

Royal Decree No. 56/ 2002

For the issue of free zones.

We, Qaboos bin Sa'eed, the Sultan of Oman

After reviewing the fundamentals of the state's constitution, issued in the royal decree no. 101/96, and reviewing the commercial companies law no.4/74 with its amendments.

And reviewing the royal decree no. 48/ 76 in regard of signing financial outside & inside files with its amendments.

And reviewing the commercial agencies issued in the royal decree no. 26/77 with its amendments.

And reviewing the law of taxes, issued in the royal decree no. 22/78 with its amendments.

And reviewing the law of lands, issued in the royal decree no. 5/80 with its amendments.

And reviewing the royal decree no. 5/81 in regard of organizing the law of utilization of state owned lands with its amendments.

And reviewing the law of income tax on companies, issued in the royal decree no. 47/81 with its amendments.

And reviewing the executive by law of organizing the law of utilization of state owned lands issued by royal decree no. 88/82, with its amendments.

And reviewing the law of commerce issued in the royal decree no. 55/90 with its amendments.

And reviewing the law of foreign capital investment issued in the royal decree no. 102/94 with its amendments.

-286-



And reviewing the law of finance, issued in the royal decree no. 47/98 with its amendments.

And

According to the public benefits:- We decreed the following:-

Article (1) The free zones are to be working within attached law.

Article (2) This law cancel & delete all rules may contradict.

Article (3) The chairman of free zones committee, to issue the needful laws & regulations, in order to execute this attached decree.

Article (4) This decree is to be circulated in the local official newspaper and complied to from the date of its circulation.

Qaboos Bin Sa'eed
Sultan of Oman

Issued on 9th of Rabee' 1st. 1423 Hijri correspond to 22nd May 2002.G.

This decree issued in the official newspaper under no. (720)
On 1st May 2002 G.

Free Zones Law

The First Chapter

General Clarifications & meanings

Article n. (1) : In implementing this law, the following statements and vocabularies have the meaning against to their interpretation & clarification in this law, unless text gives other clear different meaning.

Taxes: All taxes implemented by law.

Fees : All fees needed to be paid to any governmental office or general fees to be paid according to the rules & regulations, except judicial fees according to courts' rules.

The committee : The free zones committee.

Franchise Agreement: The agreement in which the government awards the operating party the rights & privileges of operating & maintaining the free zone according to this rule.

The Free Zone: Any free zone founded by a royal decree according to article (2) from this law.

The Taxes Region : Any region inside Oman except free zones.

The Operating Party: Any party or company or establishment awarded the right to operate & maintain free zone according to franchise agreement.

The Working Company: Any company, establishment, commercial representing office or a branch of a company, foreign or Omani, licensed to operate permitted operations inside the free zone.

The Commodities: Any equipments, machines, or materials or products, spare parts or fuel used or produced or distributed or manufactured completely or partially, or consumed by the operating company awareness for any purpose.

The system of one station: a system, where all licenses and permissions, approvals, visa, and completion of company legend are issued once. All rules & regulations are implemented as a whole system for the working company or operating party. According to the law.

Article (2) : The establishing of a free zone to be by a royal decree, clarifies its borders, location, incentives, advantages and facilities awarded to both the operating party and working company. Except what had been worded by a special text in this law or in the royal decree of establishing the free zone. All rules & regulations of Sultanate of Oman are to implemented.

It is not allowed to award any advantages, facilities, or incentives mentioned in this rule, or by a royal decree to establish a free zone to other than specified party to operate. Effective from the executing date of the royal decree to operate the free zone.

Article (3) : The operating party and the working company are exempted from taxes, and from submitting declarations of income set out in income tax rules for companies. A resolution of exemption to be issued by the Minister of Finance, according to regulations set out by the committee.

Article (4) : The rule of foreign capital investment, and commercial companies are exempted. It is allowed that the capital of wholly owned companies by it owner/s without any share, Omani or not.

Article (5) : The company operates, in free zone shouldn't practice any activities not licensed. And shouldn't practice works in the taxes region without complying strictly to the region rules.

