International Tax

Oman Highlights 2023

Updated January 2023

Recent developments

For the latest tax developments relating to Oman, see Deloitte tax@hand.

Investment basics

Currency: Omani Rial (OMR)

Foreign exchange control: The Sultanate of Oman has a free economy. Although administrative procedures must be followed, there are no exchange controls on inbound or outbound investment or on the repatriation of capital or profits.

Accounting principles/financial statements: A business registered in Oman must maintain full accounting records in accordance with IFRS.

Principal business entities: These are the joint stock company (general or closed), limited liability company (LLC), sole proprietorship company (SPC), partnership (general or limited), joint venture, and branch of a foreign company.

As from 1 January 2020, the Foreign Capital Investment Law (FCIL) allows 100% foreign participation in an Omani company. Non-Omani nationals wishing to engage in a trade or business in Oman, or to acquire an interest in the capital of an Omani company, must obtain a license from the Ministry of Commerce and Industry.

A foreign business is required to register with the tax authorities by filing a declaration of business particulars and supporting documents.

Corporate taxation

Rates	
Corporate income tax rate	15%
Branch tax rate	15%
Capital gains tax rate	15%

Residence: A legal entity is tax resident in Oman if the entity is established under Omani law or if the entity's headquarters are in Oman.

A foreign company will be deemed to have a permanent establishment (PE) in Oman if it provides consultancy and other services in Oman for at least 90 days within a 12-month period or if it has a dependent agent in Oman.

Basis: An Omani company is subject to tax on worldwide income; a PE of a foreign company is subject to tax only on Oman-source income. Branches are taxed in the same way as subsidiaries.

Taxable income: Taxable income is gross income for the tax year after deducting allowable expenses and making adjustments for disallowed expenses or any exemptions under Oman tax law.

Rate: The corporate tax rate is 15% for all businesses, including branches and PEs of foreign companies, with a 3% rate applying to small companies (as defined). Income from the sale of petroleum is subject to a special provisional rate of 55%.

Surtax: There is no surtax.

Alternative minimum tax: There is no alternative minimum tax.

Taxation of dividends: Dividends received by an Omani company from another Omani company are not taxable, but dividends received from a foreign company are subject to tax.

Capital gains: Capital gains derived from the sale of investments, fixed assets, and acquired intangible assets are subject to corporate tax at the same rates as ordinary income. Such gains are not subject to any special tax treatment but gains from the sale of locally listed shares are exempt.

Losses: Losses may be carried forward and set off against taxable income for five years. However, net tax losses incurred for the first five years during a tax exemption period by any establishment or Omani company benefiting from an exemption under Oman tax law generally may be carried forward indefinitely. Tax losses incurred for the year 2020 also may be carried forward indefinitely and offset against taxable income until fully utilized. The carryback of losses is not permitted.

Foreign tax relief: The tax authorities may allow a credit for foreign taxes paid on a case-by-case basis. For certain taxes paid overseas, the credit may be granted up to the amount of the Omani tax liability, regardless of whether Oman has concluded a tax treaty with the source country, subject to the approval of the Chairman of the Tax Authority.

Participation exemption: There is no participation exemption.

Holding company regime: There is no holding company regime.

Incentives: A five-year nonrenewable tax exemption is available for manufacturing activities.

The FCIL provides incentives, including an exemption from tax, customs duties, and other duties for specific investment projects.

The Economic Stimulus Plan announced on 3 March 2021 extends the suspension of withholding tax on dividends and interest for a further five years as from 2020.

Compliance for corporations

Tax year: The tax year is the calendar year, which taxpayers generally are expected to use as their accounting year in drafting financial statements (a different accounting year is acceptable if followed consistently). On start-up, taxpayers may be able to use an opening account period of 12 months or a maximum period of up to 18 months. Accounts usually are maintained in OMR, but also may be maintained in foreign currency, subject to the approval of the Chairman of the Tax Authority.

Consolidated returns: Consolidated returns are not permitted; each company must file its own return. A foreign person that has multiple PEs in Oman must file a tax return that covers all PEs and the amount of tax payable will be based on the aggregate taxable income of the PEs.

Filing and payment: Companies must file a single tax return accompanied by audited financial statements within four months of the end of the accounting year, and the tax due must be paid at that time.

All taxpayers are required to obtain a tax card and the tax card number must be quoted on all contracts, invoices, and correspondence with the Omani tax authorities.

Penalties: Failure to submit a declaration of income to the Chairman of the Tax Authority may lead to an arbitrary assessment and penalties. A minimum penalty of OMR 100 and a maximum penalty of OMR 2,000 may be imposed for failure to file a return by the prescribed deadline. Late payment of income tax normally results in additional tax calculated at 1% per month on the outstanding amount.

Rulings: Rulings generally are not issued, although they can be obtained for the application of withholding taxes.

Individual taxation

An individual is tax resident in Oman if the individual is present in Oman for at least 183 days in a calendar year.

Neither residents nor nonresidents are subject to income or capital gains taxes in Oman. Nonresidents may be subject to withholding tax depending on the type of income payment (see "Withholding tax," below).

Withholding tax

Rates

Type of payment	Residents		Nonresidents	
	Company	**Individual**	**Company**	**Individual**
Dividends	0%	0%	0% (see note below)	0% (see note below)
Interest	0%	0%	0% (see note below)	0% (see note below)
Royalties	0%	0%	10%	10%
Fees for technical services	0%	0%	10%	10%

Dividends: No withholding tax is imposed on dividends paid by an Omani company to resident shareholders. A 10% withholding tax applies to dividends on shares distributed by joint stock companies and investment bond dividends distributed by investment funds to foreign shareholders without a PE in Oman; however, the withholding tax initially was suspended for a period of three years as from 6 May 2019 and further suspended for another five years as from 2020.

