



Introduction to Personal Income Tax Law in Oman

Ref: Royal Decree No. 56/2025

Reference: Royal Decree No. 56/2025

Effective Date of Personal Income Tax Law: 1st 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.

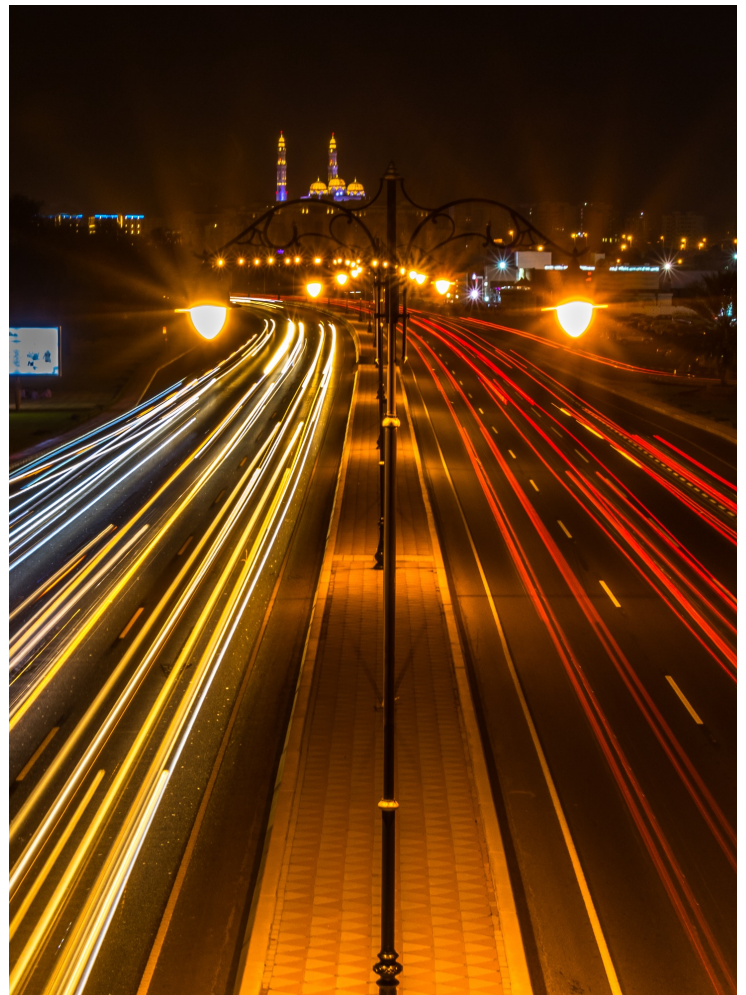
Taxability depends on meeting conditions specified in the law, and further details will be issued through Executive Regulations by the Tax Authority to ensure effective implementation and clarity.

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.