Article (6) : A committee to the free zones to be established, chaired by the Minister of Commerce & Industry and membership of the following:-

- Minister of Transportation & Communication
- Minister of Regional Municipalities, Environment & Water Recourses.
- Minister of Manpower
- The Inspector General of Police & Taxes.
- Secretary General of National Economy.
- Secretary General of Taxes in Ministry of Finance.
- Chairman of the Board to Oman Chamber of Industry & Trade.
- The committee chairman to be selected as the secretary.
- The committee can form minor committees, if necessary to study some matters.

Article (7) : The committee is designated for the following:-

- A- Approving laws & regulations executing this law, before its issue.
- B- Set out any free zone's rules & regulations according to this law, which include assigning operating party, and the inspection process, of the way that implemented in operating the franchise. The rules & regulations necessary to operate & administer the free zone.
- C- Approve & accredit franchises before starting them, by the knowledge of committee chairman, in behalf of Sultanate's government.
- D- Put on the comprehensive plan for the free zones.
- E- Approve work plans, and developing free zones, submitted by operating parties.
- F- Coordinate with officials to provide safety & security & emergency services to the free zones.

- G- Coordinate with officials to assure committed performance according to franchise agreement.
- H- Promoting & marketing to investment chances in free zones, in addition to press advertising about incentives, facilities and rights awarded in the free zone.
- I- Identify the (Omanization) nationalization percentage in the free zones.
- J- Implement the system of one station in the free zone.
- K- Put on the commodities & persons movements plans, from- to free zone/s and separate them from regional taxes area.
- L- Identify the sums paid by the working company to the operating party.
- M- Form a committee to each free zone, consist of members representing the government, and members representing the working company, this committee sponsors projects suggestions, laws and regulations, resolutions, related to free zone. To submit its comments to the committee for taking necessary actions.
- N- Make annual evaluation to the performance of free zones, and submit it to the Ministers Council.

Chapter Tow

Incentives, advantages and facilities accredited to operating party

Article (8): The operating party is awarded concession to operate the free zone, according to this rule, and the royal decree to establish free zones.

Article (9): The operating party shall:-

- A- Suggest work plans, and develop the free zone and laws & regulations control planning lands in it.
- B- Implement all rules & regulations issued by the committee.
- C- Provide all services & facilities inside the free zone.

The operating party has the right to utilize advantages of land & facility within free zone borders, and whatever related from mortgage, finance, develop and market & administer land/s & facility/s related. Without prejudice any ownership decided on lands located inside the free zone, before the establishment of the free zone.

Article(10): The concession should not be awarded to more than one operating party.

Chapter Three

Incentives, advantages and facilities awarded to working company

Article (11): The committee has the right to waive the working company from the provision of minimum capital set out in the commercial companies law, previously mentioned or any other law.

Article (12): It is not allowed to nationalize the working company unless there is a rule, against fair compensation, also it is not allowed to deposit its assets, or confiscate any part of it. Or force guarding on it, unless there is a judicial resolution to do so.

Article (13): The general company is exempted from any restraints from money transactions, and it is exempted from implementing the agencies system mentioned.

Article (14): The company is entitled for mentioned advantages when it practice its operations inside the free zone only. To export part of its products or services identified by the committee.

Providing that the company couldn't sell or disclaim any of its rights & privileges mentioned for any third party, by any way.

Article (15): It is not allowed to license for any party, working inside the taxes region, to practice the activity inside.....cont.

The free zone, until paying all dues, and full fill all obligations (financially or officially) to any entitled party.

It is allowed to collect mentioned sums according to taxes laws and fees issued in royal decree no. 32/94.

Chapter Four

Commodities

Article (16): Except commodities prohibited to be imported, it is allowed to transfer commodities imported to the free zone without any limit in between the free zone/s.

Article (17): All commodities imported or exported in the free zone are exempted from customs fees.

Article (18): Commodities recruited to the free zone are endless to date of storing in the free zone. Unless the operating party decide something else. According to the type of commodity.

Article (19): Commodities produced or collected and gathered in the free zone are dealt with as the same as national products on exporting out of free zone to any country in the world. Respecting international agreements & laws conducted by the government.

Article (20): The commodities going out from the free zone to the taxes region as the same as foreign commodities, even they include raw materials or factors.

Chapter Five

Penalties

Article (21): Without exceeding or prejudicing any other penalty, to same violation, any violation to this rule will apply penalty not more than (5000) five thousand of R.O. Confiscating the substance subject to violation. Penalty will be doubled respectively with times of violation.