Interest: No withholding tax is imposed on interest paid to residents. A 10% withholding tax applies on interest paid to nonresidents without a PE in Oman, with certain exceptions (e.g., interest on Omani bank deposits); however, the withholding tax initially was suspended for a period of three years as from 6 May 2019 and further suspended for another five years as from 2020.

Royalties: No withholding tax is imposed on royalties paid to residents. A 10% withholding tax applies on the gross amount of Oman-source royalties derived by nonresidents without a PE in Oman. The definition of royalties includes equipment rentals and payments for the use of, or the right to use, software, intellectual property rights, patents, trademarks, and drawings.

Fees for technical services: No withholding tax is imposed on fees for technical services paid to residents. A 10% withholding tax applies on the gross amount of technical service fees paid to nonresidents without a PE in Oman, regardless of the place of performance of the services.

Branch remittance tax: There is no branch remittance tax.

Other: Nonresidents that do not have a PE in Oman and that derive Oman-source income through management fees, consideration for the use of or the right to use computer software, and consideration for research and development are subject to a 10% withholding tax on the gross amount. The tax is withheld by the Omani payer and remitted to the tax authorities. The provision of services is subject to a 10% withholding tax, regardless of the place of performance of the services. There are certain exceptions such as training and participating in organizational meetings, conferences, seminars, or exhibitions.

Anti-avoidance rules

Transfer pricing: Pricing between related parties should be comparable to the pricing of transactions entered into by independent persons (i.e., unrelated parties). Country-by-country (CbC) reporting requirements apply (see "Disclosure requirements," below).

Interest deduction limitations: Thin capitalization rules require a debt-to-equity ratio not exceeding 2:1 for interest to be deductible on borrowings between related parties.

Controlled foreign companies: There are no controlled foreign company rules.

Hybrids: There are no anti-hybrid rules.

Economic substance requirements: There are no economic substance rules.

Disclosure requirements: CbC reporting obligations apply to multinational enterprise groups headquartered or operating in Oman with annual consolidated revenues (based on consolidated financial statements) of at least OMR 300 million in the financial year immediately preceding the reporting period. A CbC report notification must be submitted before the end of the reporting financial year, providing details of the ultimate parent entity, including name, tax identification number, and jurisdiction in which the CbC report is filed. In July 2021, the tax authorities suspended the filing of CbC reports for all multinational groups with an ultimate parent entity outside of Oman until further notice.

Related party transactions must be disclosed in the tax return.

Exit tax: There is no exit tax.

General anti-avoidance rule: If a related party transaction results in reduced income or increased costs, the transaction may be set aside and the taxable income will be computed as if the transaction took place with unrelated parties.

Value added tax

Rates	
Standard rate	5%
Reduced rate	0%

Taxable transactions: VAT applies to transactions in most goods and services. VAT also applies to imports of goods and services into Oman.

Rates: The standard rate of VAT is 5% with certain supplies exempt from VAT or zero-rated for VAT purposes. Exempt supplies include financial services; healthcare services; educational services; sales of undeveloped land; resale and renting of residential properties; and local passenger transport. Zero-rated supplies include certain basic food items; medicines and medical equipment; investment gold, silver, and platinum; international or intra-Gulf Cooperation Council (GCC) goods and passenger transport; oil, oil derivatives, and natural gas; and exports of goods and services.

Registration: The mandatory registration threshold is taxable turnover of OMR 38,500 either in the current month and preceding 11 months, or the current month and the immediately following 11 months. Businesses and individuals not required to register but with turnover exceeding OMR 19,250 have the option to register voluntarily. A nonresident business making taxable supplies to non-VAT registered customers in Oman is required to register, regardless of the value of those supplies; there is no minimum registration threshold.

Filing and payment: VAT returns must be filed and VAT payments made on the basis of a calendar quarter. The VAT Law prescribes the following minimum information to be included in the return: value of taxable and exempt supplies; total value of imported goods; amount of output VAT on revenue transactions; amount of recoverable input VAT on costs; and net VAT due for the period.

Other taxes on corporations and individuals

Unless otherwise stated, the taxes in this section apply to both companies and individuals.

Social security contributions: The employer must contribute an amount equal to 10.5% of the monthly salary of its Omani employees for social security (covering old age, disability, and death); and 1% of the monthly salary for industrial illnesses and injuries. The contributions are required for Omani employees between the ages of 15 and 59 who are permanently employed in the private sector. A unified system of insurance protection coverage applies to citizens of GCC member states working in other GCC countries. Omani private sector employees between the ages of 15 and 59 must contribute 7% of their monthly salary for social security purposes (old age, disability, and death).

Omani citizens employed in both the private and public sectors are required to contribute 1% of their monthly salary to the Job Security Fund, matched by contributions by their employer.

Payroll tax: There is no payroll tax.

Capital duty: There is no capital duty.

Real property tax: There is no real property tax.

Transfer tax: There is no transfer tax.

Stamp duty: Stamp duty applies only to the acquisition of real estate, at a rate of 3% of the sales value.

Net wealth/worth tax: There is no net wealth tax or net worth tax.

Inheritance/estate tax: There is no inheritance tax or estate tax.

Other: Tourism and municipality taxes may be imposed.

Tax treaties: Oman has concluded over 30 tax treaties. The Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (MLI) entered into force for Oman on 1 November 2020.

Tax authorities: Ministry of Finance; Tax Authority

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