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Personal Income Tax (PIT) Law in the Sultanate of Oman

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A. Introduction:

The Sultanate of Oman has made history by being the first Gulf Cooperation Council (GCC) country to introduce a personal income tax (PIT). Under Royal Decree No. 56/2025 – published on June 30, 2025, in the official gazette no. 1602 – the Sultanate imposes a five percent (5%) tax on those earning over 42,000 Omani riyals (OMR) annually. This means that income up to OMR 42,000 is not taxable (0%). The PIT shall become effective as of January 1, 2028.

As in many countries around the world, the new tax regime in Oman is based on the worldwide income principle (Art. 6, no. 1 PIT: "*income of a tax resident earned in the Sultanate of Oman or abroad*").

B. Sources of Income and tax exemptions:

Article 6 PIT lists eleven (11) sources of income to which the new income tax applies:

1. Salaries (incl. additional allowances),
2. Income from self-employment,
3. Rental Income (renting / leasing),
4. Royalties,
5. Interests (e.g., from bank savings accounts, loans, investment),
6. Dividends, profits from shares and sukuk, and proceeds from their disposal,
7. Proceeds from the disposal of real estate assets,
8. Retirement pensions and end-of-service gratuities,
9. Prizes,
10. Grants and gifts,
11. Board membership remuneration.

Articles 9 to 24 of the PIT Law provide detailed explanations of all the above-mentioned sources of income. Particularly interesting is the explanation of "grants and gifts": Income earned from grants and gifts refers to any cash or kind benefits a person receives from sources other than their employer, without any compensation. By introducing the PIT, Oman has, de facto, also introduced a gift tax. However, Article 25 No.14 PIT Law makes an important exception to this de facto gift tax, explicitly stating that gifts between spouses and first-degree relatives are excluded from the PIT.

Further notable exemptions relate to profits from the disposal of real estate. Article 25 no. 8 PIT Law provides that income from the disposal of a primary residence is exempt from PIT, provided that the disposal occurs after two years have passed from the date of notifying the tax authority of the designation of the property as the primary residence. Income earned from the disposal of a secondary residence is exempted once in a lifetime (Art. 25 No. 9 PIT Law).

C. Key compliance deadlines

Any person whose gross income exceeds OMR 42,000 must submit an annual tax return using the designated electronic form, within six (6) months from the end of the tax year. For the first tax year 2028, the deadline to file the tax return is 30 June 2029.

If a person ceases residency in the Sultanate of Oman, they must submit the tax return at least **60 days** prior to departure, unless the departure is due to unforeseen circumstances beyond their control. In that case, the return must be submitted prior to departure, in accordance with the procedures set out in the Executive Regulations.

D. Penalties and Fines:

A person who intentionally fails to submit their tax return within the prescribed deadlines shall be subject to a fine of not less than OMR 1,000 and not more than OMR 5,000. Anyone who intentionally provides false information in their tax return or attaches false documents to it shall be subject to:

- Imprisonment for a term of not less than one year and not more than three years,

  and

- a fine not exceeding OMR 10,000.

Instigators, accomplices, and co-perpetrators are subject to the same penalties.

In the case of juridical entities, the fine is doubled if the false information or forged documents are submitted by an authorized representative.

The law allows for a penalty waiver through a settlement agreement with the tax authority, provided that all due taxes are paid and 50% of the applicable fines are settled.

E. Conclusion

With the introduction of the Personal Income Tax (PIT) in 2028, Oman is entering a new fiscal territory, applying taxation to various sources of individual income, including gifts and capital gains, with some notable exemptions. According to the Royal tax authority, the decision impacts only around one percent (1%) of Oman's population (Omani nationals and expatriates/residents). Also, as per the Oman Tax Authority's official LinkedIn page the implementing regulations for the PIT are to be published within one year of the publication of the PIT law, which is eagerly and curiously awaited to provide more detailed explanations and interpretation of the new tax regime. It remains to be seen whether other GCC countries will also enter this new fiscal territory.

SCHLÜTER GRAF has extensive experience with the legal and tax framework of the GCC and offers foreign companies and expatriates comprehensive legal and commercial advice.

SCHLÜTER GRAF Legal Consultants LLC
ONE by Omniyat | Office P501 Business Bay, P.O. Box 29337
Dubai / United Arab Emirates
Tel: +971 / 4 / 431 3060
Fax: +971 / 4 / 431 3050
Dr. Amir Makee Mosa, Legal Consultant (amir.makeemosa@schlueter-graf.com)