

OMAN TAX ALERT

Personal Income Tax

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Oman Enacts Personal Income Tax Law – Effective from 1 January 2028

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His Majesty Sultan Haitham bin Tariq issued Royal Decree No. 56/2025 on 22 June 2025, promulgating the Personal Income Tax (PIT) Law in the Sultanate of Oman.

The PIT Law was thereafter published in the Official Gazette No. 1602, on 30 June 2025, comprising 76 articles across 16 chapters, and will come into effect from 1 January 2028.

Key Definitions

- **Person:** A natural person subject to PIT, including both tax residents and non-residents.
- **Tax Resident:** Any person who is present in the Sultanate of Oman for 183 days or more (consecutively or non-consecutively) during the tax year.
- **Non-Tax Resident:** Any person who does not meet the tax residency conditions.
- **Tax Year:** A calendar year beginning on 1 January and ending on 31 December.
- **Employer:** Any party for whom a person works, including individuals, state administrative units, public and private entities, charitable organizations, and international organizations operating in Oman.
- **Gross Income:** The total amount of cash and in-kind benefits received by the person during the tax year in accordance with this Law.
- **Net Income:** The amount of income exceeding OMR 42,000.
- **Taxable Income:** Net income after deducting exemptions, costs, and losses as specified in this Law or international treaties.

Who will be subject to PIT in Oman

PIT will be levied at a rate of 5% on an individual’s net taxable income earned during a tax year as follows:

Category	Scope of Income
► Tax Residents	► Income earned within and outside Oman
► Non-Tax Residents	► Income earned within Oman only



Calculation of Taxable Income

We have illustrated below how the tax due under the Oman PIT Law would be calculated:

Particulars	Amount (OMR)
▶ Aggregate of Gross Income (A)	50,000
▶ Less: Annual Income exemption limit (B)	(42,000)
▶ Net Income (C = A – B)	8,000
▶ Less: Eligible exemptions, deductions, and carried forward losses (D)	(3,000)
▶ Taxable Income (E = C – D)	5,000
▶ Tax Due = 5% of the Taxable Income (Ex5%)	250

Taxable Gross Income Consist of the following:

Component	Details
Salaries and wages	Includes all cash/in-kind compensation for employment: salaries, bonuses, allowances, overtime, incentives, etc. Compensation for salary loss is included, pension payments are excluded.
Self-employment	Earnings from unregistered commercial, professional, or artisanal activities.
Rent	Rental income from real estate, machinery, or equipment (fixed/movable assets).
Royalties	Includes licensing of intellectual property, specialized knowledge, and use of equipment.
Interest	Returns from deposits, savings, loans, bonds, and investment certificates.
Profits from Shares/Sukuk	Includes dividends, equity interest distributions, sukuk returns, and capital gains from their disposal.
Disposal of Real Estate Assets	Capital gains from transfer of ownership or usufruct rights.



Component	Details
Pensions and end-of-service benefits	Includes all retirement-related entitlements.
Prizes	Includes winnings (cash or in-kind) from authorized raffles or draws.
Grants and donations	Cash or in-kind benefits received freely without obligation (non-employer).
Board remuneration	Includes fees for serving on councils and boards of public or private entities.

Exemptions and Deductions

The following are exempt from PIT, subject to the fulfillment of specific conditions:

- Salaries of foreign diplomatic or consular staff in Oman.
- Allowances to Omani residents working in foreign diplomatic missions.
- Salaries of Omani tax residents from employment **outside Oman**.
- Mandatory/voluntary pension and end-of-service contributions.
- Education and healthcare expenses for self, spouse, parents, first-degree relatives, and dependents.
- Income from the sale of a **primary residence**.
- Income from the sale of a **secondary residence** – exempt once in a lifetime.
- **Zakat** and charitable **donations**.
- Sukuk returns and gains from their disposal.
- **Interest income** from treasury bills and bonds, issued by the Government of Oman, and any gains from their disposal.
- Compensation unrelated to salary.
- Income from **inheritance, bequests, grants, or donations** received from spouses or first-degree relatives.
- Interest paid (or equivalent Islamic cost) on loans used to buy/build primary residence – exempt once in a lifetime.
- Income from industrial property rights (e.g., patents, trademarks).



One-time special exemption: Income earned from outside Oman by a **tax resident** during the **first 18 months** after becoming a tax resident (post non-residency).

Carry forward of Tax Losses



Losses from the below sources can be carried forward and set off against the same income source for up to **5 years**:

- Self-employment
- Rental income
- Disposal of real estate
- Disposal of shares, equity interests, sukuk, and bonds

Tax Returns



- Individuals with gross income **exceeding OMR 42,000** must file a tax return and remit the tax within **6 months** from the end of the tax year.
- Employers may file PIT returns on behalf of employees whose income is solely from **salaries, pensions, or board remuneration**.
- Employers are responsible for withholding PIT on salaries, pensions, end of service benefits, and board remuneration.

Key Takeaways



As the PIT Law comes into effect from 1 January 2028, early planning and system readiness are critical for both individuals and employers:

► Individuals:

- Individuals are encouraged to begin **tracking their physical presence in Oman** to assess their **residency status** for PIT purposes
- Understand the scope of **taxable income**, available **exemptions**, and **filing obligations** under the new law
- Review tax treaties applicable
- Organize financial records and plan for tax compliance



► Employers:

- Establish internal systems and payroll processes for **PIT withholding**
- Review employment contracts and compensation structures of employees
- Educate employees on PIT implications and support compliance
- Develop protocols for **filing returns** and **remitting tax** on behalf of employees

What's Next?

The Executive Regulations of the PIT Law are expected to be issued within **one year**, providing detailed procedures and implementation guidelines.

Our team at MMJS shall continue to monitor the progress and provide with updates on release of the Executive regulations and any other updates with regards to PIT. Should you need our assistance in discussing further the said update or any other tax matters, please reach us at vat@mmjs.co or your known MMJS contact.

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