



Explanatory Memorandum of the provisions of the Special Economic Zones and Free Zones Law

2025



“Since furnishing a proper investment and commercial environment constitutes a fundamental pillar in the country’s development, we have instructed the government to provide more advantages, extend competitive incentives and establish a supportive environment for investments in order to facilitate business doing, ensure the diversification of our national economy, achieve sustainable growth and provide more employment opportunities across various economic and service sectors, so that the country could become an attractive investment destination and be more integrated into the global economic system. To achieve this integration, our government has sought to build a large network of ports, free zones, special economic zones and integrated industrial zones. It also extended support for innovation and entrepreneurship programmes and investment funds, both national and joint funds shared with Arab and friendly countries”.

His Majesty Sultan Haitham bin Tariq



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Introduction

The Public Authority for Special Economic Zones and Free Zones has prepared this explanatory memorandum to clarify the provisions of the Special Economic Zones and Free Zones Law in the implementation of the recently issued decisions of the Council of Ministers regarding the mechanism accompanying the issuance of royal decrees related to laws. The memorandum aims to clarify the legislator's intention and remove any legal or linguistic ambiguity that may surround the articles of the law, thus bringing its meanings closer to the understanding of the general public.

This memorandum addresses the concept of preparing the Special Economic Zones and Free Zones Law, the objectives to be achieved through the law, the parties with whom coordination has been made during the law preparation stage, its legal effects, and general structure. The Memorandum also clarifies the connotations of the texts and phrases contained therein and indicates their true intent.



The idea and rationale of preparing the law

In implementation of the provisions of the royal orders of His Majesty Sultan Haitham bin Tariq - may God protect him - regarding the formation of a specialized team by the Ministry of Justice and Legal Affairs to review laws related to economic affairs under its chairmanship and the membership of representatives from the Ministry of Finance, the Ministry of Commerce, Industry and Investment Promotion, the Ministry of Economy, the Oman Vision 2040 Implementation Follow-up Unit, and the Oman Investment Authority, the team recommended the need to prepare a draft law regulating all matters related to special economic zones and free zones. The Public Authority for Special Economic Zones and Free Zones has been tasked to prepare the law, taking into account the views of the working team, which are represented in the following justifications:

- **Creating a comprehensive legislative framework for special economic zones and free zones:**

Due to the issuance of Royal Decree No. 105/2020 establishing the Public Authority for Special Economic Zones and Free Zones and defining its competencies, which entrusted it with proposing the establishment of these zones, it has become necessary to develop a comprehensive legislative framework that regulates the business environment in the special economic zones and free zones in the Sultanate of Oman, similar to the Free Zones Law.

- **Unification of benefits, incentives and exemptions:**

Reconsider the unification of incentives and benefits prescribed for both special economic zones and free zones in accordance with the laws and royal decrees in force, to ensure complementarity and consistency between them.



- **Regulation and monitoring of the investment environment:**
Setting provisions that ensure that special economic zones and free zones perform their role effectively in regulating and supervising the investment environment in order to achieve the highest levels of efficiency and transparency.
- **Introducing regulatory frameworks for the establishment of projects:**
Defining the rules and procedures for establishing projects in special economic zones and free zones, including mechanisms for obtaining the necessary licenses, permits, and approvals to conduct economic activities.
- **Codification of provisions in a unified legislative system:**
Drafting an integrated legal framework that includes all provisions related to special economic zones and free zones within a single legislative system, which contributes to enhancing legislative clarity and ensuring ease of application and implementation.

Objectives of the law

The Special Economic Zones and Free Zones Law aims to achieve a number of national priorities outlined in Oman Vision 2040, including the Priority of Economic Diversification and Financial Sustainability, the Priority of the Private Sector, Investment and International Cooperation, the Priority of Legislation, Judiciary and Oversight, and the Priority of Governance of the State's Administrative Apparatus, Resources and Projects. The Law effectively contributes to the achievement of the following objectives:



1. Enhancing the investment environment and raising its attractiveness:

This initiative aims to enhance the attractiveness of the investment environment in special economic zones and free zones, aligning with the Government of the Sultanate of Oman's efforts since the renewed renaissance to achieve sustainability, economic stimulation, and an improved business environment. The Authority aims through this law to enable special economic zones and free zones to function effectively as tools of economic development, attracting local and foreign investments, diversifying sources of income, providing job opportunities for Omani job-seekers, developing Omani exports, and promoting growth in the SME sector.

