



# Introduction to Personal Income Tax Law in Oman

Ref: Royal Decree No. 56/2025

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### Effective Date of Personal Income Tax Law: 1<sup>st</sup> January 2028

**Disclaimer:** This is an unofficial English translation of the law, the original text of which was issued in Arabic. We have compiled the information contained in this publication with due diligence and care.

His Majesty Sultan Haitham bin Tarik has issued **Royal Decree No. 56/2025 promulgating the Personal Income Tax Law** in the Sultanate of Oman. Which consists of 76 Articles, systematically structured into 16 Chapters covering definitions, scope, taxable income, exemptions, computation, filing requirements, and penalties.

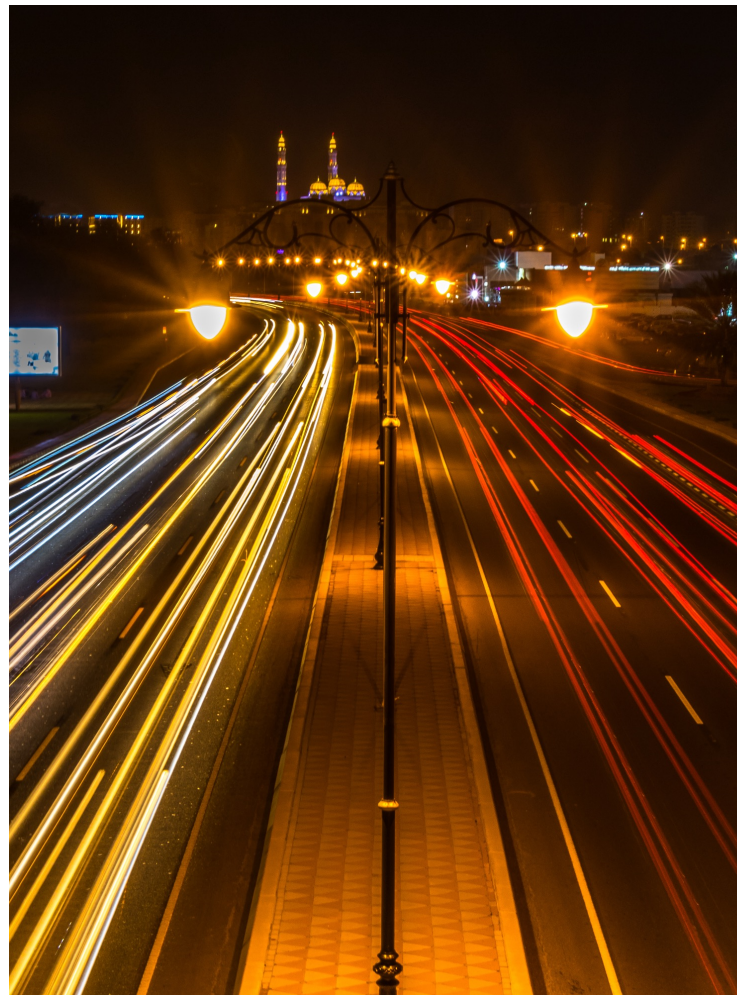
Taxability depends on meeting conditions specified in the law, and further details will be issued through Executive Regulations by the Tax Authority to ensure effective implementation and clarity.

This law is part of Oman's wider tax reform under **Vision 2040** to diversify government revenue streams while ensuring equitable contributions from higher-income earners.

Personal tax will be imposed at a rate of 5% on anyone whose annual gross income exceeds OMR 42,000, after deducting expenses such as education, healthcare, and other deductions and exemptions specified by law.

