PKF UAE

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A quarterly newsletter
from PKF UAE and PKF Oman

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In this issue

Our Vision

We will be the first choice for companies in their selection of professional advisors

Our Mission

We will provide quality service to our clients by focusing on client-specific needs and providing solutions to business problems, thereby adding value through expertise whilst maintaining integrity, professionalism and independence.

Dear Readers,

Hope this message finds you in good health and high spirits. As we enter the fourth quarter of 2023., it's my pleasure to share with you some of the happenings in the last quarter.

The UAE as always been a beacon of innovation, progress and resilience. As **Walt Disney** said "All our dreams can come true if we have the courage to pursue them." -

The UAE astronaut Sultan Al Neyadi has returned to Earth, after completing a historic six-month mission aboard the International Space Station. This was the UAE's second human space flight and the Arab world's first extended mission, as well as the first time an Arab astronaut performed a spacewalk. Dr Al Neyadi carried out more than 200 science experiments aboard the orbiting outpost.

FTA recently issuing a General Guide to encapsulate all corporate tax related information in one place. On 19 July, the Ministry of Finance (MOF) also issued a Consultation Paper, that clarified various categories of 'qualifying activities' and 'excluded activities', set out under UAE Ministerial Decision 139 of 2023.

This initiative reflects the significant contribution of free zones to the local economy, and their integral role in stimulating growth and economic transformation locally and internationally. The digital public consultation also reflects the Ministry's belief in the importance of consulting with the business community and relevant stakeholders, as part of its priorities to contribute to the achievement of the UAE's strategic goals, and to consolidate the country's position as an international business and investment hub.

In other news, Dubai Courts has established its first inheritance department for Non-Muslims. This new department enables the registration and probate of wills, ensuring the fair distribution of assets according to the deceased's own wishes. The Dubai Courts' initiative in setting up the inheritance department reflects its commitment to cultural diversity and its vision for an integrated and advanced service that meets the community's needs and aspirations.

In August, the UAE Government also announced the issuance of new regulations governing the practice of healthcare professionals, healthcare facilities and veterinary facilities.

This edition starts off with an inhouse article on family governance followed by an invigorating interview with the energetic CEO of Orient Travels, Mr. Asim Arshad. We also have important updates on UAE taxes and Oman VAT law and a topical piece with updates on regulatory news in the UAE.

Do write to us (update@pkfuae.com) for expressing your opinion on any matter included in the newsletter.

Stany Pereira

Family Governance -
Preserving and enhancing business value

Introduction

Family businesses hold a unique position in the corporate world, combining the dynamics of family relationships with the challenges of running a successful enterprise. To ensure longevity and prosperity, many family businesses embrace the concept of family governance. Family governance refers to the set of structures, processes, and policies that guide decision-making, communication, and succession planning within a family-owned enterprise. In this article, we will explore the importance of family governance, its essential components, and how it enables the seamless transition of wealth, values, and responsibilities across generations.

Understanding Family Governance

Family governance encompasses the principles and practices that regulate the interaction between family members, owners, and the business itself. It focuses on establishing clear guidelines, defining roles and responsibilities, and fostering effective communication and decision-making mechanisms. By implementing family governance, businesses strive to balance the needs of the family and the demands of the business, thereby ensuring continuity and avoiding conflicts that could potentially jeopardize the enterprise's future.

The Process of Establishing Family Governance

Developing an effective family governance structure involves several key steps. Firstly, it requires open and honest discussions among family members to align their goals, values, and aspirations for the business. This can be achieved through family meetings where members can engage in strategic planning and foster a shared vision.

Secondly, it is essential to define roles and responsibilities within the family and the business. This involves clearly outlining the duties of family members as shareholders, board members, or employees, and establishing criteria for entry into leadership positions. These guidelines help promote meritocracy, ensuring that the most qualified individuals contribute to the business's success.

Thirdly, family governance entails creating formal mechanisms for decision-making and conflict resolution. This may involve establishing a family council, an advisory board, or a family constitution that outlines the rules and procedures for managing the business and addressing family-related matters.

