



OMAN'S NEW CHAPTER: PERSONAL INCOME TAX STARTING IN 2028

With the enactment of Royal Decree No. 56/2025, His Majesty Sultan Haitham bin Tarik has introduced Oman's first-ever Personal Income Tax (PIT), set to take effect on January 1, 2028. This historic move makes Oman the first country in the Gulf Cooperation Council (GCC) to implement personal income taxation, expanding beyond its existing corporate tax regime.

Oman's new PIT law is a key component of the nation's Vision 2040 strategy for economic diversification. The government has conducted extensive research before introducing the tax, paying particular attention to the exemption threshold. As a result, approximately 99% of the population is expected to remain exempt from taxation.



KEY HIGHLIGHTS OF THE NEW PERSONAL INCOME TAX (PIT) LAW

Under the new law:

- Individuals earning over OMR 42,000 (approximately AED 400,000) annually will be taxed at a flat rate of 5%.
- The law applies to both Omani nationals and expatriates, with specific rules based on residency status.
- Residents, defined as individuals present in Oman for more than 183 days in a tax year, will be taxed on their worldwide income.
- While Non-residents will be taxed only on income sourced within Oman.

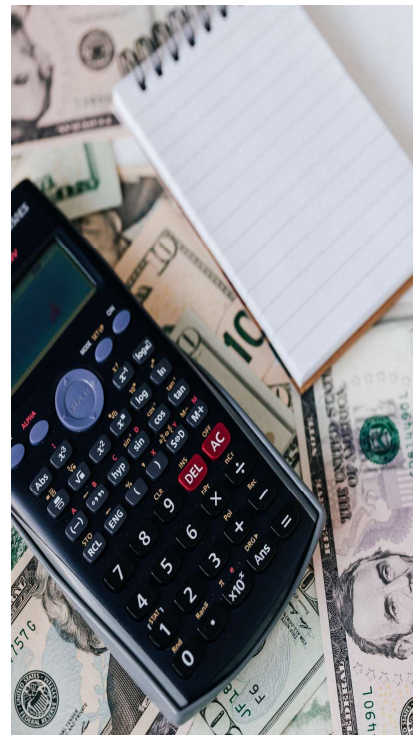
SCOPE OF TAXABLE INCOME

The Personal Income Tax (PIT) law in Oman casts a wide net, covering a diverse range of income sources to ensure a comprehensive and fair tax system. Under the regulation, all income earned by an individual — whether from employment, investments, or other personal pursuits — may be subject to taxation, depending on the specifics of residency and income type.

The law covers various sources of income, including:

- Salaries, wages, and allowances
- Professional and business income (self-employment income)
- Rental income
- Royalties and income from intellectual property
- Interest and dividends
- Proceeds from the sale of real estate and securities
- Retirement pensions and end-of-service gratuities
- Prizes and awards
- Gifts and inheritances
- Board membership remuneration

For taxation purposes, the Royal Decree defines gross income as “all cash amounts and in-kind benefits received by the individual.” providing a broad basis for income assessment.



DEDUCTIONS & EXEMPTIONS

The upcoming Personal Income Tax (PIT) law incorporates targeted deductions and exemptions designed to promote fairness, reduce the tax burden on middle-income earners, and recognize essential personal expenses. These provisions aim to create a balanced approach that supports individuals while ensuring revenue collection aligns with national development goals. Key deductions include:

- Education expenses
- Healthcare and medical costs
- Zakat and charitable donations
- Endowments (waqf)

The Oman Tax Authority has also announced several exemptions, such as:

- Income earned outside Oman for up to two years (limited to one time)
- Income from the sale of a primary residence
- Income from the sale of a secondary residence (limited to one time)
- Income from inheritance and gifts
- Income derived from industrial property rights for five years from registration

REGULATORY COMPLIANCE & FILING OBLIGATIONS

It is crucial for individuals and employers to understand their compliance responsibilities to avoid penalties and ensure smooth tax administration.

All residents and non-residents with a gross annual income exceeding OMR 42,000 must:

- File an electronic tax return within a **six-month window** following the end of the relevant tax year.
- Pay the due tax amount simultaneously along with filing the tax return.

