

Oman publishes medium-term fiscal plan for 2020-2024

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The medium-term fiscal plan (MTFP) is upfront about the impact of continuing low oil prices and the COVID-19 pandemic on the Oman government's finances.

The MTFP has been developed with the stated aim of "achieving fiscal balance in the medium term" and is to be implemented along with a number of new measures aimed at improving the business environment, stimulating investment in Oman and launching a "social safety net that will reduce the impacts of the fiscal measures on selected groups of society".

Notable measures mentioned in the MTFP include:

- revenue diversification initiatives, with VAT to be introduced in 2021 and, for the first time, the government publicly considering introducing personal income tax;
- reviewing the labour law, with a focus on the legislation governing the labour market and reflecting significant changes in labour market conditions;
- increasing the number of countries whose citizens will get a visa exemption to enter Oman, in order to encourage tourism;
- reviewing government fees for services;
- subsidy reforms on public services, so subsidies are reallocated to those most in need in society; and
- expanding the social safety net for Omani citizens to allow the country to move away from universal support to targeted support for vulnerable families.

The MTFP has been developed as a "holistic framework" based on the following five pillars:

No.	Pillar	Aims/initiatives
1	Supporting economic growth	<ul style="list-style-type: none">• Improving the business environment• Stimulating domestic and foreign investment
2	Diversifying and enhancing government revenues	<ul style="list-style-type: none">• Enhancing the returns from government investments• Strengthening tax administration and collection efficiency• Value added tax

No.	Pillar	Aims/initiatives
		<ul style="list-style-type: none"> Income tax on high earners
3	Rationalising government expenditure and driving efficiency	<ul style="list-style-type: none"> Strategic government procurement Development expenditures Reviewing current expenditures and spend control Public services subsidy reforms
4	Enhancing the social safety net	<ul style="list-style-type: none"> Social safety net will be activated during the implementation of MTFP initiatives
5	Strengthening public financial management	<ul style="list-style-type: none"> Development of the Government Financial Management Information System Debt Management Office and Macro Fiscal Unit capacity building Implementation of a treasury single account programme Implementation of a national asset register

Initiative 4 of Pillar 2 in the MTFP is titled "Income tax on high earners". There is no detail regarding who will qualify as a "high earner" and it is clear that this initiative is at an early stage. The MTFP states:

"The government is actively looking at all sources of revenue in order to plug the gap in the deficit. This includes looking at personal income tax ... Currently, the government is evaluating the tax and how it can best be implemented. The government will evaluate the tax from all aspects, including societal impacts, economic impacts and fiscal impacts. In order to ensure the most efficient and equitable tax for all."

Omani employers, employees working in Oman and foreign investors (and their professional advisers) will all be watching with special interest to see how and when the measures mentioned in the MTFP are implemented.

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