

THE TAX SYSTEM AND ITS IMPACT ON THE NATIONAL ECONOMY AT THE SULTANATE OF OMAN AS A MODEL

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Abstract

The research objective is to discuss the factors affecting the relationship between the legal system and investment by Oman's economic structure, tax issues and FDI. The researcher adopted the descriptive analytical approach, as the results revealed that: Tax exemption controls for foreign investment projects issued under Ministerial Resolution 45/2005¹ and its amendments issued by the former Ministry of National Economy, the Ministry of Trade, Industry and Investment Promotion should be abolished now, because they have become ineffective because they have become ineffective in connection with laws that have become null and wrong. Such as the Corporate Act 4/1974² and the Foreign Capital Investment Act 102/1994³, their amendments became useless because of a number of changes in investment-related legislation, thus agreed upon by a number of previous studies.

Keywords: tax system, national economy, foreign investment.

1.1 Introduction

Therefore, it is one of the most important and oldest financial sources of states, and its importance has increased when its share in the structure of public revenues has increased, as well as because of the large impact on the low levels in all productive, distributional and consumer sectors, and what has increased the tax of its importance is the transition of states from the socialist economy to the economy of the capital market, and therefore there are many economic, financial and even social studies in this regard, where the interest of the people of financial thought, in an effort to find them to find Solutions to financial crises, resulting in tax being a fiscal policy tool for countries that directly affect the domestic economy,⁴ So we will start by defining the tax and its types, and then we move to clarify the stages of the development of the tax system in Oman, and then we will talk about tax exemptions and facilitations, as well as what are the causes of the economic crises that led Oman to impose income tax, and at the end of the chapter we analyze some tax issues (case law) with the aim of clarifying the reality of the application of tax laws and analyzing the problems that result from this application.

¹Ministry of Finance: Ministerial Resolution No. 45/2005 regarding determining controls and procedures for tax and customs exemption for foreign investment projects

²Sultani Decree No. 4/74 to issue the Foreign Trades and Foreign Capital Investment Act

³See Article 8 of the repealed Foreign Capital Investment Law No. 102/94

⁴Sakhri Mohamed, 'Research On Taxes: Definition, Characteristics, Types And Objectives' [2021] Algerian Encyclopedia of Political and Strategic Studies <https://www.politics-dz.com> accessed 8 June 2021.

1.2 Omani Tax Law

The rate of tax applicable in Oman is 12% of Omani companies and individual proprietors owned by Omani citizens or GCC nationals, which are domiciled in Oman regardless of their foreign participation and stable establishment of companies established in GCC countries (UAE, Qatar, Saudi Arabia, Bahrain and Kuwait). More than 30 thousand (30.000) Omani Riyals, the tax rate is between 5% to 30% for branches of foreign companies and individual institutions owned by non-GCC nationals.¹

In contrast, the UAE tax system does not impose any taxes on companies except for oil companies and branches of foreign banks, and also does not impose taxes on corporate income.²

1.3 Statement of Problem

Investment is necessary to solve many of the economic problems, including the indebtedness that the Sultanate has been experiencing recently and the low level of savings. From this point of view, promotion of foreign direct investment has a positive impact on the expansion of the economic base. This leads to increased productivity and job creation as well as development of expertise through the transfer of technology to the host country.³

Recently, the official statistics and information centre of the government showed that there has been a significant drop in companies subject to foreign investment law in the Sultanate. For example, the volume of companies subject to foreign investment law in 2013 reached 90 companies and in 2014 increased to 308, while in 2016 all these companies withdrew from Oman.⁴

Al-Jahouri⁵, outlined the criteria for sovereign credit ratings as provided by Moody's Company. He explained the evaluation based on the application of the criteria of governance, transparency and accountability, the extent of the state's robustness and its application to the law.

International reports on investment and entrepreneurship have shown Oman's rating is down in the global rankings. For example, the Global Competitiveness Report 2016 revealed the Sultanate's decline in the Global Competitiveness Report 2017/2016 to 66th in the world and seventh in the Arab world, down two points from 2015 and 20 from 2014, reaching 46th in 2014. Moody's⁶ downgraded Oman to BA1, a non-investment grade, with a negative outlook. Moody's predicted Oman's fiscal deficit would remain high, ranging from 7 % to 11 % of GDP in the next three years.

Moreover, among the most important indicators that fell in Oman is the index of legal rights, ranked 127 and the index of investor protection on the level of 108 from 140 countries.⁷

This statistic invites us to consider the reasons for this sharp decline.⁸ The reasons may be logistical, economic or legal. This research aims to study the legal aspects that caused this decline, and the development of proposals and solutions to such challenges. Kobeissi⁹ said until now, there is no academic research that studied the impact of the legal system on foreign investment in the MENA region.