2. Enabling the Authority to regulate and monitor the investment environment:

The law establishes provisions that allow the Public Authority for Special Economic Zones and Free Zones to regulate and monitor the investment environment in these zones. This contributes to realizing OPAZ's vision for these zones to be an ultimate destination for investment and fulfilling the Authority's mission of developing and regulating these zones. The goal is to provide an attractive and sustainable investment environment, enabling these zones to achieve their objectives in economic diversification by attracting quality projects.

3. Enhancing investor confidence in the business environment in the regions:

The law boosts investor confidence by unifying special economic zones and free zones regulations, ensuring regulatory consistency. It outlines project establishment frameworks, licensing mechanisms, and investor rights and obligations, enhancing legislative and investment clarity.

4. Streamlining and facilitation of procedures:

The law streamlines procedures by implementing a one-stop system, providing easy access to services. Approvals, permits, licenses, and certificates for economic activities in special and free zones will be issued through simplified processes, speeding up transactions and improving investment efficiency.

5. Standardization of benefits, incentives, exemptions and facilities:

The law aims to standardize guarantees, benefits, incentives, exemptions, and facilities for economic activities in special and free zones. It also allows granting extra advantages to some zones, especially emerging ones, based on their specific needs and development requirements.

6. Provide additional benefits for strategic projects:

The law provides strategic projects with specific additional benefits, including a single comprehensive approval that encompasses all stages of establishment, operation, and management. This approval is granted without requiring any other procedures or additional licenses. Additionally, the law permits the provision of further incentives and facilities, as outlined by the executive regulations.

7. Linking tax exemption to achieving economic goals:

The law offers effective mechanisms to channel tax exemptions towards strategic projects, ensuring they are connected to concrete economic benefits such as job creation, enhancement of local content, and the attraction of high value-added ventures. This will be achieved according to criteria established through the executive regulations in coordination with the Ministry of Finance and the Tax Authority.



8. Regulation of real estate development in special economic zones

The law has introduced new provisions to regulate real estate development projects in special economic zones. This allows real estate developers to sell residential units under the “freehold” system, adding a new dimension to the diverse sectors of economic activities within these zones. This initiative is expected to contribute to the revitalization of special economic zones by attracting residents and providing the necessary public services and facilities to support both urban and economic growth.

Legal implications of the issuance of the law and its impact on existing legislation

The enactment of this law will have several legal implications. It will amend certain current legislative provisions and repeal any regulations or provisions that are inconsistent with the new law, ensuring coherence within the legislative framework, as outlined below:

1. Repeal the Free Zones Law promulgated by Royal Decree No. 56/2002.
2. Repeal all provisions and terms that are inconsistent with the law or contradict its provisions.
3. No impact on the benefits, incentives, exemptions, facilities and guarantees granted to operators and companies operating in the free zones and projects located in the Special Economic Zone at Duqm. These entities, companies and projects will continue to retain such benefits, incentives, exemptions, facilities and guarantees until the expiry of their terms, in accordance with the legislation and agreements signed with them.
4. The current regulations and decisions governing the investment environment in special economic zones and free zones will remain effective, provided there is no conflict with the provisions of this law, until the issuance of the executive regulations of the law.

Entities that coordination has been made with regarding the law

In preparing this law, the Authority coordinated with the following entities:

1. Ministry of Finance.
2. Royal Oman Police.
3. Tax Authority.
4. Ministry of Housing and Urban Planning.
5. Managements of the zones supervised by the Authority.

General Structure of the Law

The law consists of (6) six chapters and (49) forty-nine articles, as outlined below:

- Chapter I: Definitions and General Provisions and includes (5) articles.
- Chapter Two: Common Provisions and includes (12) articles.
- Chapter Three: Special Economic Zones Provisions and includes (5) articles.
- Chapter Four: Special Provisions for Free Zones and includes (3) articles.
- Chapter Five: Benefits, Incentives, Exemptions and Facilities and includes (16) articles.
- Chapter Six: Real Estate Development Projects and includes (8) articles.



