



Taxation of international executives: Oman



January 2023

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01

Overview and Introduction

1 Overview and Introduction

The Sultanate of Oman does not levy any taxes on personal income, including income from capital gains, wealth, death or property. However, Personal Income Tax (PIT) regime is being evaluated by the Government following its inclusion in the 2020-2024 Medium Term Fiscal Plan.

Currently, Non-resident individuals would be liable to income tax at the rate of 15% if they carry on commercial, industrial or professional activities in Oman. Further, the existence of a representative of a Non-resident entity in relation to a business or a contract of the Non-resident entity in Oman may trigger a taxable presence of the Non-resident in Oman for income tax purposes. Non-residents including individuals could be subject to a withholding tax at rate of 10 percent on gross basis, if specified payments representing income is realized in Oman by them, which is not attributable to the carrying on activities in Oman through a permanent establishment (PE). Tax treaty relief, if any will apply to the above matters.

There are no foreign exchange restrictions or levies.

The official currency of Oman is the Omani rial (OMR) and the exchange rate is US Dollars (USD) = OMR 0.384.

02

**Special considerations
for short-term
assignments**

2 Special considerations for short-term assignments Tax

2.1 Residency rules

Are there special residency considerations?

From a tax perspective, an individual shall be a tax resident of Oman if they stay in Oman for 183 days or more continuously or intermittently during the relevant tax year.

From a visa perspective, individuals visiting Oman on short term assignments or business meetings consider availing Business Visa, which is granted for a period of 21 days and need to be renewed thereafter. For medium- or long-term assignments i.e. in the nature of employment or work, labor clearance and the appropriate work visa, together with applicable compliances have to be done.

2.2 Payroll considerations

Are there special payroll considerations?

As mentioned above, there is no PIT in Oman. Application of withholding tax or income-tax, subject to tax treaty relief will need to be assessed considering the activities of the individual in Oman and nature of income.

Pension requirements and contributions

Social security contributions are not applicable for non-GCC nationals working in Oman.

2.3 Taxable income

What income will be taxed?

As mentioned above, there is no PIT in Oman. Application of withholding tax or income-tax, subject to tax treaty relief will need to be assessed considering the activities of the individual in Oman and nature of income.

Non-residents including individuals could be subject to withholding tax at rate of 10% if payments representing income is realized in Oman to non-residents not carrying on activities in Oman through a PE. These payments include following:

- Royalties including rental income from industrial, commercial and scientific equipment*
- Research and development
- Use or right to use computer software
- Fees for management
- Fees for provision of services
- Dividends (no longer applicable)**
- Interest (no longer applicable)**

*The Tax Authority has announced on the 23rd of January 2023 that withholding tax on lease of ships, aircraft and aircraft engines is indefinitely suspended effective from 29 December 2022.

** Dividends and interest payments were initially suspended for a period of 3 years from 6 May 2019 As per news reports published on 11 January 2023, we understand a Royal Directive is issued to suspend withholding tax on dividend and interest without any sunset date (previous sunset date was 2024). Since Royal Directive is not available publicly, it is advisable to reconfirm the above information with the Tax Authority.

2.4 Additional considerations

Are there any additional considerations that should be considered before initiating an assignment in Oman?

There could be PE implications for a Nonresident entity due to the presence of their employees or assignees in Oman. This will need a separate examination from an income tax perspective for the Nonresident entity.

Provision of services in Oman for more than 90 days in a 12-month period triggers a PE of the non- resident person (or entity) in Oman, thereby bringing the Nonresident person to tax at the rate of 15 percent in Oman on the taxable income attributable to the PE. Hence, assignments exceeding 90 days in aggregate (viewed from the perspective of the Nonresident person) could trigger a PE risk for the Nonresident in Oman. Apart therefrom, Oman also has fixed place PE and agency PE provisions and should be evaluated for the Nonresident based on the presence and activities of employees/assignees in Oman.

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Other taxes and levies

3 Other taxes and levies

3.1 Social security tax

Are there social security/social insurance taxes in Oman? If so, what are the rates for employers and employees?

Social security contributions are not applicable for non-GCC nationals working in Oman. This page does not discuss social security provisions as applicable to Omanis and GCC nationals and which can be requested separately.