There are several laws that might have certain adverse impacts that could be worrying for foreign investors. The most important of these laws and regulations are:

https://oman.om/wps/portal/index/bz/InvestmentInOman/Ithraa/!ut/p/a1/hc_BjowEAbgp

² The United Arab Emirates' Government portal. (2019). *Corporate tax*. [online] Available at:

<https://www.government.ae/ar-AE/information-and-services/finance-and-investment/taxation/other-taxes/corporate-tax> [Accessed 12 Jul. 2019].

³ SHrori (2019). *Legislative Guarantees for Foreign Investments (Comparative Study)*. 1st ed. Alexandria-Egypt: Dar Al fekar Al arabi, 7.

⁴ *The Statistical Year Book For The Year 2018* (1st ed, National Center for Statistics and Information 2018), https://www.ncsi.gov.om/Elibrary/LibraryContentDoc/bar_Statistical%20Year%20Book%202016%20_6f43e0e6-592a-43a1-b1b6-82c32c046aa9.pdf accessed 23 October 2018.

⁵ MAI-Jahouri (2019). Oman and credit rating agencies.

⁶ The New Arab (2019). Moody's downgrades Oman and expects continued fiscal deficit.

⁷ F. Al-Lawati (2019). *Learn about the Sultanate's ranking in the new report on "Global Competitiveness" - Atheer Electronic Newspaper* [online] Atheer Newspaper. Available at: <https://www.atheer.om/archives/234041/> accessed 25 June 2019.

⁸ National Centre for Statistics and Information, Sultanate of Oman, *Statistical Year Book* 44 (2016).

⁹ N. Kobeissi (2005). Impact of Governance, Legal System and Economic Freedom on Foreign Investment in the MENA Region. *Journal of Comparative International Management* [online] Long Island University, U.S.A. (2005, ¹Vol. 8, No. 1, 20-41). Available at: <http://file:///C:/Users/Toshiba/Downloads/433-Article%20Text-1294-2-10-20080326.pdf> .

1.4 Research Objective

To discuss the factors affecting the relationship between the legal system and investment by Oman's economic structure, tax issues and FDI.

2. LITERATURE REVIEW

"Economic Development" Foreign Investment and the law, (1996) Issues of Private Sector Involvement, Foreign Involvement and the Rule of Law in New Era. This study by "Robert Pritchard"¹, in this study some topics related to my subjects including, the case for FDI as the meaning for FDI and the causes it, and we should host countries allow FDI and why? In the other part, study about Foreign investment in Privatization Projects and, in another part constitutional and legislative Safeguards for FDI. Furthermore, this study mentions many detail Tax Policy for FDI and the use of joint ventures in FDI. Finally, the other thing that good from his research to my research is Dispute Resolution for FDI like by National courts, International Arbitration and national institutions arbitration. However, in this study mention is about foreign laws in many countries, except for the laws of the Arab and Islamic countries. So my study will focus on Oman and other Arab and Islamic countries.

In article could "Impact of Governance, Legal System and Economic Freedom on Foreign Investment in the MENA Region. *Journal of Comparative International Management*"². It was said it about Bahrain was able to be the first candidate. Numerous investors believe that the country's tax structure is the main motive for investment in Bahrain. It does not impose restrictions, no personal tax on the return of capital or return of profits, and most importantly no company tax. In addition, the country has been able to attract foreign investment through incentives such as labour subsidies, electricity and land lease discounts, 100% discount on customs duties for major equipment/raw materials, export credit facilities and protection of customs duties.

Definition of tax and its types

There are a number of definitions of tax, including first: the definition of the French jurist Jesse, who defined the tax as: "Monetary deduction imposed by the authority on individuals in a final and free manner with the intention of covering the public burden", while Professor Mell defined it more broadly, saying, "The tax is a monetary deduction imposed by the public authorities on natural and legal persons in accordance with their mandated capabilities, in a final and free manner with the intention of covering public burdens and achieving income for a state,³ to conclude these tariffs with a broader and more comprehensive definition than previous definitions that tax is a financial service or monetary performance imposed on individuals by the public authority free of charge and definitively, in order to cover public expenditures and achieve the objectives set by the State, and the determination of the tax, its proportion and the methods of collection are considered the prerogative of the legislature.