Clarification of the law articles

Chapter One: Definitions and General Provisions

Article (1) Definitions:

This Article provides definitions for the key terms and phrases used in the law, explaining their meaning within the context of its application. It specifies that the zone refers to the special economic zone and the free zone designated by royal decree. The primary distinction between the special economic zone and the free zone is that the special economic zone serves as an integrated regional development engine, offering a comprehensive economic and urban environment. The land allocated to it is extensive and geographically connected to its wider surroundings, with diverse economic activities including commercial, industrial, tourism, service, logistics, and real estate development. It is an urban city characterized by a lifestyle conducive to living, residing, and visiting by citizens, visitors, and tourists. Conversely, the free zone is a commercial investment project or work area primarily focused on facilitating international trade operations, accessing foreign markets, and storing goods, with the possibility of localizing some additional economic activities. The land allocated to the free zone is limited, enclosed, and separated from the customs territory by customs gates. Its economic activity is restricted to trade and manufacturing directed towards foreign trade, and it does not feature an urban pattern due to restrictions on housing and consumption, being primarily a work area.

This Article clarifies that the term «customs territory» refers to any location within the borders of the Sultanate of Oman, excluding special economic zones and free zones. It also explains real estate development as activities leading to the construction of residential, commercial, or tourist real estate projects in special economic zones for the purpose of selling them either as planned or completed constructions. Additionally, it addresses various terms related to real estate development activities.

Furthermore, the article describes a one-stop shop as an electronic system established by the Authority to streamline and simplify procedures and create a conducive business environment in the region. This system is connected to the systems of the relevant authorities.

Article (2): Procedures for the establishment of the zone:

By virtue of Royal Decree No. 105/2020, the Authority is empowered to propose the establishment of special economic zones and free zones, and to initiate procedures for issuing a royal decree to officially establish them. This includes determining their location and boundaries, as well as specifying the incentives, benefits, and facilities granted to each operator. The article outlines the organizational framework for establishing such zones, indicating that a royal decree will define their specific locations, boundaries, advantages, incentives, exemptions, and facilities provided to operators.

Additionally, it addresses the regulatory framework applicable to these regions, which encompasses:

1. Special provisions specified in the law or Royal Decree related to the establishment of the zone.
2. Existing laws, regulations, and systems in force within the Sultanate of Oman.



Consequently, this article offers the Government of the Sultanate of Oman the flexibility to provide an additional package of benefits, incentives, exemptions, and facilities not stipulated in this law, taking into account the unique nature of each area proposed for establishment by the Authority.

Article (3): Organization of Records:

This Article establishes a regulatory framework for the Authority's oversight and supervision of projects within special economic zones and free zones. It mandates the creation of a register in the Authority for each zone, recording data and information related to projects, such as approvals, permits, licenses, and certificates issued; benefits and incentives granted; penalties imposed; and any other data and information deemed necessary by the Authority. This Article empowers the Authority to request relevant data and information from all projects operating in special economic zones and free zones.

Article (4) Procedures for providing services:

This Article outlines the mechanism for providing essential services to projects established in special economic zones, free zones, and by real estate developers through a one-stop shop. This electronic system, created by the Authority, aims to streamline and simplify the process of obtaining approvals, licenses, permits, certificates, visas, and other necessary services for projects and real estate developers. The objective is to streamline procedures related to the issuance of these documents and to facilitate the practice of economic activities within the region without administrative complexity, by using a single entity instead of interacting with multiple parties. This approach enhances efficiency and accelerate processes.



Article (5): Regulation of Violations and Administrative Penalties:

This Article authorizes the Public Authority for Special Economic Zones and Free Zones to establish procedures for addressing violations committed by licensees or real estate developers during the practicing of their economic activities either in contradiction to the law, its executive regulations, or decisions issued by the Authority.

This Article grants the Authority the power to impose appropriate administrative sanctions. An administrative sanction is a penalty directly imposed by the Authority for violations of existing legislation. Unlike criminal sanctions, which are imposed by the judicial system on acts considered crimes and are subject to more severe punishment, administrative sanctions are typically organizational. They aim to enforce compliance with laws and administrative instructions without judicial intervention. Administrative sanctions can include penalties such as financial fines, temporary suspension or cancellation of licenses, revocation of privileges, issuance of future directives to prevent recurrence of the violation, or other penalties that comply with applicable laws and regulations.

Chapter Two: Common Provisions

This chapter deals with the regulation of common provisions between special economic zones and free zones.

Articles (6) and (7): Conditions and procedures for granting approvals, permits and licenses:

Articles (6) and (7) outline the procedures for conducting economic activities within special economic zones and free zones. These articles mandate obtaining the necessary licenses, approvals, permits, and certificates to operate projects or engage in real estate development within these zones. The Authority is tasked with issuing these licenses through a one-stop system and overseeing compliance with the regulatory procedures. Additionally, the executive regulations of the law will determine the conditions and procedures for granting, renewing, and canceling licenses.