Lastly, regular communication and education are critical aspects of the family governance process. Open lines of communication foster transparency, trust, and unity, while education programs help prepare future generations for their roles within the business and instill a strong sense of stewardship.

The Need for Family Governance in Business

Implementing family governance is crucial for several reasons. Firstly, it ensures the preservation of family values and legacy. By defining and reinforcing shared values and principles, family governance provides a framework for decision-making that aligns with the family's vision and culture. It helps preserve the family's identity and heritage, which often form the foundation of the business's success.

Secondly, family governance facilitates effective succession planning. Transitioning leadership from one generation to the next can be a complex and delicate process. Through family governance, families can establish clear guidelines for succession, including criteria for selecting successors, defining their roles, and implementing development programs to groom them for future responsibilities. This ensures a smooth transition and minimizes disruptions to the business.

Family governance promotes professionalism and accountability. By implementing governance practices typically associated with non-family businesses, such as transparent reporting, performance evaluations, and independent boards, family businesses can enhance their overall management and decision-making processes. This fosters a culture of excellence, where merit and competence are valued above nepotism.

Additionally, family governance assists in managing conflicts and resolving disputes that may arise during the succession process. By establishing mechanisms for open communication and conflict resolution, such as family councils or mediation processes, families can address disagreements constructively and preserve family unity. This helps prevent potential divisions that could jeopardize the business's future.

Fostering Harmony among Family Members

Family businesses often face the challenge of balancing family dynamics with business interests. Family governance plays a vital role in fostering harmony among family members, thereby strengthening the foundation of the business.

Through family governance, families can establish clear roles, responsibilities, and decision-making processes. By delineating family members' areas of influence within the business, family governance minimizes conflicts and power struggles. It ensures that business decisions are made based on expertise and objective analysis rather than personal biases or family politics.

Moreover, family governance promotes effective communication and transparency. Regular family meetings or dedicated communication platforms create opportunities for family members to share information, updates, and concerns.

This open communication fosters trust, understanding, and collaboration, reducing the likelihood of misunderstandings or conflicts.

Family governance also helps manage conflicts between family and non-family employees within the business. Clearly defined policies and procedures ensure fairness and equality, treating all employees based on their merits rather than their family connections. This fosters a positive work environment and enhances the overall performance of the business.

UAE regulations for Family Company

Federal Decree-Law No. (37) of 2022 on Family Companies ("the Law") has been enacted to ensure the growth and sustainability of family owned-businesses in line with best international practices.

It is the first Federal law to provide regulation of family businesses, and as such provides family businesses in the UAE with a way to structure and plan their wealth management, while providing a long-awaited opportunity to hold family business within succession planning structures.

A Family Company can take the form of any company recognized by the Commercial Companies Law, including the One Person Company LLC, and free zone companies.

The Family Company is every company established in accordance with the provisions of the Commercial Companies Law, in which the majority of its capital or shares is owned by persons belonging to the same Family and registered in the Register as a Family Company under the Law.

A family business would be required to "opt-in" in order to be entitled to benefit from the legal framework set out under the Law. This would require a majority of the shareholders of the family company to pass a resolution approving the registration of the company as a family company in a special register.

The Memorandum of Association of a Family Company shall be in accordance with the provisions and terms stipulated in the Law, in addition to the provisions stipulated in the Commercial Companies Law or the laws applicable in the relevant free zone, as the case may be.

Family Company can have a Family Constitution which may be included in its corporate documents. The Family Constitution can set out the rules of the ownership, objectives and values of the Family, mechanisms for valuing the shares, the profit distribution model, education, and qualifying criteria for the family's members to work in the Family Company and its subsidiaries and settling any Family disputes related to the Family Company, and other rules and provisions.

Conclusion

Family governance is a crucial element for the long-term success and sustainability of family businesses. By implementing robust governance processes, families can strike a balance between family dynamics and business needs, fostering unity, preserving values, and ensuring continuity across generations. Family governance empowers family members to make informed decisions, enables effective succession planning, and enhances the overall professionalism and accountability of the business. With the right governance structures in place, family businesses can thrive and continue to make a significant impact for years to come.