To draw from these definitions some characteristics of taxes, including first: they are compulsory, i.e. they impose reparations on the king and are not free to pay them secondly: it is a monetary obligation so that it takes the status of monetary deduction from the money of the taxpayer and not as it was in the past imposed in kind, and that was because of the lack of economic sovereignty as in our current reality, so the tax in kind is difficult to collect and has many disadvantages.⁴

The most important type of income tax applied in Oman for companies has recently been applied to some goods and there is a plan to apply income tax to high-income people in 2022.

Stages of the development of the tax system in Oman

Taxes were administered by the Department of Finance at the stage of establishing the administrative apparatus of the state at the time of the first income tax law in Oman in 1971, and by the issuance of the law regulating the administrative apparatus of the state by Decree No. 75/26⁵ Which defined the terms of reference of the Ministry of Finance and its organizational structure, taxes were one of the sections of the Department of Income and Investments, and after the reorganization of the Directorate General of Finance

¹ Robert Pritchard, "Economic Development" Foreign Investment And The Law (1st ed, Kluwer law international 1996).

² Kobeissi (2005). Impact of Governance, Legal System and Economic Freedom on Foreign Investment in the MENA Region. *Journal of Comparative International Management* [online] Long Island University, U.S.A. (2005, Vol. 8, No. 1, 20-41). Available at: <http://file:///C:/Users/Toshiba/Downloads/433-Article%20Text-1294-2-10-20080326.pdf>

³ Muhammad Taqaand others, *Public Finance Economics* (2nd ed. Dar Al Maysara for Publishing and Distribution 2007).

⁴ KhaledShehadeh Al-Khatib and others, *Fundamentals Of Public Finance* (2nd edn, Wael Publishing House 2005).

⁵ Royal Decree No.(62/ 1975) Planning the functions of the Ministry of Finance and its organizational structure.

under Royal Decree No. 80/40¹The level of its departments has been upgraded to public administrations, and taxes have become a department of the General Administration of Income and Investment consisting of two sections of the inspection section and another for collection, and this organization continued even after the establishment of the Office of the Deputy Prime Minister for Finance and Economic Affairs in 1982, and the adoption of the organizational structure of the Office by Decree No. 84/27²The Ministry of Finance and Economy was created to be subordinate to the Office by Decree No³. 85/64.⁴

In 1991, the Secretary-General of Taxation was appointed by Decree No. 91/04⁵, where the General Secretariat for Taxation became one of the organizational divisions of the Ministry of Finance and Economy of the Office of the Deputy Prime Minister for Finance and Economic Affairs as well as finance and economic affairs, and during 1993 the tax services were established and their organizational structure adopted by Ministerial Resolution 93/8⁶consisting of three departments: examination, linkage, inventory, administrative affairs and collection.⁷

During 1995, the Ministry of Finance was established with the formation of the ministerial and the identification of its terms of reference and the adoption of its organizational structure by Royal Decree No. 96/39⁸, the level of tax administrations was upgraded to general directorates of the same names, and later the name of the Directorate General of Inventory and Administrative Affairs was amended to the Directorate General of Inventory and Tax Agreements under Royal Decree No. 2006/20⁹, and under Royal Decree No. 2019/66¹⁰ issued on 15 O 1441 H 14/10/2019 The tax authority was established and has a legal personality and enjoys financial and administrative independence and follows the Council of Ministers, and has been given the terms of reference, allocations and assets of the General Secretariat for Taxes in the Ministry of Finance and transferred to him the staff of the secretariat in the same functional situation and their financial allocations¹¹,The head of the tax authority also issued a number of decisions regulating tax work, such as a decision issued by the head of the tax authority in June 2019, to amend some provisions of Resolution 112/2019¹² on the value and types of selective goods and the tax category imposed on each, to include a selective tax on sweetened beverages by 50 percent.¹³ So income tax and VAT are applicable taxes or a plan to apply them more broadly in the next few years on the ground in Amman so we'll give more details on each side and start with income tax.

Government taxes and their impact on foreign direct investment:

The Sultanate ranks the eleventh in the world in terms of ease of paying taxes in the exercise report¹⁴. The business for the year 2020 prepared by the World Bank and reflects the measures taken by the Sultanate to improving their tax policies, through domestic laws and legislations and international agreements, separately whether. In terms of national laws, the tax incentive in the Sultanate is divided into three sections, and we

¹Royal Decree No. 40/80 reorganizing the General Directorate of Finance.

²Royal Decree No. 27/84 approving the organizational structure of the Office of the Deputy Prime Minister for Financial and Economic Affairs

³Royal Decree No. 64/85 to amend the organizational structure of the Office of the Deputy Prime Minister for Financial and Economic Affairs

⁴About us - Taxpayer Portal' (*Tms.taxoman.gov.om*, 2021)

⁵Royal Decree No. 04/91 Appointment of a tax secretary.

