56/2002; Oman Sultani Decree No 76/2003 related to the enforcement of Common Customs Law in GCC, Oman Sultani Decree No. 123/2010 and the Ministry of Finance's Approval of its letter (64396/11673).

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

No. Sohar 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:

- The Commercial Companies Law, Oman Law No. 4/1974. In April 2019, the new Commercial Companies Law (the New CCL) came into force and repealed Oman Law No. 4/1974 in its entirety.

The Free Zones Law issued in Oman Sultani Decree No. 56/2002. Oman Sultani Decree No. 123/2010 (the Sohar Free Zone Law [Final Version Cabinet 21 December 2010])

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. Combating Money Laundering and Terrorism Financing Law (Oman Law No. 30/2016).

The Labour law issued in Oman Sultani Decree No. 35/2003.

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

Some agencies include:

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

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

On receiving the complete application form, the registration of a new company in Sohar Free Zone only takes one business day.

These are the steps which are generally involved:

- a) Submission of a complete Plot Application Form.
- b) Agreement on the Commercial terms.
- c) Pre-contract Clearances (Example, No Objection Letter from the Ministry of Environment and Climate Affairs for Industrial projects. Another example, for large power and water consumers, a principal acceptance is required from the Utility Companies.
- d) Due diligence performed on main promoters/shareholders of the proposed company in the Free Zone.
- e) Plot selection followed by approval of the Plot Application.

- f) First Quarter lease payment, followed by Incorporation fees and License fees payment.
- g) Incorporation of the Free Zone Working Company (Including all documents and clearances).
- h) Signing the Land Lease Agreement.

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

Like most other Free Zones, Sohar Free Zone offers various incentives which attract foreign and local investors like the following:

- 100% of foreign company ownership.
- Low Capital requirements.
- 25 years of Corporate Tax Holiday
- One Stop Shop for relevant clearances.
- - Company licensing and registration.
 - Environmental Approvals.
 - Visas.
 - Tax exemption certification.
 - Labour permits.
 - Application for Utilities.
 - Plot Work Permits.
 - Customs system registration.
- Zero per cent (0%) re-export and import duties.
- Zero per cent personal income tax.
- Low labour requirements: an overseas workforce of 85% is allowed.

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

These are the activities which a company in Sohar Free Zone can carry out:

- a) Commercial activity: export, import, storage and handling, general trading.
- b) Industrial activity: works based on reassembling, manufacturing and remanufacturing.
- c) Service activity: logistics and consultancy services.
- d) Banking and financial activities: foreign exchange, banks and money transfers.
- e) Educational activity: institutes and schools.
- f) Health activities: health centres, hospitals, pharmaceuticals, laboratories and specialized health centres.

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 of Oman is not permitted in the Free Zone.

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

These are the activities which a company in Sohar Free Zone can carry out:

- a) Commercial activity: export, import, storage and handling, general trading.
- b) Industrial activity: works based on reassembling, manufacturing and remanufacturing.
- c) Service activity: logistics and consultancy services.
- d) Banking and financial activities: foreign exchange, banks and money transfers.
- e) Educational activity: institutes and schools.
- f) Health activities: health centres, hospitals, pharmaceuticals, laboratories and specialized health centres.

11. What inheritance laws apply in this free zone?

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

12. What taxation applies?

Sohar Free Zone offers zero per cent personal income tax.

Tax and Customs Exemption Department inform the Working Company of their decision in respect to the submitted application for tax exemption.

Companies can enjoy a Corporate Tax Holiday for up to 25 years, but is subject to the maintenance of a certain level of Omani Staff.

Tax Exemption Period	Omanisation Level (Minimum)
First 10 years	15%
Following 5 years	25%
Following 5 years	35%
Following 5 years	50%

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

The 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 these accounts.

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

The 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 are required.

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 or distributor.

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

The users of free zones cannot be allowed to conduct business except post obtaining either a Working Company License or Service Provider's License.

The types of licenses issued are:

- a) Logistic License.
- b) Light Manufacturing and Assembly License.
- c) Service Provider License.
- d) General Trading License.
- e) Industrial License

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

The Operating Authority, being Sohar Free Zone LLC itself, assumes responsibility according to Article 2 of the Rules and Regulations for the development and management of the Free Zone coupled with supervising the business at the free zone. The Article goes on to define specific authorities and powers for the governing of the free zone.

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 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 Operating Authority 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. A limitation period of 60 days is available to the relevant party to appeal the decision. (Article 46 of the Rules and Regulations).

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

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- a) The Court of First Instance.
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Without prejudice to other laws, the Operating Authority 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. A limitation period of 60 days is available to the relevant party to appeal the decision. (Article 46 of the Rules and Regulations).

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 the 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, the employer must provide the employees with adequate access to medical facilities. Article 34 states the 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?

In addition to the Oman Labour Law, 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 Omani employees joining the company.

While employing expatriates, three mandatory processes must be completed:

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

There are basically four types of work visas provided:

- a) Temporary Work Permit.
- b) Express Visa.
- c) Business Visit Visa.
- d) Group Visa

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

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There are basically four types of work visas provided:

- a) Temporary Work Permit.

- b) Express Visa.
- c) Business Visit Visa.
- d) Group Visa

Additionally, once the visa is issued, it is collected by the Sohar Free Zone representative and deposited at an entry point in Oman, post which a deposit slip is issued. A copy of both is then 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?

A Plot Application Form has to be completed and submitted for relevant clearances and this is essential as reference to it is made in the Land Lease Agreement which is a comprehensive document. All the commercial terms must be agreed on and adhered to. It is essential to get a pre-contract clearance depending on the activity which will be carried out on the premises. Definitive plot size and approval is done at this stage and the approval of the Plot Application is done. A final plot plan with technical details is given by the technical department of Sohar Free Zone. Finally, after the incorporation of the company, the Land Lease Agreement is signed.

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

For the execution of a specific work in the common areas of the free zone, a construction permit is necessary. An application has to be submitted to Sohar Industrial Port Company. The application is checked within two weeks from the date of submission. At this stage, the tenant submits a preliminary construction execution plan. SIPC provides its input and comments on the existing pipeline system. The tenant must coordinate the additional requirements and conditions of adjacent plots who must agree to the construction. Written consent from them must be obtained. The tenant then finalises the construction execution plan which is checked by the SIPC for design and construction, post which a 'kick-off' meeting between the relevant parties is organised. Once all parties agree to the terms of the construction, the SIPC issues the Construction Permit.

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

The Construction Permits are subject to certain terms and conditions. A Construction Permit for Work in or affecting the Common Areas requires several things to be kept in mind while planning the design for construction. The Permit Holder must mark the corners of the construction site with post dug firmly which extends to one metre above ground level. A machine may be used to dig around a distance of 0.50 metres from the existing Pipelines. When the construction is near these Pipelines, temporary barriers must be put within 25 metres. There are a number of delicate details which must be kept in mind while constructing in this free zone, depending on the nature of construction, the activity to be carried out and relevant permissions needed.

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 a Land Lease Agreement, although several clearances for this are handled before.

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

Generally, One Stop Shop assists investors in obtaining and applying for all utilities. The Authority for Electricity Regulation provides tariffs throughout Oman. The water services in Sohar Free Zone is provided by Majis Industrial Services.

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

There are no particular restrictions prohibiting retail establishments from operating in Sohar Free Zone. The same process would 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 of any other company incorporation in Sohar 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.