(This article was contributed by Shajan Abraham, Partner, Internal Audit Division)

MEET THE TEAM MEMBER

Mr. Aashish Tulsan

Aashish is a Fellow Chartered Accountant (FCA) from the Institute of Chartered Accountants of India, and started his career with Big 4 and joined PKF in 2004. During his 20 years tenure with PKF UAE, he has risen through the ranks from Audit Senior to Associate Partner. He has a "Do it Today" attitude and believes in "Together we Achieve". He has been part of Team actively involved with in-house training sessions, training staff on International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA) and International Standards on Quality Management (ISQM). He has two teenagers, Janesh and Paridhi who are headed to university and wife, Simpal who is the heart of the family. Aashish likes to read and watch movies in his spare time.

Interview with **Asim Arshad**, Chief Executive Officer, Orient Travel Group

Asim Arshad is synonymous with the Orient Travel brand. At the helm of the company for over 40 years, Arshad has been a pioneer and leading strategist for Orient Travel as well as the industry within the region. His direction and culture disposition has taken Orient Travel to great heights and their achievements speak for themselves. The group operates in 5 countries: UAE, Kuwait, Bahrain, Qatar, Oman. His awards mantle over the years is unmatched:

- Lifetime Achievement Recognition - World Travel Awards 2022
- Gallery of Legends -Arabian Travel Awards 2019
- Named for 4 consecutive years among Top 50 Business Travel Executives (expat category) by FORBES
- Outstanding CEO Award – CEO Clubs Network UAE 2013

In a freewheeling interview with us, Mr. Arshad spoke about his journey, his family, and the journey with Orient Travels.

Q. The travel industry is a continuously competitive field. Please talk us through your enduring stint as a journeyman CEO whose name is synonymous with the Orient Travel group.

Our industry is fiercely competitive, unfortunately we work on shoestring budgets & wafer-thin margins. I guess my name is synonymous with the Orient Travel Group as I have been working with the same organization since early 1981 and have been leading the group since 1986.

Q. What key factors would you attribute Orient Travel's success to – local expertise, synergy with international players or simply good governance?

It's rather difficult to attribute a single factor to the success of Orient Travel. It is a combination of many factors. Stability at the top make's governance easier. The trust, belief & empowerment that I have enjoyed from the stakeholders, our defined roadmap with clear goals & objectives, having a clear strategic as well as a tactical plan in place are some of the main factors. Building a team with good players & international partnerships have helped us combine local expertise with the best international practices and technology. Last but not the least we are a People's Organization, where our employees come first.

Q. How much did UAE's ease of doing business help in molding the group's decision to persevere with the UAE as the principal business hub? Were there other deciding factors?

The vibrancy and growth of UAE as a country helped us take advantage & go with the flow. The country offered a lot of opportunities for companies who wanted to help themselves and it was a no brainer to establish UAE as our principal business hub.

Q. The pandemic hit international travel the hardest. Did Covid-19 alter the growth plans for Orient Travels? How did the pandemic alter the future of the travel industry? Do you think that the travel industry can ever reach the lofty pre-covid heights again?

Yes indeed, our industry was the hardest hit by Covid-19. Most of us have yet not completely recovered from the setback, and the predictions are that the pre-Covid levels will probably be reached by the end of 2024 or first quarter of 2025. The only positive that came out of the pandemic was to make our organization leaner & fitter.

Q. Your group website proudly says – 'Locally Managed, Globally Supported'. Can you elaborate on this?

We are a local agency with over 60 years of experience and are supported globally by CWT, which is one of the largest Travel Management Company in the world.

Q. You have had a star-studded career with multiple awards adorning your mantle. Does the Gallery of Legends award from 2019 match up to the recognition from Forbes magazine for four consecutive years?

I guess all of us like to be recognized, so it's difficult to identify which award is bigger than the other, but the pinnacle of my career was when I was given Lifetime Achievement Award by the World Travel Award Organization.

Q. Tell us about the support you got from your family. How much can that support count towards professional and business success?