⁶Ministerial decision 8/ 93 establishing tax departments and approving their organizational structure.

⁶About us - Taxpayer Portal' (*Tms.taxoman.gov.om*, 2021)

⁷About us - Taxpayer Portal' (*Tms.taxoman.gov.om*, 2021) <<https://tms.taxoman.gov.om/portal/ar/web/taxportal/sgt-profile>> accessed 13 January 2021.

⁸Royal Decree No. 39/96 defining the functions of the Ministry of Finance and approving its organizational structure.

⁹Royal Decree No. 20/ 2006 Amending the name of the General Directorate of Survey and Administrative Affairs to the Directorate General of Survey and Tax Agreements

¹⁰Royal Decree No. 66 / 2019 establishing the Tax Authority.

¹¹About us - Taxpayer Portal' (*Tms.taxoman.gov.om*, 2021) <https://tms.taxoman.gov.om/portal/ar/web/taxportal/sgt-profile> accessed 13 January 2021.

¹²Ministerial Decision 112/2019 regarding determining the value and types of excise goods and the tax category

¹³Souad Al Yala, 'The Sultanate Of Oman Is The First Gulf Country To Introduce An Income Tax In 2022' *INDEPENDENT-ARABIC* (2020) <https://www.independentarabia.com/node/165526/> accessed 27 June 2021

¹⁴ World Bank, Measuring Business Systems: <https://arabic.doingbusiness.org/ar/data/exploreconomies/oman> Date of entry 12 April 2020 AD

summarize them as follows¹:

- A. It consists in unifying the tax burden on companies and removing the differences that negatively affected the on foreign investment.
- B. It is represented in the tax exemption, as the legislator has authorized the exemption from income tax for some
- C. Projects for a term of up to ten years.
- D. It is represented in the special custom that took place on oil contracts, where the government bears the burden
- E. Taxation on behalf of foreign investment companies in this field.

The Sultanate of Oman has taken several measures to increase the efficiency of its tax system and improve Oman's ability to compete. These measures are supposed to constitute an important incentive for foreign investment, and this had a clear reflection on the rise in Oman's global level, as it became the tenth globally in ease index pay taxes², in 2010, Oman adopted a tax system that is implemented in a unified manner and is equally distributed among all companies operating in Oman.³

In addition, taxes have a clear impact on foreign direct investment, and this is what makes them an important element in the investment legal system industry in Oman. It is mentioned that the percentage of taxes imposed in the Sultanate of Oman on companies is 12% of the revenues that exceeded 30 thousand Omani riyals, regardless of the percentage For foreign ownership, as for foreign companies that have branches in the Sultanate of Oman, the tax calculation is according to the income of the branch, and here the tax rates vary from 5% to 30. While foreign companies that do not have permanent establishments or branches in the Sultanate of Oman are subject to the tax system at a rate of 10 % of total income for the following types⁴:

1. Rights.
2. Administrative expenses.
3. Equipment rental.
4. Transfer of expertise in the field of technology.
5. Research and development fees.

In addition, there are those who believe that the income tax law is positive on the economic situation of Oman, as it has many tax advantages aimed at adopting a policy capable of promoting the investment climate and efforts to diversify the sources of national income in Oman, and talk about the most important positive features of the new law, for example, first: adherence to the policy of encouraging the investment of foreign capital, secondly: Equality between Omani institutions and companies and their foreign counterparts in tax rates, third: simplifying tax procedures, especially taking into account the status of Omani small institutions and companies to ease the tax burden on them, fourth: demystifying some aspects of the tax system, which will contribute to reducing tax disputes, fifth: defining the rights and obligations of both the tax administration and the tax subject to a specific and clear.⁵

Definition of tax incentives

Tax incentives are defined as: 'Those advantages that the financier or firm obtains, which leads to reducing or exempting the tax base with the aim of motivating that taxpayer or that establishment to do what would

¹Khalifa Al Hinai, 'Incentives And Guarantees For The Foreign Investment Project According To The Omani Foreign Capital Investment Law' (Master of Laws, Sultan Qaboos university 2020). P: 35.

²World Bank and International Finance Corporation, Doing Business 2015 Economy Profile: Oman (World Bank Group 2014)56.

³Moosa Al Azri, 'Foreign Investment in the Sultanate of Oman: Legal Guarantees and Weaknesses in Providing Investment Protection' (2017) p; 162

⁴Qais Al-Sabii, *Obstacles To Foreign Direct Investment (A Comparative And Applied Study On The Sultanate Of Oman)* (1st ed. Sun of Science 2020).