This includes specifying the required data and documents when submitting an application.

Articles (8) and (9): Organizing the capital of the operator, the project and the real estate developer:

These two Articles state that the capital of the operator of the free zone, the project developed in the special economic zones and free zones, and the real estate developer can be fully owned by non-Omanis. Additionally, they mention the possibility for the Authority to exempt the project and the real estate developer from the minimum capital requirement specified in the Commercial Companies Law or any other law. The Authority has discretionary power in this matter based on its assessment of strategic investments for the zones. Exemption from the minimum capital requirements by the Authority shall not impact the Authority's procedures aiming to ensure the financial stability of the investor and evaluate their capability to execute the proposed project, thereby reducing the risk of future default.

Article (10): Land and Real Estate Allocation Procedures:

This Article outlines the procedures for allocating lands and real estate within special economic zones and free zones to investors for their investment projects. It stipulates that the allocation application must be submitted to the one-stop shop following transparent, fair, and simplified procedures. These procedures ensure that lands and real estate are made available to investors with all necessary specifications, enabling due diligence in selecting suitable properties for their projects. The Article specifies that investment opportunities may include vacant land for establishing project facilities or ready-to-invest properties such as warehouses or pre-built housing units. This provision allows special economic zones and free zones to invest in ready buildings to meet investor needs, contributing to the development of these zones.



Article (11): Determining a time period for practicing the activity:

This Article addresses the issue of investors' lack of commitment to initiating the implementation of a project licensed by the Authority. It mandates that the investor shall commence the project according to the approved schedule; failure to do so will result in the cancellation of the project license. It aims to ensure the investor's commitment and dedication to executing his project within the specified timeframe and to guarantee the optimal utilization of available investment lands, thereby preventing them from remaining idle for extended periods.

In cases where valid reasons and justifications prevent the investor from starting the project within the designated timeframe, this Article permits the granting of an additional period based on the submitted reasons and justifications, as outlined in the regulation. This provision allows the Authority's management to exercise flexibility when addressing legitimate challenges some investors encounter during project implementation.

Article (12): Regulating the opening of commercial representation offices:

To enhance the ability of projects to interact with local markets and engage with relevant authorities within the Sultanate of Oman, as well as to promote commercial integration, this article facilitates the establishment of commercial representative offices within the customs territory in accordance with the prevailing laws of the Sultanate of Oman. It aims to enable the parties that have their head office within the zone to establish offices outside the zone to look after its interests provided that the office is under its supervision and oversight and is established pursuant to the provisions of the Commercial Companies Law, promulgated by Royal Decree No. 18/2019, and the Commercial Companies Regulations, issued by Ministerial Resolution No. 146/2021 governing the procedures for establishing commercial representation offices, outlining permitted activities, and specifying prohibited activities.



Article (13): Regulation of Issuing Licenses for Non-Omani Workers:

This Article outlines the Authority's powers to issue the necessary licenses for non-Omani workers within special economic zones and free zones. The Article stipulates that these licenses should be issued according to accelerated and efficient procedures determined by a decision of the Authority's Board of Directors in coordination with the Ministry of Labor. The article sets a maximum period for issuing licenses, not exceeding five working days from the date of application. If this period lapses without a decision, the application is considered approved, reflecting the Law's commitment to enhancing the quality of services provided to investors. Additionally, the Article mandates that any rejection decision must include reasons, allowing the applicant to address these reasons and correct his situation to obtain the required licenses.

Article (14): Regulation of temporary entry and export to and from the region:

This Article permits the temporary admission of local or foreign goods, materials, and raw materials from the customs territory to the zone, as well as their temporary export from the zone back to the customs territory. The purpose of this Article is to facilitate entry (import) and temporary export without imposing customs taxes (duties) for a specified period. This aims to encourage industrial activities and stimulate trade movement within special economic zones and free zones. It provides economic solutions for companies operating in these zones by allowing them to manage products and industries in transit between the customs territory and the free zone. Additionally, it seeks to increase trade exchange volume between the customs territory and the zone, establish supply chains, and take advantage of the benefits of origin accumulation through the establishment of complementary industrial activities.



Article (15): Transfer of projects between regions:

This Article outlines the provisions for transferring projects between special economic zones and free zones. It specifies that an investor wishing to relocate their project from a special economic zone to a free zone, or vice versa, must submit a request to the Authority and the operator. The request will be considered upon meeting the requirements established for operating within these zones. This Article provides investors with the flexibility to position their investments in the most suitable zone to achieve their project's goals.

