

Legal Framework for Investment in the Oman Tourism Sector

Ahmed Al Barwani - Partner, Head of Office - Oman - Corporate / Mergers and Acquisitions / Commercial
a.albarwani@tamimi.com - Muscat



Introduction

Tourism has been identified by the Oman government as one of the sectors to diversify the economy away from oil, which is currently the main source of revenue for the country. Based on this initiative, the Oman government, represented mainly by the Ministry of Tourism and the Ministry of Housing, has issued a number of laws and regulations that regulate local and international investment in the tourism sector.

The key law is the Tourism Law (Sultani Decree Number 33/2002 (the 'Tourism Law')). The aim of the Tourism Law is the promotion and development of tourism in Oman in order to increase the industry's participation in the national economy. The Law regulates the establishment and utilisation of geographical areas and locations for tourism within the Sultanate, as well as putting in place the administrative and regulatory framework to ensure availability of the necessary work force to encourage and develop tourism activities. The Tourism Law is also intended to support cultural communication between Omani nationals and other nations.

The Tourism Law defines a tourism project as any activity relating to tourism carried out by natural and juristic persons whether this is related to the utilisation and management of touristic areas and sites, or establishment of hotels, tourism villages and camps, or conducting touristic transportation or travel offices.

The Ministry of Tourism is the regulator of the tourism industry in Oman and it is in charge, with other relevant bodies, of regulating, developing and promoting tourism in Oman. Other elements of its remit include the assessment of tourism resources in Oman, preparation of programmes and national plans relating to tourism development in accordance with the five year plan of the Sultanate, studying new tourism projects, and attracting investors. Other responsibilities include consideration of applications relating to exemption of tourism projects from taxes and fees, organisation of conferences and seminars relating to different tourism aspects and proposing the execution of international agreements within the tourism sector. The Ministry of Tourism has the power to determine fees for tourism services and to monitor the price of goods and services offered by touristic and hotel establishments.

Reporting and Licensing Regime

In terms of reporting requirements, tourism companies and other establishments licensed to conduct

touristic activities (including branches and offices operating in the Sultanate) are required to provide to the General Directorate at the Ministry of Tourism, a statement, every six months, setting out the tourism programmes that have been executed. Details of such programmes are confidential and it is not permitted for the concerned officials at the Ministry of Tourism to disclose any information to third parties. The companies, establishments and branches must submit to the Ministry of Media all publications and leaflets which will be distributed to tourists inside and outside of Oman for approval. Printing and distribution must be carried out in coordination with the Ministry of Commerce and Industry.

It is not permitted for a natural or juristic person to utilise or make use of any touristic site without a licence from the Ministry of Tourism. It is not permitted either, without a licence issued by the Ministry of Tourism, to establish or manage any touristic establishment or hotels.

The Implementing Regulations of the Tourism Law set out in more detail the conditions and procedures for the issuance of the licence. Any person, whether natural or juristic, intending to carry out a touristic project or activity must submit an application in order to obtain approval or a licence from the Ministry of Tourism on the standard application form prepared for this purpose. All supporting documents and information required for the project or the activity must be enclosed with the application. All documents and information submitted to the Ministry of Tourism will be considered confidential. The Ministry of Tourism will consider the application for the licence and issue its decision within 30 days. The lapse of 60 days without issuance of a decision shall be considered to be a rejection of the application.

The applicant must be an individual who is an Omani or a GCC national, companies wholly owned either by Omani or GCC nationals or by both of them, or a company owned by Omani and non-GCC, foreigners, subject to the Foreign Capital Investment Law. A bank guarantee will be required for some type of touristic activities or projects which must be unconditional and remain valid during the period of conducting the touristic activity. The Ministry of Tourism may encash the guarantee partly or fully in order to satisfy any dues owed to it, including fines, fees or financial liabilities.

The Ministry of Tourism may issue an initial approval to the applicant subject to satisfaction of stated conditions and obtaining all approvals required from other relevant bodies. Such an initial approval will not permit the applicant to commence the project or conduct any touristic activity. The initial approval is valid for one year from the date of its issuance and cannot be extended or renewed. In case of its expiry and where the applicant intends to complete the project, a new application must be lodged with payment of the required fees.

Integrated Tourism Complexes

Integrated Tourism Complexes which are commonly known as ITCs in Oman, are regulated by Sultani Decree Number 12/2006 (the 'ITC Law') which exempts non-Omani natural and juristic persons from the rules set out in the property laws and regulations in Oman. The ITC Law grants them the right of ownership in ITCs for residential and investment purposes.

Since the issuance of the ITC Law, a number of ITCs have been developed following the approval of the Ministry of Tourism including, by way of an example, the Wave, Muscat Hills and Barr Al Jissah. The owner of real estate within an ITC may dispose of the built property at any time. However, if it is a piece of land, it must be utilised or built within a period of four years from the date of its registration. The owner may not dispose of the land during this period but may mortgage the land for the purpose of developing it. If the land is not utilised or developed within four years, the Ministry of Housing may dispose of the land by way of a sale through a public auction, whilst compensating the owner for the value of the land (at a value set at the time of purchase or sale, whichever is lower). The owner has a right to appeal the decision before the judicial authorities.

The Ministry of Housing may extend the period mentioned in the preceding paragraph pursuant to a recommendation by the Ministry of Tourism if the owner has submitted a request for an extension, and the

Ministry of Housing is satisfied with the reasons advanced in support of the extension application. An extension period cannot be for more than two years. The implementing regulations of the ITC Law set out the procedures and details required for such a request and the period during which it must be submitted. The public auction is undertaken by a government committee formed pursuant to a decision of the Minister of Housing through coordination with the Ministry of Tourism, provided that the committee must have legal, financial and technical members, and a member who represents the Ministry of Tourism.

Conclusion

The Tourism Law, its Implementing Regulation and the ITC Law have created a legal framework for investment in Oman's tourism sector by local, regional and foreign investors. Since their issuance, investment in the Sultanate's tourism sector has witnessed a sharp increase in the issuance of the number of licences by the Ministry of Tourism for various activities and projects. Local and international investment funds, as well as local and regional investors, have been active in the Oman market primarily through development of hotels and appointment of international operators to manage the hotels on their behalf. The fact that the Ministry of Tourism offers, and has made available land for development and investment on a usufruct basis, has also contributed to growth of the tourism sector.

In parallel with the existing legal framework, the Oman government has generally relaxed the requirements relating to investment in Oman and the issuance of visas to tourists and investors, which have led to more inward investment and tourist arrivals which is intended to contribute to the success of tourism projects in the Sultanate.

When planning new economic cities like Duqm in the Al Wusta region, the Oman government has designated certain areas for investment in tourism. Such areas can be utilised for the establishment of parks, restaurants, children's playgrounds, travel offices, tourist guide offices or any other type of touristic project or activity. Investment in such areas will, (subject to any local regulations of the area to be developed), provide foreign investors with a number of incentives that include full ownership of the corporate vehicle used without the requirement for a local sponsor, exemption from tax for a certain period, exemption from the minimum share capital requirement, no restriction on transfer of funds and dividends, the grant of an usufruct agreement for a term of up to 50 years, and a one-stop station which provides all type of services required by investors.

Al Tamimi & Company's [Hotels & Leisure team](#) regularly advises on hotel & leisure resort development and operation within the Sultanate of Oman. For further information please contact [Tara Marlow](#) (t.marlow@tamimi.com) or [Ahmed Al Barwani](#) (a.albarwani@tamimi.com).