3.2 Job security fund

Job Security Fund has been established to support Omanis whose services have been terminated and job seekers. Non-Omanis are not entitled to any benefit from the Fund. Specified contributions for employers and Omani employees are provided as per the regulations governing the Fund.

3.3 Gift, wealth, estate, and/or inheritance tax

Are there any gift, wealth, estate, and/or inheritance taxes in Oman?

None for individuals.

3.4 Real estate tax

Are there real estate taxes in Oman?

None for individuals. Transfer of ownership of real estate entails a levy 3 percent (currently reduced from erstwhile rate of 5%) levy by the Ministry of Housing and Urban Planning.

3.5 Sales/VAT tax

Are there sales and/or value-added taxes in Oman?

Oman introduced VAT at a standard rate of 5% effective in a phased manner from 16 April 2021. The schedule for mandatory VAT registration is summarized below:

Value of annual supplies	Timeline for registration	Effective date of registration
Exceeding RO 1 million	1 Feb 2021 to 15 Mar 2021	16 Apr 2021
Between RO 1 million to RO 500,000	1 Apr 2021 to 31 May 2021	1 Jul 2021
Between RO 499,999 to RO 250,000	1 Jul 2021 to 31 Aug 2021	1 Oct 2021
Between RO 249,999 to RO 38,500	1 Dec 2021 to 28 Feb 2022	1 Apr 2022

The Oman VAT legislation provides for exemptions, zero-rating and suspension, subject to specified conditions. The Oman VAT legislation also provides for special treatment for supplies to special zones and customs suspensions.

Details of these exemptions, suspensions and zero-rating along with the qualifying conditions are provided in the Oman VAT Law (Royal Decree No. 121 of 2020) and the Executive Regulations (Decision No. 53/2021).

3.6 Unemployment tax

Are there unemployment taxes in Oman?

None. Also, refer to the job security fund comments made above.

3.7 Other taxes

Are there additional taxes in Oman that may be relevant to the general assignee? For example, customs tax, excise tax, stamp tax, and so on.

The GCC has a common customs duty regime which imposes a flat 5 percent customs duty on the majority of goods entering the GCC. Personal effects and used household items brought into the country/jurisdictions by the nationals residing abroad or the foreigners coming for the first time for residence in the country/jurisdictions are exempt from customs duties, subject to the prescribed conditions and controls.

Oman implemented the Excise Tax Law with effect from 15 June 2019. Originally excise tax was imposed on carbonated drinks at 50% and alcohol products, energy drinks, pork products and tobacco products at 100%. The Ministry of Finance subsequently confirmed a temporary reduction in the rate of excise tax on alcohol to 50%. The Tax Authority has discontinued this temporary reduction and reverted to the original excise tax rate of 100% with effect from 1 July 2020. The Tax Authority has extended the levy of excise tax to sweetened drinks with effect from 1 October 2020. The Tax Authority has issued a Decision on 16 June 2020 to make the necessary legislative amendments to enable the implementation of excise tax on sweetened drinks.

Intra-group statutory directors

Will a Non-resident of Oman who, as part of their employment within a group company, is also appointed as a statutory director (i.e. member of the Board of Directors in a group company situated in Oman) trigger a personal tax liability in Oman, even though no separate director's fee/remuneration is paid for their duties as a board member?

As mentioned above, there is no PIT in Oman.

1 Will the taxation be triggered irrespective of whether or not the board member is physically present at the board meetings in Oman?

Not applicable.

2 Will the answer be different if the cost directly or indirectly is charged to/allocated to the company situated in Oman (i.e. as a general management fee where the duties rendered as a board member is included)?

Not applicable.

3 In the case that a tax liability is triggered, how will the taxable income be determined?

Not applicable.

Foreign financial assets

Is there a requirement to declare/report offshore assets (e.g. foreign financial accounts, securities) to the country/jurisdiction's fiscal or banking authorities?

As mentioned above, there is no PIT in Oman. However, the individuals, while opening a bank account in Oman shall inter alia be required to declare their tax residency as part of Common Reporting Standards ('CRS') rules effective from 1 July 2019 (apart from existing FATCA rules which apply to US residents). The banks may further, depending upon their obligations under CRS regime, disclose appropriate information pertaining to the financial assets of the account holder to the tax authorities.

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