I couldn't have achieved anything without the blessings of my parents & the support that I have got from my wife & children. They have been very patient & supportive throughout my journey with Orient Travel.

Q. So what is your current golf handicap? We hear you are more than just an amateur golfer!

My current Golf Handicap is 13 and I am just a very normal player, but indeed a very avid & passionate golfer.

Q. Few C suite executives are recognized for their style. You are one of the few whose suits and watches make as a big a statement as your presence. Your favorite suit and your favorite watch?

I have always liked to dress well because it is an inheritance from my father who was a very elegantly dressed man. I get my suits made from Bespoke Tailors & my favorite watch is Rolex.

VAT, Corporate Tax and Excise Updates

Dilemma around Zero-Rating Export of Services! Did the amendment to Article 31(2) of UAE VAT Regulations result in making Article 31(3) redundant?

Introduction

Article 31 of the UAE VAT Executive Regulations (ER) provides for conditions to be met in order to avail the benefit of zero-rating VAT for export of services. Under Article 31 of ER, the sub provision of Article 31(1)(a) is always to be read together with Article 31(2) and 31(3) of ER.

In simple terms, Article 31(1)(a) of ER provides for zero rating of export of services in case where the following are met:

1. Recipient of services is not based in UAE or any implementing state and is outside UAE when services are performed by UAE service provider;
2. Services are not performed directly in connection with real estate or moveable asset situated in UAE.

Article 31(2) of ER which is to be read with Article 31(1)(a) provides further conditions in order that the Recipient of Services could be considered 'Outside UAE'. This provision was amended vide Cabinet Decision No. 46 of 2020 which was effective from June 04, 2020. The erstwhile provision read as follows:

> "For the purpose of paragraph (a) of Clause (1) of this Article, a Person shall be considered as being "outside the State" if they only have a short-term presence in the State of less than a month, **or** the only presence they have in the State is not effectively connected with the supply."

Amendment to Article 31(2) of ER

The amended provision read as under:

> "For the purpose of paragraph (a) of Clause 1 of this Article, a Person shall be considered as being "outside the State" if they only have a short-term presence in the State of less than a month and the presence is not effectively connected with the supply."

Although, the amendment was only for a single word, i.e., from 'Or' to 'And', it had a far-reaching impact in further narrowing the ambit to avail zero rating of VAT on export of services. Perhaps it seems that, this amendment may well have led to making Article 31(3) of ER redundant.

Understanding Article 31(3) of ER

Article 31(3) of ER provides for exception to Article 31(1)(a) providing for conditions on when export of services cannot be zero rated – if the services is received by another person (which could also include employee or director of the non-resident recipient of service) on behalf of non-resident and that other person is not able to recover the input VAT in full if VAT was charged by the UAE supplier.

Release of Public Clarification and the resulting Dilemma

A Public Clarification[1] on the subject amendment was released by FTA to further clarify on the zero-rating condition specified in Article 31(1)(a). The said Public Clarification provides a detailed explanation on the two conditions provided under Article 31(1)(a)(1) of ER which is 'Place of Residence of Recipient' and 'Location of Recipient'. While for the first condition, clarification is provided to ascertain 'Place of Residence' of the recipient which includes reference to Article 32 of Decree Law (This provision is also known as the tie-breaker and is used to ascertain the place of residence of the service recipient in case it has multiple place of establishments), for the second condition, clarification is provided on how to ascertain the location of the service recipient which has been supplemented by providing various examples. It is the amendment to Article 31(2) of ER, together with the clarification and corresponding example provided for the second condition that leads to an interpretation that Article 31(3) of ER is likely being redundant. Article 31(2) of ER envisages a person outside UAE if following are met:

A. If person has short term presence in UAE of less than a month; AND

B. Presence is not effectively connected with supplies made by UAE service provider

Therefore, if the 'not-effectively connected presence' in UAE is more than a month or the 'effectively connected presence' in UAE is less than a month then in both the cases the service recipient would be deemed to be as having 'Place of Residence' in UAE. An example provided under Public Clarification VATP019 where the supplies would not be zero-rated in this case is provided below:

[2]"...where a non-resident recipient of legal services relating to some arbitration sends its representative to the UAE to be present during the hearing, the law firm making the supply would not be able to zero-rate the supply of the...