⁵Qais Al-Sabii, *Obstacles To Foreign Direct Investment (A Comparative And Applied Study On The Sultanate Of Oman)* (1st edn, Sun of Science 2020).

achieving the objectives that the organizer seeks to achieve by providing these incentives^{1,1}, also known as: Various tax facilities granted by the legislator to investment projects to direct them to a specific activity or specific sector², The tax incentive is defined as: "A system designed within the framework of the state's fiscal policy, with the aim of encouraging investment or savings, leading to the growth of national production as a result of new projects or expansion in existing projects."³

Tax and customs incentives granted by state legislation for investment projects are one of the most important means of stimulating investment, because foreign investments are transferred from one country to another to achieve the highest profit rates, and reducing or exempting these tax and customs burdens in one country or the other attracts more investment.⁴When the State uses this means, it in fact sacrifices part of its resources in order to attract these investments and capital to develop its economy, as it is; it shows that a real balance is needed between what it loses and the benefits it earns by realizing the tax or customs incentive, whether by mitigation or exemption.

It is ideal to explain the impact of taxes on investment and the economy, we found that the Hashemite Kingdom has a history in this field, where it tracks the developments of tax revenues in Jordan, noting that it began to take a downward curve since the beginning of 1981 and to record negative growth in 1986 due to the impact of the Kingdom on the surrounding economic crises that left on various economic variables, especially affected by the economic recession following the collapse of world oil prices in 1986, which led to a decline in Gulf aid and remittances workers. On the one hand, developments at the legal and legislative level of both income tax and sales mainly on the other. Several amendments to the Income Tax Act were made by raising tax rates in the 1982 Act, and the ratios were significantly reduced in the 1985 Act and also granted several exemptions and download in addition to the incentive deduction, which led to a significant reduction in the revenue from tax revenues.⁵From this case, the legal and legislative level has been one of the factors that the economy needs to revitalize.

In addition, the Hashemite Kingdom of Jordan carried out economic and legislative reforms adopted in the Constitution of the State in 2001, and with regard to taxes provided and simplified the service of paying taxes online, and did not stop there, but developed the system that in turn allows companies to submit their advertising electronically via the internet platform,⁶seen what Jordan has done as an important example of following its example, particularly in the situation of the pandemic (Corona Covid19), which has ravaged and ravaged the world, not just the countries of the region.

The latest tax facilitation or economic stimulus announced by the Omani Ministry of Finance, according to the ministry's website, about taxes, was the following⁷:

First: Exemption from income tax for all companies that carry out their main activity in the sectors of economic diversification from the first of January 2021 AD until the end of 2022 AD for a period of five years, following the controls and conditions that will be announced by the Tax Authority, as of the date of their registration in the Commercial Register.

Second: Exempting hotel establishments from the income tax due for the tax years 2020 and 2021. Third: Allowing the income tax to be paid in installments and exemption from the additional tax (for the year 2021) resulting from the tax installments.

Fourth: Deduction of (1%) of the value of the tax due, with a maximum of ten thousand Omani riyals, from the tax declared in the tax return for the following year for everyone who is obligated to submit tax returns and pay the tax due according to their legally prescribed dates.

¹Ramadan Siddiq Muhammad, Tax Problems of Tourist Activity in Egypt, Financial and Tax Legislation, No. 304, 1996, p. 44

²New York and Geneva, 2000, p12 United Nation, Tax incentives and Foreign Direct Investment, referenced by Taleb Prime Soliman, op.cit., p. 424

³Ramadan Siddiq Muhammad, Legal Guarantees and Tax Incentives to Encourage Investment, referred to by Talib Prime Suleiman, previous reference, pg. 424

⁴Khalifa Al Hinai, 'Incentives And Guarantees For The Foreign Investment Project According To The Omani Foreign Capital Investment Law' (Master of Laws, Sultan Qaboos university 2020).

⁵SahabAlsmadi and Ahmed Mallawi, 'The Impact Of Government Taxes On The Amman Stock Exchange: A Regression Model' (2016) 22 The lighthouse.

⁶SahabAlsmadi and Ahmed Mallawi, 'The Impact Of Government Taxes On The Amman Stock Exchange: A Regression Model' (2016) 22 The lighthouse.

⁷'Request Rejected' (Mof.gov.om, 2021) <https://www.mof.gov.om/Portals/1/documents/Tawazon/.pdf> accessed 6 May 2021

Fifth: Continuing to suspend the withholding tax related to dividends and interest for a period of (5) years, starting from the year 2020.

Sixth: The loss incurred by companies and institutions for the tax year 2020 AD is carried over to the next year and deducted from the taxable income for the year 2021 AD and the following years until the loss is settled, without being restricted to the time period of (5) five years stipulated in Article (71) of the Tax Law income.