Article (16): Organization of records, documents, data and information:

This Article reflects the oversight and supervision roles of the Authority over special economic zones and free zones, as well as the companies operating within them. It enables the Authority to evaluate the performance of these zones based on established performance indicators. To facilitate this, the Article requires both the operator and the investor to submit records, documents, data, and information to the Authority within the specified deadlines by the Authority, following the procedures outlined in the Executive Regulations. Additionally, it mandates that the operator and the investor retain these documents for a minimum of ten years.

Article (17): Governing the Effects of License Revocation:

This Article governs the legal consequences of revoking a project's license, which include the following aspects:

1. The project is obliged to return the allotted land free of occupancy.
2. If there are buildings, installations, or any assets on site, the project must evacuate and remove them at its own expense within the period specified by the authority or operator, as applicable, following environmental preservation requirements as outlined in the regulation.



However, the article allows the Authority or operator to decide to retain certain structures if deemed necessary for the public interest.

3. The Authority or operator has the right to utilize or remove buildings, installations, or other assets on sites not evacuated within the specified period at the project's expense.
4. The Authority and operator are empowered to remove occupancies, buildings, and facilities if the project fails to do so within the designated timeframe.

Chapter Three: Special Economic Zones Provisions

Articles 18 and 19: Customs Administration:

Article (18) established a customs department in the Special Economic Zone by a decision of the Inspector General of Police and Customs. This department shall operate according to a special customs administration system issued by a decision from the Authority's Board of Directors in coordination with the Royal Oman Police. Article (19) outlines the minimum procedures that ensure the regulation of goods movement, simplify and facilitate customs release procedures, enhance the speed and effectiveness of inspection procedures, and provide thorough and accurate laboratory examination of samples.

The establishment of a customs department within the special economic zone enhances the investment environment by offering proximate customs services to the projects operating in the zone. This facilitates import and export processes, reduces operational costs through expedited customs clearance, and promotes the development of integrated logistics zones, while ensuring stringent customs control.

Article (20): Establishment of sites belonging to the customs territory:

This Article outlines the regulatory framework and permits the Authority to designate one or more sites belonging to the customs territory within the special economic zone. These sites will be assigned to companies and industrial establishments either exporting their products outside the Sultanate of Oman or introducing them to the local market through these customs-regulated sites. It aims to establish a legislative system for companies and establishments seeking to utilize the special economic zone's location and public facilities without needing to enjoy the prescribed benefits and facilities for projects in the region as per the regulations in force in the customs territory.

Article (21): Establishment of Free Zones in the Special Economic Zone:

This Article authorizes the Authority to propose the establishment of a free zone within the special economic zone, which requires the issuance of a royal decree. The provisions of the free zones stipulated in the law shall apply to it. Establishing free trade zones within the special economic zone provides competitive tax incentives, simplified customs procedures, and a flexible regulatory environment. This increases the opportunities for linking the zones with major transport hubs and supply chains, reduces trade barriers, and facilitates international trade. Consequently, this encourages the creation of industrial clusters targeting export markets by providing easier access to global markets, reducing production costs, and attracting both foreign and local direct investment. This expands investment opportunities within the special economic zones by offering competitive advantages and facilities to investors in the free zones and provides a more flexible and open economic environment for international companies to develop integrated global logistics centers.



Article (22): Establishment of a branch of the General Directorate of Passports and Civil Status:

This Article establishes a branch of the General Directorate of Passports and Civil Status in the Special Economic Zone by a decision of the Inspector General of Police and Customs, in coordination with the Authority. This branch will issue entry and visit visas and residence visas for non-Omani investors, their spouses and first-degree relatives, and non-Omani workers working in the zone and their families. Having these dedicated services in the Special Economic Zone aims to improve the quality of services provided to investors and expedite the procedures for issuing visas and residencies. This initiative is intended to enhance the business environment and increase the attractiveness of the zones as a global investment hub.

Chapter Four: Special Provisions for Free Zones

Article (23): Competencies of the Chairman of the Board of Directors of the Authority:

This Article regulates the business environment in the free zones by defining the responsibilities assigned to the Chairman of the Authority's Board of Directors. It provides a clear legal and administrative framework for the operation and management of the zones. The responsibilities include the following:

1. Establish rules and regulations for any free zone, specifically detailing how its activities are monitored per the management and operation agreement with the Authority, along with the necessary rules and regulations for the management and operation of the free zone, following the Board's approval.
2. Concluding management and operation agreements with the operator after the approval of the Board.