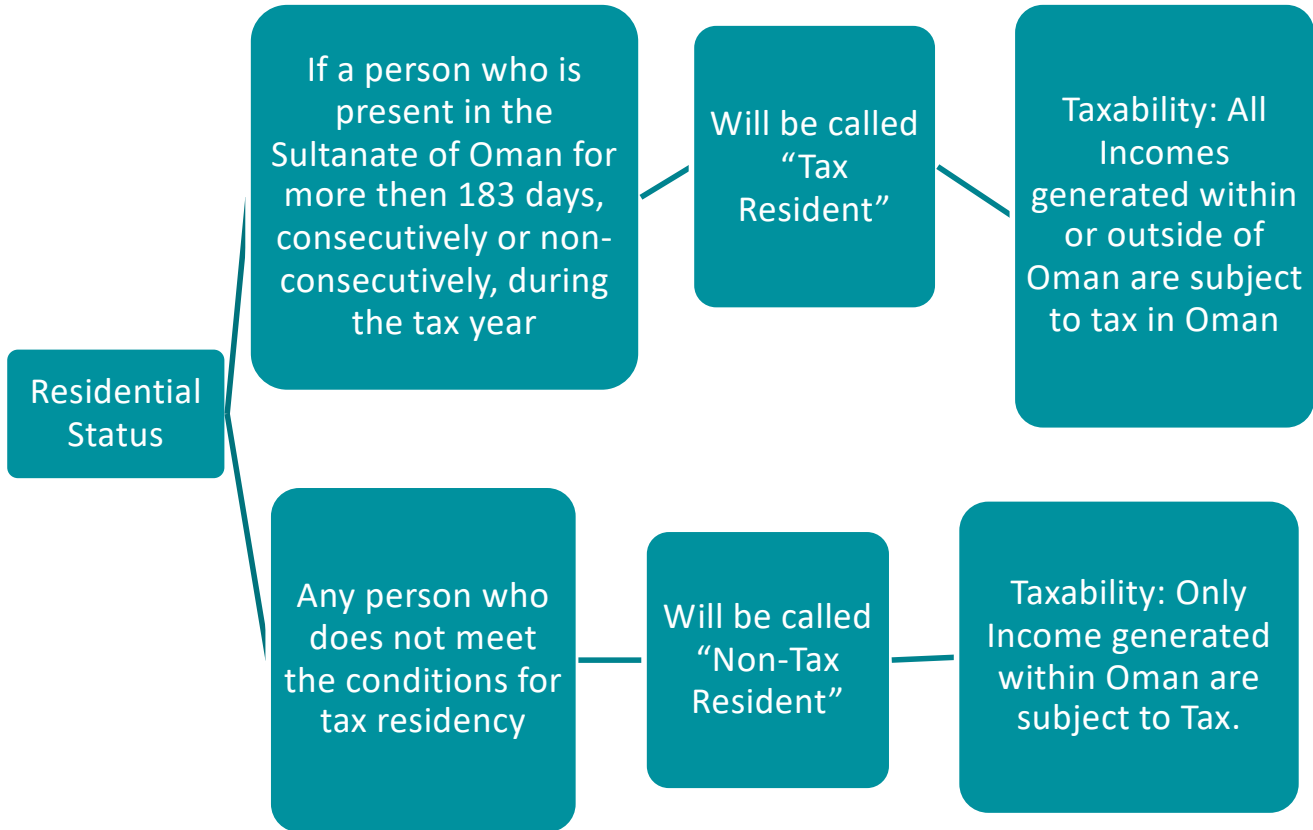
### Important definitions

- ❖ **Person:** A Natural Person subject to the tax, whether a tax resident or non-tax resident.
- ❖ **Tax year:** Calendar year – from January 1 to December 31.
- ❖ **Gross income:** Sum of all amounts received by person during the year whether in cash or in-kind benefits in accordance with this law.
- ❖ **Net income:** The amount of income exceeding OMR 42,000.
- ❖ **Taxable income:** Net income after deducting exemptions, costs, losses and any specific deductions mentioned in this law.
- ❖ **Tax Resident:** A person, whose presence in the Sultanate of Oman exceeds 183 days, consecutively or non-consecutively, during the tax year.
- ❖ **Non-Tax Resident:** A person, who does not meet the conditions for tax residency in the Sultanate of Oman.