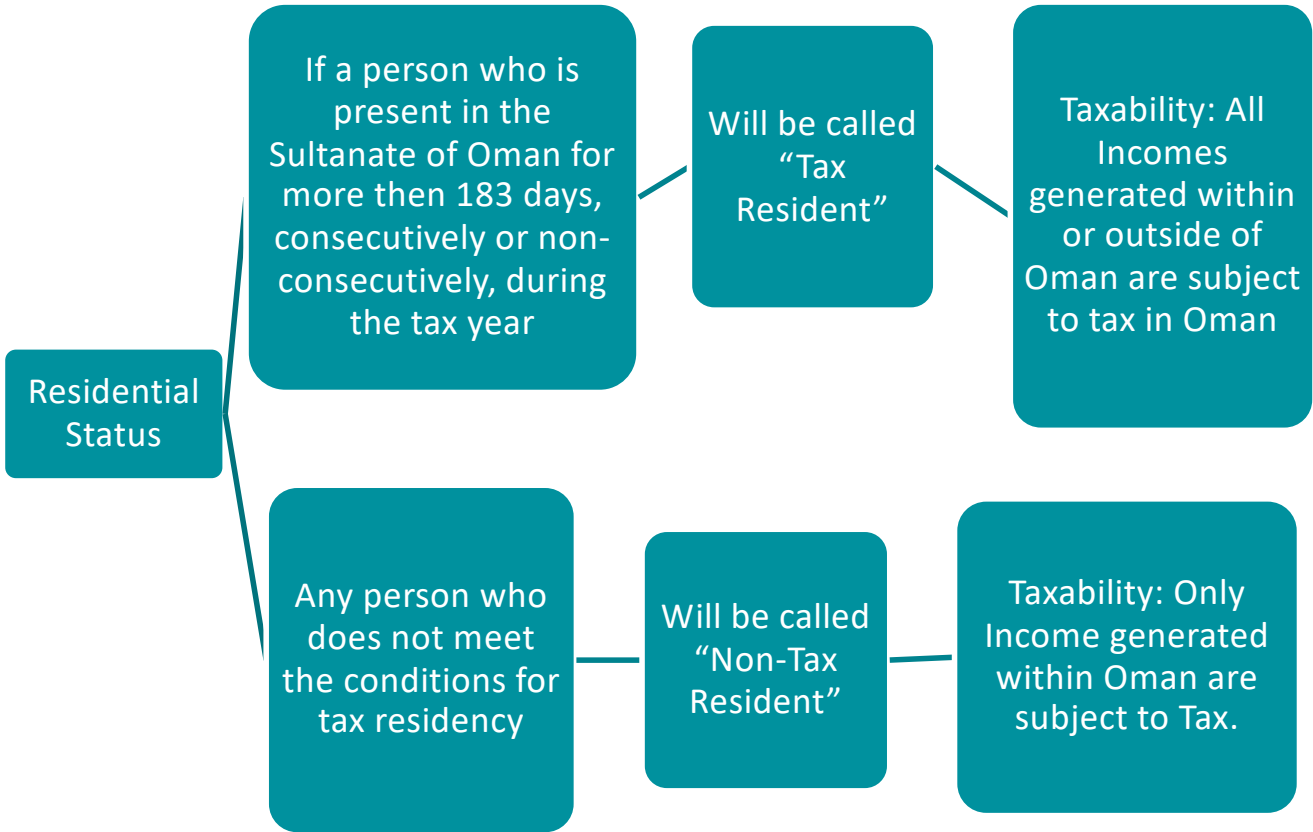
Personal tax will be imposed at a rate of 5% on anyone whose annual gross income exceeds OMR 42,000, after deducting expenses such as education, healthcare, and other deductions and exemptions specified by law.

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:

$$\text{Net Taxable Income} = \text{Gross Income} - \text{OMR 42,000} - \text{Exemptions} - \text{Deductions}$$

Analysis for NRI

A side-by-side analysis on Personal Income Tax Law in Oman and Oman -India CEPA:

Aspect	Oman Personal Income Tax Impact	CEPA / India–Oman Treaty Impact on NRIs
1. Introduction of Personal Income Tax	Oman will introduce 5% personal income tax from 2028 on income above OMR 42,000. Applicable to residents and certain non-residents.	CEPA does not change tax rates , but increased business and employment under CEPA may result in more taxable income in Oman.
2. Tax Residency Status	NRIs staying long-term in Oman may become tax residents and be taxed on worldwide income . Non-residents are taxed only on Oman-source income.	CEPA facilitates longer stays and mobility, which may increase chances of becoming tax resident in Oman.
3. Scope of Taxable Income	Salary, professional fees, business income, rental income, and Oman-source investments may become taxable.	CEPA expands trade and services, increasing professional and business income opportunities subject to Oman tax.
4. Double Taxation Relief (DTAA)	Taxes paid in Oman can be considered for relief under treaties.	India–Oman DTAA allows foreign tax credit / exemption , preventing double taxation on the same income.
5. Cross-Border Payments & WHT	Certain payments to non-residents may attract withholding tax under Oman law.	DTAA caps WHT on interest, royalties, and technical fees, improving net returns for NRIs.
6. Long-Term Tax Planning	From 2028, NRIs must plan salary structure, deductions, and income timing to minimize tax.	CEPA improves business scale and stability, making structured tax planning more important for long-term benefits.

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.

Contact us

Our team is here to **support** you or assist with your compliance requirements

MGI Vision is your **trusted partner** in Oman



Abdul Majid Al Abri
Partner
+968 94845000
a.majid@mgivision.com



Piyush Thakkar
Managing Partner
+968 98991818
pmthakkar@mgivision.com



About MGI Worldwide

MGI Worldwide is a leading international network and association of over 8,500 audit, accounting, tax, legal and consulting professionals in some 440 locations around the world.

Follow us on



www.mgiworld.com

MGI Worldwide is a leading international network of separate and independent accounting, legal and consulting firms that are licensed to use "MGI" or "member of MGI Worldwide" in connection with the provision of professional services to their clients. MGI Worldwide is the brand name referring to a group of members of MGI Ltd., a company limited by guarantee and registered in the Isle of Man with registration number 013238V, who choose to associate as a network as defined in IESBA and EU rules. MGI Worldwide itself is a non-practising entity and does not provide professional services to clients. Services are provided by the member firms of MGI Worldwide. MGI Worldwide and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.