3. Develop comprehensive plans for free zones after the approval of the Board.
4. Proposing solutions to the issues facing the project and overcoming the difficulties in order to encourage and attract more investments to the free zones.
5. Approving the free zone business and development plans submitted by the operator after the approval of the Board.
6. Coordination with the concerned authorities to provide security and emergency services within the free zone.
7. Coordinate with the concerned authorities to ensure the performance of their obligations arising from management and operation agreements.
8. Setting the rules governing the movement of goods and the movement of persons to and from the free zone and separating it from the customs circle after the approval of the Board.
9. Determine the amounts paid by the project to the operator.
10. Conduct an annual evaluation of the performance of free zones and submit it to the Council of Ministers after the approval of the Board.
11. Any other competencies determined by the Council of Ministers.

Articles (24) and (25): Obligations of the Free Zone Operator:

Articles (24) and (25) govern the obligations and powers of the operator in the free zone, as outlined in the following points:

- Propose business plans and develop the free zone it operates, including the regulations and controls for land use and planning within it.
- Implement the regulations, decisions, rules, and directives issued concerning the free zone it manages.
- Provide all services and facilities within the free zone.
- Without prejudice to any ownership rights established on the lands located within the boundaries of the free zone prior to its establishment, lease or grant usufruct over lands and facilities within those boundaries.



- Activate a secure electronic system and link it to the one-stop system to facilitate the electronic exchange of applications, data, documents, approvals, permits, and licenses to ensure electronic payment of required fees.

Chapter Five: Benefits, Incentives, Exemptions and Facilities

Article (26): Special advantages for strategic projects:

This article provides specific provisions for strategic projects, permitting the Authority to issue a single approval for the investor to establish, operate, and manage the project. This approval becomes effective immediately without requiring any additional actions.

The Article allows, after approval by the Council of Ministers, the granting of special benefits, incentives, and facilities for a project. The law does not include specific criteria for defining a strategic project to maintain flexibility, leaving this to regulations and executive decisions. This approach acknowledges that the concept of a strategic project evolves over time, with criteria such as the project's financial value subject to continuous modification based on economic variables affecting the prices of goods and services. Although the Foreign Capital Investment Law issued by Royal Decree No. 50/2019 defines strategic projects as those contributing to development in public utilities, infrastructure, new or renewable energy, roads, transportation, or ports, the executive regulations specify additional criteria. These include a project cost of no less than Ten Million Omani Riyals, contributions to knowledge transfer and modern technology or the use of Fourth Industrial Revolution technologies, and a commitment to allocate 10% of project works to small and medium enterprises and at least 10% of necessary products to Omani products.

The Authority may also set other criteria for identifying strategic projects, such as increasing exports by a certain percentage, relying on foreign financing transferred from abroad, aiming to reduce imports, localizing industry, and increasing the local component in its products to a specified percentage. Strategic projects might include those established in particular zones, those securing strategic goods for the country and reducing imports, those using intensive national labor, or those contributing to reducing environmental impact, lowering greenhouse emissions, and improving the climate.

Article (27): Exemption from taxes imposed in the Income Tax Law:

This Article provides an exemption for the project and the operator from all types of taxes imposed by the Income Tax Law for a period of ten years from the start date of the activity. This exemption is extendable for two additional periods for activities of a special nature. The exemption is issued by a decision from the Minister of Finance in accordance with the procedures outlined in the executive regulations of the law. The Article grants preferential advantages for the exemption period related to activities of a special nature to stimulate such projects and provide them with a competitive advantage. Activities of a special nature refer to those that offer high added value, contributing to innovation and development, with detailed criteria to be defined in the Executive Regulations.

Moreover, the Article excludes banks, financial institutions, insurance and reinsurance companies, telecommunications companies, contracting companies, and land and maritime transport companies from these exemptions due to the nature of their cross-border activities.



Additionally, the Article requires projects and operators to submit tax returns and necessary documents as per the Income Tax Law, ensuring compliance with international standards. This enhances financial transparency, ensures the sustainability of tax privileges, and provides an accurate database on the performance of companies operating in these sectors.

Articles (28) and (29) Exemption from customs taxes:

The articles state that devices, tools, machinery, equipment, transport means, spare parts, raw materials, and other items used for project setup, processing, or operations are exempt from customs taxes upon entry into the zone. This applies whether they come from inside or outside the country. Any use beyond the specified purposes requires Authority approval and payment of due customs taxes.