[1] VATP019 on Zero-rating of Export of Services
[2] Extract from Page 9 of UAE VAT Public Clarification VATP019 on Zero-rating of Export of Services

services relating to the arbitration process during which the client was present in the UAE – since the non-resident client, through its representative, was physically present in the UAE at the time the services were performed by the law firm."

Now, comparing this with Article 31(3) of ER which states that if the service is received by any other person in UAE on behalf of non-resident recipient of services and that person cannot recover Input VAT in full if VAT charged to him, then the supplies cannot be zero rated. While, Article 31(2) of ER already provides that zero-rating VAT would be denied if the presence in UAE is effectively connected with supplies, Article 31(3) of ER further extending similar condition by placing the 'non-recovering of input VAT' aspect in order to disallow zero-rating VAT really makes it duplicating.

Separately, not meeting the conditions of Article 31(3) of ER also does not mean that the supplies would be zero-rated, since it would breach the conditions provided under Article 31(1)(a) and 31(2) of ER based on having 'effectively connected presence' in UAE. In the pre-amendment era, Article 31(3) of ER may well have served as an exception to Article 31(1)(a) in the overall scheme of things, however, it can be said that post amendment, it no longer remains an exception but has turned into an absurd provision whose relevance cannot be ascertained.

Departing Note

As a matter of general principle for interpretation of a Statute, the rule of Harmonious Construction is to be applied to avoid any inconsistencies between two provisions of the same statute. This is on the basis that each provision has its own purpose and relevance in the statute and must therefore be read as whole. In the given case, if a service provider is not able to avail zero-rating on export of services under Article 31(1)(a) of ER read with Article 31(2) of ER, it will most likely not be able to claim the said benefit under 31(3) of ER as well post the subject amendment. Whether or not, Article 31(3) of ER serves some specific purpose? Remains to be seen!

(This article was compiled by Mradul Gupta, Senior Manager, Tax Division)

Did you know?

Arial font

Arial was designed in 1982 by Robin Nicholas and Patricia Saunders, two mono type imaging workers, as an alternative to Helvetica, with a primary goal of compatibility and wider language support. Arial was created to be metrically compatible with Helvetica, which means that it could be used as a substitute without requiring significant layout changes. The decision to create Arial was influenced by the need for a Helvetica alternative with a broader range of character sets to support various languages and typographic requirements. Arial became popular due to its widespread bundling with Microsoft Windows operating systems, making it one of the most commonly used typefaces in digital documents.

Times New Roman font

Times New Roman was designed by Stanley Morison and drawn by Victor Lardent, both of whom were associated with the British newspaper "The Times." The typeface was commissioned by The Times newspaper in London to replace an older, more dated typeface they were using at the time. It was heavily influenced by the Plantin typeface, which is a classic old-style serif font. Morison and Lardent modernized and adapted Plantin to create Times New Roman, giving it a more contemporary and legible appearance. Its classic design and readability have made it a timeless typeface that continues to be widely used in typography.

Events and Happenings

Our Brand Journey

PKF, or Pannell Kerr Forster as we were once known, was formed by four firms in Australia, Canada, the United Kingdom and the United States in 1969. Since then, over 200 PKF International member firms all over the world have united in their ambitions, values and standards under one brand. Our identity has movement; we are a community that is constantly evolving and adapting. With the forward momentum of our united strength, we are a community that can achieve anything.

PKF CAP

Two partners from PKF-CAP LLP, member firm in Singapore, are taking on esteemed new roles within the accounting profession. Eng Kian Lee, Managing Partner and Head of Audit and Assurance at PKF-CAP, has been appointed to the SME Implementation Group (SMEIG) by the International Financial Reporting Standards Foundation. Woon Pheng Ong, Director of Corporate Finance and Financial Advisory Services at PKF-CAP, has been named as an intangible asset (IA) and intellectual property (IP) valuation expert for the Intellectual Property Office of Singapore and the World Intellectual Property Office (Singapore).