Seventh: Exemption from tourism tax and municipal tax collected from tourist establishments until the end of 2021.

Eighth: Postponing the supply of tourism tax and municipal tax collected from tourist establishments until the end of December 2021.

These steps are necessary for the current economic situation and also need to study and evaluate the consequences of these tax facilities in order to have consequences that may negatively affect the foreign direct investor or the economy as a whole, where the tax treatment directly affects the expected return from the investment of capital, if this return is subject to a burden A high tax rate that cannot be transferred to others, as this will lead to a reduction in the percentage of profits, which does not encourage the transfer of capital and vice versa. Among the most important tax facilities included in national laws are the following¹:

First: Exempting projects from tax on commercial and industrial profits, as well as exempting profits distributed by these projects from the general income tax. These exemptions may be absolute in two respects: the activity and the duration of the project to be established, or they may be restricted to a specific activity or a certain period of time.

Second: Exemption from taxes and duties imposed on importing all the legitimate needs of machines, devices, and equipment.

Third: Exempting project operations and contracts from stamp (registration) fees.

On the other hand, some believe that tax and customs exemptions made by some countries may not be an influential factor to attract foreign investment, or it seems that the effect of the exemptions is a modest impact on the investment situation or the state's proceeds from domestic currency², And that's what "Kensi", the author of the treasure analysis policy called "Keynesian Theory"³, says. In his analysis, he says that the Great Depression (1929) exacerbated the problem of unemployment and low national income in various countries of the world, and these bad results led to the departure of fiscal policy from its neutral position and had to intervene to rebalance the economy, and this led to the emergence of the idea of resorting to fiscal policy more effectively and accurately represented by expanding public spending to fight unemployment and economic recovery, an idea advocated by economist Keynes criticizing the classic analysis, referring to the importance of fiscal policy In reducing unemployment and recession, higher levels of effective aggregate demand in capital economies cannot be automatically created, government intervention in economic activity raises effective aggregate demand to the level of full employment by implementing a range of policies of tax cuts or increased government spending, and Keynes defended deficit financing as an appropriate policy in recessions.⁴

From this analysis, we could have drawn the following conclusions:

First, taxes should not be over imposed, with reforms required to address tax problems and tax management reforms, as well as to ease the tax burden on domestic and foreign investors while providing

¹Qais Al-Sabii, *Obstacles To Foreign Direct Investment (A Comparative And Applied Study On The Sultanate Of Oman)* (1st edn, Sun of Science 2020).

²Qais Al-Sabii, *Obstacles To Foreign Direct Investment (A Comparative And Applied Study On The Sultanate Of Oman)* (1st edn, Sun of Science 2020).

³"This theory is due to treasure and indicates that the larger the total income, and that unemployment occurs due to lack of effective demand, and the elimination of unemployment Keynes proposes an increase in spending both on consumption and on investment, and keynes believes that effective demand is an element of great importance in economic development, i.e. if the members of the community have a purchasing power that allows them to buy consumer goods, this will be reflected in the increase in the production of investment goods".

Rafidah Hariri, *Education Economics And Planning In Light Of Total Quality Management* (1st edn, Curriculum House for publishing and distribution 2013).

⁴SahabAlsmadi and Ahmed Mallawi, 'The Impact Of Government Taxes On The Amman Stock Exchange: A Regression Model' (2016) 22 *The lighthouse*.

them with a range of incentive tax incentives.

Second: Work to attract and direct investors to invest in various Amman domestic and foreign projects provide all the information to investors and focus on increasing investment awareness, which increases their confidence, which positively affects economic growth.

On the other hand, there are those who expect growth in current tax revenues, estimated to grow by 9 percent of tax revenues and 18 percent in non-tax revenues, thus reflecting the government's unlimited efforts to diversify revenue sources and establish a tax authority that will improve tax efficiency, and by reviewing the Omani economy from January to September 2019 we find that in the shadow of rationalization while strengthening efficiency is an integral part of managing budget expenditures, Gives a special focus on spending, meeting social and economic priorities, and accordingly total government spending is 2.3 percent higher in 2020 than the budget estimated in 2019.

Tax cases (case law):

Since the Supreme Court is the Court of Law and the holder of the highest principles of the rulings in Oman, we will set its rulings as an example to show us laws that may not be in the interest of the investor, so that we cite these provisions based on the tax laws mentioned in them and based on them and how they are not attractive to foreign investors and international investment companies, for example in Appeal No. 18/2015¹, the Supreme Court of its business district issued a decision not to accept the appeal, as the appeal was filed by the appellant company against the General Secretariat for Taxation issued on 15 May 2015 and the appellant's lawyer had established the grounds for the appeal as follows:

First: The error in the application of the law when the provision interpreted Article Eight incorrectly because the text of the article requires that profits and gains be realized from any work or income from any other source if it is achieved within the Sultanate;

Secondly, the impugned provision misapplied the application of the law by improperly adopting economic dependency, considering that activities in Iraq were subject to Omani taxation if they were an extension of activities in Oman.