Article (30): Methods of Land and Real Estate Allocation

This Article discusses the methods of allocating lands and real estate necessary for the project to carry out its activities or expand within the zone through two approaches: leasing or granting of usufruct rights. These methods should be in accordance with the rules and provisions determined by the Authority's Board of Directors. The main differences between rent and usufruct are as follows:

- **Usufruct:** It is a real right, permitting the investor to sell or mortgage it, with the requirement of official registration.
- **Rent:** It is a personal right, and registration is only required in certain cases, such as when the lease reaches a specific duration.

Article (31): Protection of the project from nationalization and the imposition of custody on it:

This Article provides a set of guarantees for the protection of investment projects in the zone, offering additional incentives to attract projects. The guarantees include:

- **Absolute prohibition of nationalization:** Projects cannot be nationalized by government decision, providing stronger protection compared to current legislation that permits nationalization with fair compensation.
- **Protection of Financial Assets:** Government decisions cannot impose seizure, freezing, or confiscation of financial assets except by court ruling as specified by law, with the exception of tax debts considered sovereign debts owed to the state.

Article (32): Governing the Cancellation and Suspension of Licenses and Termination of Usufruct and Lease Contracts:

This Article outlines the procedures to be followed when canceling or suspending the license issued for the project and terminating the usufruct or lease contracts for the lands and real estate assigned to the project. The Article states that the license may only be canceled or suspended after warning the licensee of the violations attributed to him and that the usufruct or lease contracts for the lands and real estate allocated to the project may only be terminated in accordance with the cases prescribed by law or by a court ruling. The executive regulations of the law will govern the procedures related to this matter.

Article (33): Freedom of Transfer of Funds:

This Article ensures that the project is free to transfer its profits, and all amounts related to its investments, including those resulting from the sale or liquidation of the project abroad, without any restrictions.



Article (34): Exemption of imported goods from restrictions:

This Article states that imported goods will not face any restrictions on the duration of their stay in special economic zones and free zones unless a specific period is determined based on the nature and type of goods. It also specifies that they will not be subjected to restrictions on their transportation within or between the special economic zone and the free zone, thus ensuring the ease and freedom of movement of goods between these zones.

Article (35): Treatment of goods produced in the zone:

This Article states that all goods manufactured, assembled, or processed in special economic zones and free zones, when exported outside the Sultanate of Oman, shall be treated as locally produced goods, in accordance with international agreements ratified by the Sultanate of Oman. This provision aims to support the business environment in these zones by enhancing the competitiveness of Omani products, encouraging industrial investment, and expanding the export base.

Article (36): Freedom of Export of Products:

This Article affirms the right of the project established in the special economic zones and free zones to export its products by itself or through third parties without a license. The project shall be obliged to submit the necessary reports related to this aspect to the Authority or operator specified in the executive regulations of the law.

Article (37): Transfer or secondment of workers between projects operating in the zone:

This Article allows projects established in special economic zones and free zones to agree on the transfer or assignment of workers among themselves within the same special economic zone or free zone or between them. The provisions of this Article provide flexibility for projects to manage human resources according to their needs and business requirements.



It also aims to raise the efficiency of the labor market within these zones by redistributing the workforce between projects according to the requirements of production and operation. It also ensures the ultimate utilization of available capabilities giving investors greater flexibility in hiring manpower.

Article (38): Freedom to determine the prices of products and services:

This Article grants projects located in special economic zones and free zones the authority to set the prices of their products and services, supporting the principle of market freedom and competition. Prices are determined by supply and demand, allowing investors to price their products based on production costs, market value, and competitive advantage. This pricing freedom promotes an investment climate where investors can operate without government interference in pricing.

Article (39): Procedures allowing expansions to Enjoy the Benefits, Incentives and Facilities provided for in the Law:

This Article stipulates that expansions made by investors in their projects within special economic zones and free zones will receive the same advantages, incentives, exemptions, and facilities prescribed by law. These benefits will be granted in accordance with the rules and conditions determined by the Board of Directors through an official decision.

Article (40): Granting Residency Visas to Non-Omanis:

This article grants investors in special economic zones and free zones, non-Omani real estate unit owners, their spouses, and first-degree relatives residency in the Sultanate of Oman according to the conditions and procedures set forth in the executive regulations after coordination with the Royal Oman Police. First-degree relatives mean parents and children. These facilities aim to support the business environment in the Sultanate of Oman by providing non-Omani investors and their families the opportunity to obtain residency in Oman.