FREEZONE OFFSHORE UPDATE

End-of-service benefits for private sector

New end-of-service benefits for private sector employees

HH Sheikh Mohammed bin Rashid Al Maktoum, Vice President, Prime Minister, and Ruler of Dubai, announced the UAE is bringing in a new end-of-service gratuity system for employees working in the private sector, according to state news agency WAM. HH Sheikh Mohammed unveiled the plan while chairing a meeting of the UAE Cabinet in Abu Dhabi. HH Sheikh Mohammed wrote on X, (formerly Twitter) -

> "This system will be optional for employers to join and will involve the establishment of savings and investment funds from the private sector, overseen by the Securities and Commodities Authority (SCA) in co-ordination with the Ministry of Human Resources and Emiratisation (MOHRE).

Through this system, employees can save and invest their end-of-service benefits in various investment options. The goal is to safeguard the savings of employees, which represent their end-of-service benefits in the companies they work for, ensuring their rights and providing stability for their families.

HH Sheikh Mohammed said public sector workers will also be able to participate in the end-of-service system, for the purposes of savings and investments. The new end-of-service savings initiative launched by the government would enable workers to invest in their futures and help attract more overseas talent to the country.

The benefits system – primarily aimed at the private sector and free zones would serve to safeguard the savings of employees and encourage financial stability for families. The ability for employees to invest and protect their accrued end-of-service gratuity marks a significant development in the UAE Labour Law.

The introduction of this alternative end-of-service benefits system for private sector employees and free zone workers in the UAE would provide an extra layer of financial security for workers.

Unlike the traditional gratuity system, this alternative is flexible and enables employees to actively grow their end-of-service benefits through a range of investment options, supervised by the SCA and the MOHRE. The optional nature of this system provides employers with the freedom to opt in, which makes it a win-win for all the stakeholders involved. The fact that government sector employees can also participate amplifies the system's reach and impact, fostering a culture of savings and investment across different layers of the workforce. Overall, this progressive initiative serves as an empowering mechanism for private sector employees, allowing them greater control over their financial future.

The initiative would strengthen employee's statutory entitlements and bolsters the UAE as an international business hub at attracting and retaining top talent. However, it would be interesting to see which employees take up this opportunity first and the momentum that follows. The UAE has always been at the forefront in the Middle East when it comes to safeguarding employee rights, whether for expatriates, international hires, or local staff.

The scheme is made up of three investment options, the UAE Government Media Office said. These are: Risk-free investment that maintains capital; risk-based investment where the risk varies between low, medium and high; and Sharia-compliant investment.

Companies taking part will be asked to pay a monthly contribution under the scheme. At the end of service, employees will receive the savings they have accrued and the returns made from their participation in investment funds. The system will be in addition to existing gratuity schemes, under which staff receive a lump sum when they leave their jobs.

The UAE has taken steps to promote the benefits of long-term savings in recent years. In March 2022, HH Sheikh Hamdan Bin Mohammed Al Maktoum, Crown Prince of Dubai, announced that non-Emirati employees working in Dubai's government and public sector could join a new savings pension plan. A variety of investment plans were to be offered, some of which will be Sharia-compliant. Capital protection will be ensured for employees who do not wish to invest.

In October, National Bonds, the Sharia-compliant savings and investment company owned by the Investment Corporation of Dubai, unveiled a Golden Pension Scheme to help private-sector foreign employees with their financial planning. The scheme would give employees working for registered companies a head start in retirement planning through returns offered by National Bonds.

(This article was compiled by Chaitanya G. Kirtikar, Associate Director, Structuring Services)

OMAN UPDATE

New Social Protection Law

Background

The groundbreaking long awaited new law Oman Labour Law Decree, issued by Sultan Haitham Bin Tarik, is closely aligned with the principles of Oman Vision 2040 was issued on 24 July 2023 by Royal Decree 53/2023 (New Law). It repeals Royal Decree 35/2003 (Old Law) and comes into force the day after publication in the Official Gazette. The new law addresses crucial aspects of working conditions in the country, including provisions related to leave allowances, pay ment structures, and contracted working hours. The related implementing regulations to the New Law are expected to be issued within the coming months.