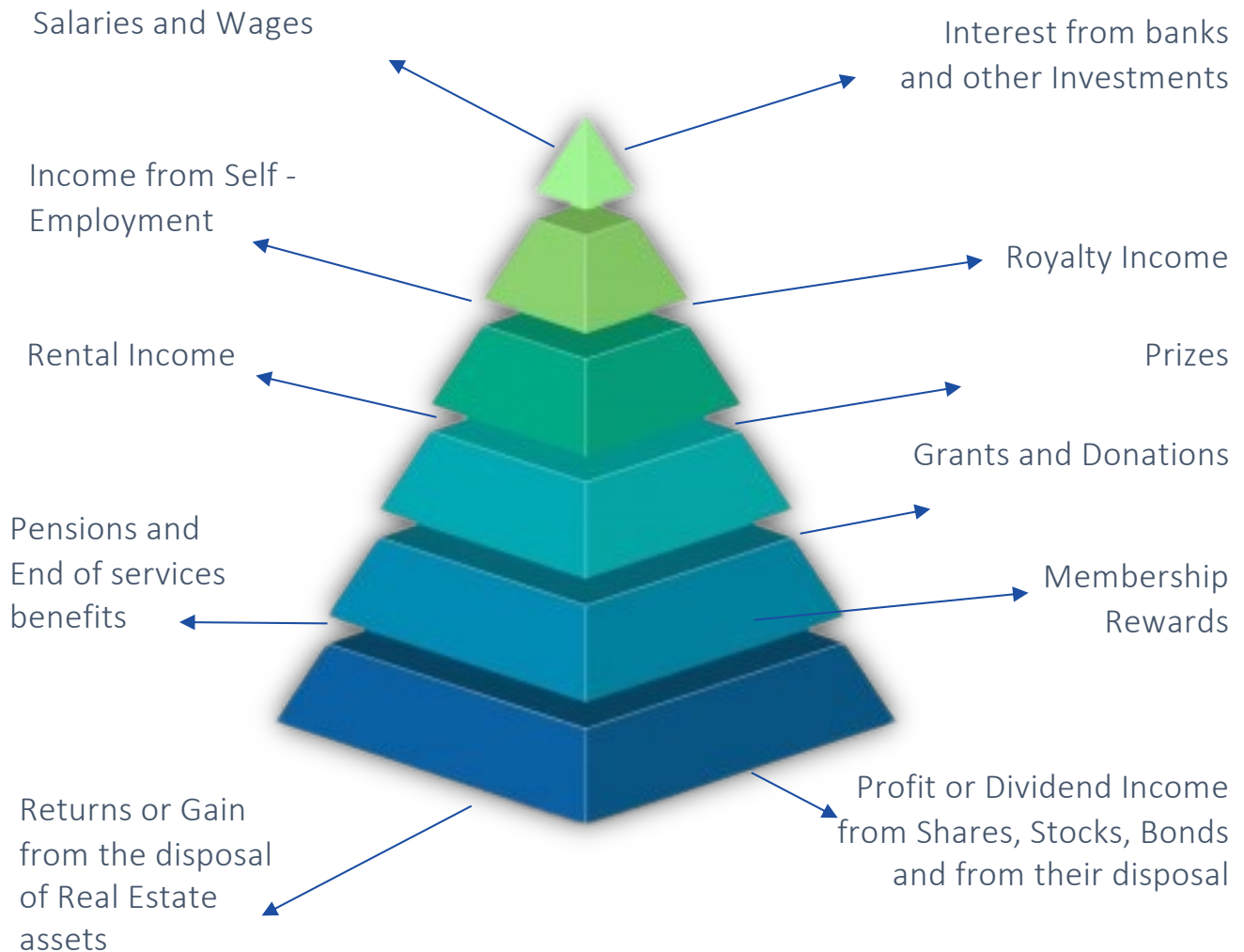




## Residential Status and Taxability:



## Gross taxable income



### Calculation of Taxable Income:

**Net Taxable Income = Gross Income – OMR 42,000 – Exemptions -Deductions**

## Tax exemptions

- ❖ Diplomatic and consular staff are exempt from tax on salaries and allowances received in Oman (subject to reciprocal treatment for Omani diplomats abroad).
- ❖ Salaries earned by Omani tax residents from employment outside Oman are exempt.
- ❖ Contributions to pension or end-of-service schemes are exempt up to two schemes only.
- ❖ Education and Health Care related expenses subject to specific conditions.
- ❖ Basic accommodation provided to an individual is tax-exempt unless rented out to them after two years of occupancy.
- ❖ Disposal of secondary residence, once in lifetime.
- ❖ Donations or Zakat subject to 5% of the Gross Taxable income.
- ❖ Income or Gain from government securities such as Sukuk, Bonds etc.
- ❖ Income from inheritance, bequests, grants, or gifts between spouses or first-degree relatives is tax-exempt.
- ❖ Interest paid on loans or Islamic financing to build or buy a primary residence is tax-exempt once in a lifetime, subject to executive regulation conditions.
- ❖ Income from industrial property rights (e.g., patents, designs, trademarks) is tax-exempt for 5 years from registration.

## Other provisions

- ❖ Set off and Carry Forward of Losses: Can be set off with specified income up to 5 years.
- ❖ Annual Return Filing: Within six months from the end of the year.
- ❖ Additional tax on late payments: 1% per month.

The Executive Regulations are expected to be issued shortly, which will provide further clarity on the law's provisions and outline detailed compliance requirements.

## Recommendations

- ❖ Comprehensive records of global income are essential for compliance for Tax Residents.
- ❖ Documenting income and allowable deductions ensures optimal tax efficiency.
- ❖ Timely filing and payment safeguard against penalties under Omani tax law.
- ❖ Individuals must track their days in Oman to determine tax residency status.



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