This measure seeks to make investments more stable and appealing, potentially revitalizing the real estate market and increasing demand. Additionally, it aims to enhance Oman's attractiveness as a permanent investment destination by supporting family stability for investors.

Article (41): Non-application of the provisions of the Commercial Agencies Law to the project:

This Article states that the provisions of the Commercial Agencies Law, issued by Royal Decree No. 26/77, do not apply to projects established in special economic zones and free zones. This exception allows for greater flexibility in commercial transactions, encourages foreign investment, and reduces production costs.

Chapter Six: Real Estate Development Projects

Article (42): Land Allocation and Freehold Sale of Units:

This Article stipulates that land allocation for real estate development projects within the special economic zones is limited through usufruct rights. It permits real estate developers to sell project units to non-Omanis under the freehold system, a legal framework that allows buyers to fully and permanently own property without restrictions on the ownership period. In other words, individuals possess absolute ownership of the property and may dispose of it in accordance with the regulations set forth by the Authority. This type of ownership presents an attractive option for investors and buyers seeking long-term stability and permanent property ownership.

Article (43): Organization of the Escrow Account:

To ensure that the funds from purchasers of units in off-plan real estate development projects, as well as the funds obtained by the developer under the project's guarantee, are allocated for construction purposes, this Article stipulates that each real estate development project must have an independent bank account known as an «escrow account».

This account will receive these funds, and the executive regulations will clarify the provisions related to this account, including the method of opening, managing, and disbursing funds for the project's construction.

To safeguard the funds in the escrow account, this article restricts the real estate developer from using these funds as collateral for loans from financial institutions. It also prohibits the attachment or seizure of these funds, and their inclusion in the general guarantee for the developer's creditors if bankruptcy is declared, except for fulfilling obligations related to the real estate development project.

Article (44): Regulating the Land Registry:

This Article regulates the provisions of the real estate registry by granting the Authority, within the zone's boundaries, the power to document and register all rights and transactions related to real estate development projects, the units constructed therein, and all activities pertaining to the real estate registry in accordance with the provisions of the real estate registry system. The documentation and registration of these rights and transactions will occur in the real estate registry of the Land Registry Secretariat at the Ministry of Housing and Urban Planning, following the organizational procedures established between the Ministry and the Authority. The aim of this Article is to empower the Authority and the zones under its supervision to document and register real estate rights and transactions through the central national platform of the Sultanate of Oman, represented by the Land Registry of the Land Registry Secretariat at the Ministry of Housing and Urban Planning, without requiring the Authority to create an additional real estate register.



Article (45) Regulation of the Initial Land Registry:

This Article outlines the provisions related to the Initial Real Estate Registry, which was introduced for the first time in the Sultanate of Oman. The Initial Real Estate Registry records the nature and descriptions of real estate units sold off-plan and logs all associated transactions. This ensures the buyers' rights of these units are protected and fosters investment in real estate development. Under current regulations, only completed real estate projects can be registered; however, this Article grants the Initial Real Estate Registry the same evidentiary power as notarized documents. All rights and transactions recorded through this registry are thus authoritative.

Article (46): Obligations of the real estate developer:

This article imposed several requirements on the real estate developer. These include initiating the project works as per the agreed schedule, opening a real estate escrow account, delivering the sold real estate unit to the buyer by the contractually agreed date, obtaining approval from the Authority when assigning parts of the real estate development project to a subcontractor, and registering the real estate unit in the buyer's name in the real estate registry or the initial real estate registry, as applicable.

Article (47): Restrictions on the Real Estate Developer:

This article restricts real estate developers from promoting or advertising the sale of off-plan real estate development project units to the public by any means or accepting money to reserve these units without approval from the Authority. This measure ensures that the developer's commitment to start the real estate development project is verified and that the rights of buyers of off-plan units are protected.

Article (48): Real Estate Development Project Owners Association:

This Article permits real estate unit owners to establish and manage an owners association for the real estate development project. Additionally, it allows them to form an association encompassing a group of adjacent real estate development projects.

Article (49): Closed Residential Complex:

This Article permits the Authority to designate the real estate development project as a gated residential complex, subject to the conditions and regulations specified in the executive guidelines. A gated residential complex refers to a collection of independent properties—such as buildings, villas, or other structures—surrounded by an external wall with secured entrances and dedicated security personnel. These complexes include the necessary services and facilities required by the residents.