Employers are required to withhold income tax from salaries, pensions, end-of-service benefits, and board remuneration. Failure to comply may result in penalties, interest, or administrative sanctions.

The first **PIT tax year is in 2028**, with the **filing deadline set on June 30, 2029**. Late payments can incur penalties of up to 1% of the unpaid amount.

MOVING FORWARD FOR INDIVIDUALS & EMPLOYERS

As Oman prepares to implement its first Personal Income Tax (PIT) regime in 2028, it is vital for both individuals and employers to take proactive measures to ensure full compliance and smooth adaptation to the new regulations. Here are some guide on how to prepare:

For Individuals:

- **Track Residency Days and Foreign Income**

Carefully monitor and record the number of days spent within Oman to accurately determine your residency status, which affects tax liability. Additionally, keep detailed records of any foreign income earned, as this may impact your reporting obligations and exemptions.

- **Retain Receipts for Deductible Expenses**

Maintain organized documentation of deductible expenses such as tuition fees, medical bills, health insurance, and charitable donations like Zakat. These receipts will be essential when claiming exemptions or deductions on your tax return.

- **Declare All Forms of Non-Cash Benefits**

Be transparent and document benefits-in-kind received from your employer, such as company-provided housing, cars, stock options, or other in-kind perks. Proper declaration of these benefits is vital for accurate tax reporting and compliance



For Employers:

- **Update Payroll and HR Systems**

Modify existing payroll software to incorporate automatic withholding and remittance of income tax from employee salaries, pensions, end-of-service benefits, and board member remuneration. Ensure your systems are capable of accurately calculating withholding based on the new thresholds and rates.

- **Classify Benefits-in-Kind Properly**

Clearly differentiate between employee benefits-in-kind (such as housing allowances, transportation, or stock options) and regular salary components. Proper classification ensures correct tax reporting, appropriate tax treatment, and compliance with legal obligations.

- **Prepare for Electronic Reporting and Withholding**

Establish procedures for electronic submission of tax declarations and real-time withholding of taxes, as mandated by Oman's tax authority. Train HR and payroll personnel on the new reporting platforms and deadlines to avoid penalties or delays.

- **Enhance Record-Keeping and Documentation**

Maintain detailed records of taxable income, benefits, and withheld amounts. Proper documentation will facilitate compliance during audits and help resolve any disputes swiftly.

A PIONEERING MOVE IN THE GULF REGION

As the first Gulf country to implement personal income tax, Oman's decision signifies a groundbreaking shift in the regional economic and tax landscape. This move represents more than just fiscal policy—it's a strategic effort to diversify revenue streams, attract regional and international investment, and strengthen economic resilience. Oman's initiative sets a precedent that could influence neighboring countries to reconsider their own tax frameworks in the future.

While other Gulf nations have yet to introduce similar measures, Oman's bold step is expected to draw significant regional and global attention. Its impact will be closely monitored, and the broader Gulf region may gradually adapt to this new norm of tax transparency and compliance. The Oman Tax Authority is anticipated to release further guidance, detailed regulations, and clarification on compliance procedures as the rollout approaches.

Prepare your business for the future and stay ahead of the curve with expert insights and practical support. Stay connected with us **BAM Advisors** to understand how the upcoming personal income tax reforms could affect your organization and learn how we can assist you in ensuring full compliance and strategic planning.

To discuss how we can support you, please reach out to the **BAM Advisors** team



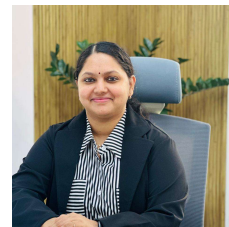
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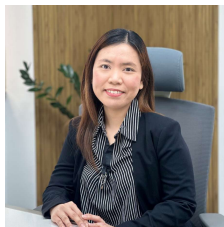
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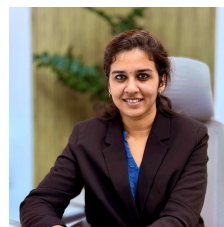
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