To avoid any doubt, the intention of the legislator in an article (8) of the Income Tax Act (old decree 47/81²) became clear and finally understood in the 2009 Act when the new Income Tax Act was passed under decree 28/2009³; A tax year on taxable income earned to the taxpayer this year and therefore subject to income earned worldwide to Omani taxes, starting in the 2010 tax year; In sharp contrast to the tax years to 2009, Article 8 of Decree 47/81⁴ states:

The tax is levied for any tax year on the income subject to any company that achieves or grew up in Oman; as a result of this analysis, the principle of economic dependency does not apply to the tax years 2003 and 2004.

Thirdly, even with the application of the principle of economic dependency to this appeal, the contested provision erred in applying the law regardless of the explicit statement issued by the challenged person in this regard following its memorandum in the case 5/13 before the Court of First Instance, which stated that the appellant's income from Iraq's operations in 2003 and 2004 would be untaxable if the following conditions were met:

1. If the appellant registers a legal entity in Iraq.
2. If the appellant is exempt from Iraqi taxes.

In fact, the appellant was not required to register an entity in Iraq concerning its operations for 2003 and 2004 because it was exempted from this under the requirements of Iraqi law itself.

At the end of a newspaper appealed, a student appealed that the contested verdict be overturned and referred to the court for a new decision by a different body.

In reserve, the contested ruling was overturned for its readiness and to address the issue of appeal and the ruling to appeal its requests to overturn the decision of the Income Tax Commission issued on 23 January

¹ 18/2015 [2021] The Supreme Court of the Sultanate of Oman, 4p 14/5/2015 (The Supreme Court of the Sultanate of Oman)

² Royal Decree No. 47/81 of the Corporate Income Tax Law

³ Royal Decree No. 28 / 2009 promulgating the Income Tax Law

⁴ Royal Decree No. 47/81 of the Corporate Income Tax Law

2013 in appeal No. 3/2011¹ and obliging the appeal against it to refund the amount (681969r) For the year 2003, the amount (1558852 R.A.) for 2004 was received with the interest of 6% per annum from October 25, 2011, until the date of full payment and the obligation of the challenged to expenses and for the fees of the lawyers.

All of the above are the facts and the defense of the appellant's lawyer, and the opinion of the Supreme Court of the Commercial Chamber is as follows: -

"The Court established its ruling rejecting the application of the appellant on the requirements of Article 8 of the Corporate Income Tax Act No. 47/1981², which stipulated that tax is levied on each tax year on the tax income of any company that has achieved or originated in Oman for profits and gains from any activity and any income from any other source; and that the term "any source and any other income expands" To include any income or profit from any operation carried out by the company, which is intended to be the result of the normal exploitation of its original activity, or related to its activity, even directly because part of its funds and assets are employed in revenue-generating areas"³ Since all the reasons adopted by the appellant in its appeal do not undermine the strength and integrity of the reason adopted by the Court, the appeal must not be accepted.

From this case, it is clear to us that the tax law holds the company accountable for its proceeds from any activity outside the borders of the Sultanate, based on the text of Article 8 of the Corporate Income Tax Act No. 47/1981, until the last law 2009 when the Income Tax Act was passed under decree 28/2009⁴; Article 39 did not address this situation but emphasized the universality of the tax for any outside activity.

Another appeal reached the same conclusion and the court based it on the same law, saying (in accordance with the principle of economic dependency, therefore, the taxation of income originating abroad remains within the framework of the principle of regional taxation, which benefits from article (8) of the Corporate Income Tax Act No. (47/81)⁵ "According to this law, tax is levied for each tax year on the tax income of any company that has achieved or originated in Amman or which the Secretary-General assumed was achieved or arising as well for the following: 1- profits or gains from - a - any activity... - E - any income from any other source ...".⁶ Amendments were made to Royal Decree No. 118/2020⁷ amending some provisions of the Income Tax Act⁸, but these amendments did not address the principle of economic dependency or the principle of regional taxation.

