



Oman publishes the Personal Income Tax Law

Preparing the
workforce for the
2028 tax transition



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KPMG Middle East

Background

On 22 June 2025, Oman issued Royal Decree No. 56/2025 (“PIT Law”) promulgating Oman’s Personal Income Tax Law that was published in the Official Gazette on 30 June 2025. The PIT Law will enter into effect on 1 January 2028. Executive regulations will be issued within 12 months of the PIT Law’s publication in the Official Gazette (i.e. by 29 June 2026).

Key highlights of the PIT Law

Definitions


Personal income tax rate: 5%, applied to net taxable income above OMR 42,000 per annum (~USD 109,000).


Gross income: cash and benefits in kind received during a tax year.


Net income: amounts in excess of OMR 42,000 per annum.


Taxable income: net income less exemptions, costs and losses, subject to specified conditions.


Taxable income sources:


 Salary and wages (including bonuses, allowances, benefits in kind, share plans, compensation for loss of salary or wage, etc.)


 Self-employment (including income generated from any activity not registered in the commercial registration)

 Renting/leasing (including income from immovable and moveable property)

 Royalty (including income from industrial/intellectual property like patents, trademarks, etc.)

 Interest


 Dividends and any other returns on stocks, shares and bonds

 Capital gains (including gains on stocks, shares, bonds, real estate, etc.)

 Prizes

 Grants

 Gifts

 Pensions and end-of-service benefits

Taxable person: a natural person subject to personal income tax, including residents and non-residents.

Tax year: a full calendar year beginning on 1 January and ending on 31 December of the same year.

Tax resident: a person whose period of presence in Oman exceeds 183 continuous or intermittent days during a tax year.

Non-tax resident: any person who does not meet the description of a tax resident.

Taxability

Category	Includes	Taxed on
Tax resident	Omani citizens and expatriates	Worldwide income
Non-resident	Omani citizens	Oman-sourced income
Non-resident	Expatriates	Oman-sourced income (subject to treaty relief)

Exemptions (subject to specified conditions)

1. Salary received by members of diplomatic representations, subject to reciprocity.

2. Living allowances received by Omani tax resident working on a diplomatic mission.

3. Foreign-sourced income received by an Omani tax resident for up to 18 months after ceasing to be a non-resident (one time).

4. Salary received by an Omani tax resident for work outside Oman.

5. Contributions to post-employment pension and benefit systems, compulsory or voluntary (up to two systems).

6. Healthcare and educational expenses (for self, spouse, ascendants, first degree dependents and siblings under care).

7. Proceeds from disposal of primary residence where disposal is after 2 years of notifying authorities of the election of residence.
8. Proceeds from disposal of secondary residence (one-time).

9. Zakat, charitable donations, and waqf (up to 5% of gross income).

10. Returns (interest, dividends, capital gains, etc.) from government bonds, investment certificates and sukuk.

11. Compensation/payouts unrelated to salary or wage.

12. Inheritance, grants and gifts between spouses or first-degree relatives.

13. Housing loan interest (under conventional banking) or cost (under Islamic banking) for the construction or purchase of a primary residence (one-time).

14. Income from intellectual property rights (up to 5 years from the date of registration).



Deductions

(subject to specified conditions)

Unutilized losses, if any, are eligible for carry forward for up to 5 years and set off against the same source of income.

Source of income	Deductible cost
Self-employment	15% of the total income or actual expenses incurred in earning the income. Election between fixed and actual deduction allowed every 3 years. Recoverable input VAT incurred on expenses, if any, is not deductible.
Renting/leasing	15% of the total income or actual expenses incurred in earning the income. Election between fixed and actual deduction allowed every 3 years. Recoverable input VAT incurred on expenses, if any, is not deductible.
Returns on stocks, shares and bonds	Actual expenses incurred in earning the income. Recoverable input VAT incurred on expenses, if any, is not deductible.
Gains on disposal of real estate	1. Actual amounts incurred in acquiring the real estate. 2. Incidental amounts incurred in acquiring or disposing of the real estate asset. 3. Actual amounts incurred in additions or improvements to the real estate. 4. Recoverable input VAT incurred on expenses, if any, is not deductible.

Compliance Obligations

Category	Return to be filed by	Periodicity of returns	Return due by
No taxable income except salary, wages, membership bonuses or pensions from a single employer	Employer (upon request)	To be announced	To be announced
Others	Taxable person	Annual	Six months from the end of tax year

Other compliance obligations

- 01

Revision of tax returns is permissible up to 3 years from the due date of filing the original tax return. Revision is required within 30 days of discovering errors.
- 02

Tax assessment is permissible up to 3 years from filing the tax return, except in cases of proven fraud or evasion, where tax assessment is permitted up to 5 years from filing the tax return.
- 03

An additional tax of 1% per month is applicable on delayed tax payments, calculated from the due date to the date of payment.
- 04

Administrative penalties and imprisonment for specified non-compliance cases.



Considerations



Considerations for an employer

- ✓ Review compensation, contract structures and personnel costs
- ✓ Assess talent retention and acquisition strategy
- ✓ Evaluate the impact of employee tax residency from a corporate and value added tax perspective
- ✓ Prepare for compliance obligations like withholding and returns
- ✓ Upgrade the payroll system
- ✓ Communicate with stakeholders
- ✓ Review the transition plan/actions



Considerations for an individual taxpayer

- ✓ Optimize exemptions and deductions
- ✓ Review tax treaties
- ✓ Assess the impact on cash flow and budgets
- ✓ Prepare for compliance requirements and record retention



Conclusion

Oman's new PIT marks a historic policy shift. With a high exemption threshold, a modest rate and a range of deductions, it is designed to have minimal impact on most residents while safeguarding economic diversification and sustainability.

Both employers and employees should start preparing now to ensure a smooth transition by January 2028. The early announcement of the introduction of personal income tax allows businesses and individuals a limited window of opportunity to get ready for compliance and optimization.

KPMG has a dedicated team of experienced personal income tax specialists. If you need assistance with personal income tax or other related matters in Oman, please reach out to your advisors at KPMG or the contacts mentioned below.

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KPMG serves the diverse needs of businesses, governments, public-sector agencies, not-for-profit organizations, and the capital markets.

Our commitment to quality and service excellence underpins everything we do. We strive to deliver to the highest standards for our stakeholders, building trust through our actions and behavior, both professionally and personally.

Our values guide our day-to-day behavior, informing how we act, the decisions we make, and how we work with each other, our clients, and all our stakeholders.



Integrity:
We do what is right



Excellence:
We never stop learning and improving



Courage:
We think and act boldly



Together:
We respect each other and draw strength from our differences



For Better:
We do what matters.

Our purpose is to inspire confidence and empower change. By inspiring confidence in our people, clients and society, we help empower the change needed to solve the toughest challenges and lead the way forward.

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We are dedicated to delivering growth with purpose, helping our clients achieve their goals, and advancing sustainable progress to ensure that all our communities thrive. Empowered by our values, and committed to our purpose, our people are our greatest strength. Together, we are building a values-led organization of the future. For better.

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