Key features of Oman's new Labor Law

The Social Protection Law promulgated by the Royal Decree 52/2023 expands the social security cover to expatriate workers who will be covered for employment injury, maternity, and sickness under the same terms as national workers. The protections offered under the law are very wide in scope, and while Omanis are primary target of these protection, some do apply to non-Omanis. The social protection law has replaced the current system of end-of-service grant or gratuities with the saving systems that is disbursed by the employer for non-Omanis.

Before going into brief summary of benefits extended to employees working in Oman, we have divided the benefits provided in two parts.

Part I - Additional benefits extended to employees as compared to Old Law		
Article ref.	As per new Law	As per old Law
Article 61 – Gratuity Pay provision and new "Savings fund" scheme for Expats.	The new Social Securities Law states that a "savings fund" shall be established. This is linked to the new gratuity/end of service benefit provisions under the New Law. Until the new "Savings fund" is established, expats are entitled to a full month's salary for each year when calculating end of service benefits. The Social Securities Law, which was also issued in earlier week, provides that a Ministerial Decision will be issued regarding the effective date of this fund within no more than three years, so the effective date is not yet known.	Under the Old Law, expat employees were entitled to 15 days' salary for each of the first three years of service and then 30 days' salary for each following year when calculating end of service benefit.
Article 70 – Working hours.	Working hours – reduced to 8 hours daily, 40 hours in total for a week excluding 1 hour break daily.	Working hours – 8.5 hours daily, 42.5 hours in total for a week excluding 30 minutes break daily.
Article 82 – Sick Leave.	In total 182 days paid sick leaves are provided based on a scaled percentages of comprehensive wages.	Only 70 days paid sick leaves are provided based on a scaled percentage of comprehensive wages.

Part I - Additional benefits extended to employees as compared to Old Law		
Article ref.	As per new Law	As per old Law
Article 84 – Maternity Leave provision and Additional leave in case of unforeseen events	Maternity leave is increased to 98 days but no clarification is provided yet for number of times it can be availed during service with same employer. Leaves are increased up to ten days in case of death of wife or one of the sons or daughter, Three days in the event of the death of the father, mother, grandfather, grandmother, brother or sister and two days in case of death of an uncle, aunt, uncle or aunt.	Earlier, only 50 days maternity leave was provided which could be availed maximum three times during service with same employer. Earlier, at the time of unforeseen events like death of relatives only three days of leave were granted in case of death of a son, daughter, mother, father, wife, grandfather, grandmother, brother or sister and two days in case of death of an uncle, or an aunt.
Article 81 - Amendment in availing annual leave and encashment of leave balance	Employers could postpone or workers willingly could postpone their annual leave by maximum 6 months, Workers must take leave at least one leaves every two years for minimum 30 days and incase workers do not take or avail their annual leave, they were obliged to receive full wages i.e. gross wages for their annual leave balance, if any at the end of service.	Earlier, employers could postpone or workers willingly could postpone their annual leave by one year, Workers shall take leave at least one leave every two years for minimum two weeks and incase workers do not take or avail their annual leave, they were obliged to receive basic wage for their annual leave balance, if any at the end of service.

Part II – New benefits extended to employees that were not considered in Old Law.	
Article ref.	New Law provision
Article 76	A nursing mother is given one hour at the time of her choice, fully paid per day to take care of her child (applicable up to one year from end of maternity leave) that means such a nursing mother have to serve 8 hours daily after maternity leave but such 8 hour includes fully paid 1 hour daily up to maximum one year from end of maternity leave to take care of her child.
Article 83	Incase, as per article 76 of new law, female worker is provided 1-hour daily upto maximum one year from end of maternity leave is insufficient, they can voluntarily be granted upon their request a leave for 1 year to take care of her child but such a leave is unpaid.
Article 84	New law has not only increased maternity leave as compared to old law but also considered paternity leave. Paternity leave up to seven days is provided. Additional benefit of 14 days leave is provided to non-Muslim women in case of husband’s death and 15 days throughout the year for the Omani worker to accompany a patient, with whom he/she is related by marital relationship or relationship up to second degree i.e. uncle, aunt, niece, nephew, grandfather, grandmother etc.
Article 78 and 80	In new law, there is a provision for carry forward of annual leave balance for not more than 30 days and government is considering a provision for special leave without pay as well.
Set productivity targets and termination for poor performance: The law also grants employers the authority to set productivity targets and terminate the contracts of workers who fail to meet the required performance level, provided that the employee has failed to improve their performance within six months of notification by the employer of the areas for improvement.	