The case was deliberated and at the hearing of 9/5/2013, the court issued the ruling rejecting the case and upholding the decision challenged against him on the basis of article (8) of Royal Decree No. 47/1981⁹, which stated in the first paragraph profits and gains from Any activity of any income from any source and expands to include the sale of the fame made by the plaintiff and that the sale of fame made a profit by increasing the proceeds of the sale from the net book result and therefore the addition of the sale of the fame to taxable income is valid, the appellant Fayed appealed the ruling of the court of first instance and for the same reasons and endorsements.¹⁰

From all of the above, the plaintiff's request - the appellant - to deduct the profits of fame earned from the 2005 or 2006 tax year is contrary to article 8 of the statement and the principles established by the Supreme Court in this regard, and therefore the decision of the Income Tax Commission was sound and consistent with the provisions of the law, which must be upheld and the Court of Appeal upheld the first-degree court's ruling based on its reasons. The contested judgment was correct in its judiciary and consistent with the provisions of the law and the jurisprudence and the judiciary.¹¹

¹ Royal Decree No. 47/81 of the Corporate Income Tax Law

² 3/2011 [2021] The Supreme Court of the Sultanate of Oman, 13/1/2013 (The Supreme Court of the Sultanate of Oman)

³ 18/2015 [2021] The Supreme Court of the Sultanate of Oman, 4p 14/5/2015 (The Supreme Court of the Sultanate of Oman).

⁴ Income Tax Law 8-28/ 2009 & 24/5/2009.

⁵ Royal Decree No. 47/81 of the Corporate Income Tax Law

⁶ 69/2015 [2021] The Supreme Court of the Sultanate of Oman, 4p 26/3/2015 (The Supreme Court of the Sultanate of Oman).

⁷ Royal Decree No. 118/2020 amending some provisions of the Income Tax Law

⁸ Royal Decree No. 118/2020 amending some provisions of the Income Tax Law

⁹ 169/2014 [2021] The Supreme Court of the Sultanate of Oman, 4p 22/5/2014 Commercial and tax department (The Supreme Court of the Sultanate of Oman).

¹⁰ Income Tax Law-8 1981/47&18/5/1981

¹¹ 196/2014 [2021] The Supreme Court of the Sultanate of Oman, 4p 22/5/2014 Commercial and tax department (The Supreme Court of the Sultanate of Oman).

CONCLUSION

At the end of this part we can say that there is a direct impact of the laws and tax decisions put by countries on stimulating investment, which requires understanding this among legislators to avoid the loss of foreign direct investment, which affects the existence of many economic problems, as well as has an impact on the living of the country directly, especially the subject of job seekers by providing a lot of job opportunities, confirmed by one of the officials in the tax authority where he said " A tax reference must be prepared A uniform tax procedure that is clear, homogeneous and transparent, in addition to reformulating the substantive articles of the Income Tax Act in a clearer language that fits with the legislative and the modern business environment."¹

On the other hand, FDI has benefits such as training local staff in the latest ways of working and technology, thus moving the modern technology of Oman and the development of the market to keep pace with the qualitative transfer of commercial and industrial projects in the world on the land of Oman.

Findings

Tax exemption controls for foreign investment projects issued under Ministerial Resolution 45/2005² and its amendments issued by the former Ministry of National Economy, the Ministry of Trade, Industry and Investment Promotion should be abolished now, because they have become ineffective because they have become ineffective in connection with laws that have become null and wrong Such as the Corporate Act 4/1974³ and the Foreign Capital Investment Act 102/1994⁴, their amendments became useless because of a number of changes in investment-related legislation, thus agreed upon by a number of previous studies.

Recommendations

Second recommendation is that specialists in the Ministry of Economy cancel ministerial decision No. 45/2005 issued by the former Ministry of National Economy on tax and customs exemption controls for foreign investment projects, and issue new controls commensurate with current legislation.

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Royal Decree No. 64/85 to amend the organizational structure of the Office of the Deputy Prime Minister for Financial and Economic Affairs

Royal Decree No. 4/91 Appointment of a tax secretary.

Ministerial decision 8/93 establishing tax departments and approving their organizational structure.

Royal Decree No. 39/96 defining the functions of the Ministry of Finance and approving its organizational structure.

Ministerial Decision 112/2019 regarding determining the value and types of excise goods and the tax category.

Royal Decree No. 47/81 of the Corporate Income Tax Law

¹(E, Thabit, Personal interview, August 22, 2021)

²Ministry of Finance: Ministerial Resolution No. 45/2005 regarding determining controls and procedures for tax and customs exemption for foreign investment projects

³Sultani Decree No. 4/74 to issue the Foreign Trades and Foreign Capital Investment Act

⁴See Article 8 of the repealed Foreign Capital Investment Law No. 102/94

Royal Decree No. 28 / 2009 promulgating the Income Tax Law

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