Part II – New benefits extended to employees that were not considered in Old Law.
Redundancy now recognised: Employers are now expressly permitted to terminate employment contracts for economic reasons. A committee with members from the approved Ministries will review requests for redundancy and either approve or suggest "alternative solutions" to keep the business going without having to terminate employees.
Non-compete clauses: Clause shall only be valid for two years and in the area where the employer's activities are conducted.
Promoting localization: Non-Omani employees can have their contracts terminated if they are replaced by Omani workers, with the intention of empowering the local workforce and reducing reliance on foreign labor. Employers are required to disclose their annual plans for localization and replacement of the workforce. Moreover, the law mandates every establishment to devise a plan for appointing and training Omanis for leadership roles and ensuring its effective implementation.

Overall, the new Labour Law in Oman is a comprehensive and progressive step towards fostering a productive and inclusive work environment, aligning with the country's broader vision for sustainable development. The law's implementation involved thorough consultations with stakeholders and reflects a commitment to modernizing labor practices in Oman.

(This article was compiled by Anish Thakkar, Audit Senior, PKF LLC Oman)

RANGE OF SERVICES

Audit, Assurance & Advisory

- Statutory audit
- Other assurance services including Agreed-upon Procedures
- Compilation of financial statements
- Agreed-Upon Procedure for RERA
- Unified In-Country Value certification (ICV) for ADNOC, ADDED, Aldar, Abu Dhabi Ports, ENEC and Mubadala
- Training, consulting and implementation of IFRS
- Internal audit including compliance for DFSA and ADGM regulated entities
- Enterprise risk assessment
- Internal control review
- Risk management review
- Finance and Accounting Procedures Manual
- Business process review
- Due diligence reviews
- Forensic and other investigations
- Delegation of authority matrix
- Information technology / cyber security review

Corporate Finance

- Financial due diligence
- Market analysis and feasibility studies with financial forecasts
- Business & share valuations
- Identification & valuation of intangible assets on a business acquisition (purchase price allocation)
- Impairment reviews
- Preparation of Business Plans and Information Memoranda
- Fund raising
- Advice on partner/share holder entry/exit
- Review of financial models
- Sale of business

Business Structuring Services

- Book keeping and accounting services
- Payroll and HR management and processing
- Confidential processing of payroll
- Short term placement of accounting staff
- Outsourced accounting & payroll services for DIFC companies
- Fixed asset management
- Inventory verification and reporting

Structuring Services

- Entry strategy
- Free zone, mainland and offshore company formation
- Company liquidation / de-registration services
- Registered agent and registered office services
- Company re-domiciliation / migration services
- Visa services (application and renewal)
- Conversion of mainland LLCs to 100% foreign ownership
- Identification of local agent for mainland professional licenses
- Succession planning
- Statutory compliance services for UAE based entities

Tax Advisory and Compliance

- Tax Advisory Services
- VAT and Excise Tax Implementation support
- VAT and Excise Tax registrations, amendments and deregistration
- Assistance in preparing and filing of VAT and Excise Tax returns
- Diagnostic reviews and health checks for VAT and Excise
- Represent / liaison with relevant authorities on taxation matters
- Tax Agency Services
- Assistance in evaluation, preparation & filing of reports under UAE ESR & CbCr regulations
- Cross-Border tax advisory
- Tax due diligence
- Training on tax matters

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PUBLICATIONS

- Practice Profile
- Doing Business in the UAE
- Credentials
- Free Zones in the UAE

All the foregoing publications can be obtained from any of the offices in UAE and Oman

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