



# Thinking Beyond Borders: Management of Extended Business Travelers - Oman



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**01**

**Key message**

Direct taxes in Oman consist primarily of Income Tax on businesses including withholding tax on specified payment to non-residents. This income tax is governed by the Income Tax Law No. 28/2009, which became effective on 1 January 2010 replacing the earlier Income Tax Law and the Executive Regulations to the Income Tax Law which came into force on 29 January 2012. Several changes were made to the Oman's Tax Law and to the executive regulations by Royal Decree 9/2017 issued on 19 February 2017, with further amendments to executive regulations by Ministerial Decision No. 14/2019 and to the Tax Law by Royal Decree No. 118/2020.

The Income Tax Law does not impose tax on personal income earned by individuals irrespective of nationality. However, a Personal Income Tax (PIT) regime is being evaluated by the Government following its inclusion in the 2020-2024 Medium Term Fiscal Plan.

Currently, an individual is subject to income tax to the extent that the individual carries on commercial, industrial or professional activities. Further, the presence in Oman of a representative of a non-resident entity in relation to a business or a contract in Oman may trigger a taxable presence for the foreign entity 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.

# 1 Key message

Currently, non-resident individuals would be liable to income tax in Oman only if they carry on business in Oman or provide specified services to a business in Oman. Further, the existence of a representative of a non-resident in relation to a business or a contract in Oman may trigger a taxable presence of the non-resident in Oman for income tax purposes.

**02**

# **Income tax**

# 2 Income Tax

## 2.1 Liability for income tax

Currently, there is no PIT in Oman. However, PIT is being evaluated by the Government following its inclusion in the 2020-2024 Medium Term Fiscal Plan.

## 2.2 Tax trigger points for employment income

There is no PIT in Oman.

## 2.3 Types of taxable income

There is no PIT in Oman. An individual is subject to income tax to the extent that the individual carries on commercial, industrial or professional activities. Non-residents including individuals could be subject to a withholding tax at rate of 10 percent on gross basis, on specified income earned by them.

## 2.4 Tax rates

There is no PIT in Oman.

**03**

# **Social Security**

# 3 Social Security

## 3.1 Liability for social security

Social security contributions are applicable in Oman for Omani nationals. If Omani nationals are employed, then both the employer and the employee will be required to make social security contributions to the Public Authority for Social Insurance (PASI). A payment of 11.5 percent by the employer (including a payment of 1 percent for insurance against work related injuries and illness) and 7 percent by the employee are due for Omani nationals to the PASI.

Social security contributions are also applicable for GCC nationals in Oman (being country of employment) and their contribution would be in accordance with the regulation of the GCC country of which the individual is a citizen of. The details of the employees and employer's contribution for GCC nationals varies from one country to another.

Employer and employee contributions are calculated on the aggregate of basic salary and allowances paid in cash and in-kind. The gross salary to be included in the calculation is limited to a monthly gross salary amount of 3,000 Omani rials (OMR). Employers will need to assign a monetary value to the allowances paid in kind.

The employer of an expatriate or an expatriate employee is not required to make any social security contributions in Oman.

Further, Royal Decree No. 82/2020 approved a new Job Security fund. The fund will support Omanis who are either laid off or lose their jobs for various reasons. The system is supervised by PASI and the Ministry of Labour. The fund is financed by employers and their Omani employees in both the government and the private sectors by both contributing 1% of the employee's salary. In addition, a 5% charge is levied on fees payable for expatriate work permit visas as an additional contribution to the security fund.

**04**

# **Compliance obligations**

# 4 Compliance obligations

## 4.1 Employee compliance obligations

There are no compliance obligations for employees in Oman in the absence of PIT.

## 4.2 Employers reporting and withholding requirements

There are no tax compliance obligations for employers in Oman in the absence of PIT. However, social security compliance obligations exist.

**05**

# **Immigration**

# 5 Immigration

## 5.1 Work permit/visa requirements

Any foreign national intending to visit Oman must obtain a visa. Such visa specifies the period for which an individual is allowed to stay in Oman. A visitor's entry visa does not permit a foreign national to work in Oman. Visit visas can be obtained at the port of entry by citizens of some countries/territories. Citizens of other countries/territories can obtain visit visas by applying for the same at Oman's diplomatic missions in their respective country/territory or online through the website of Royal Oman Police. Visit visas are usually single-entry visas and period of visa varies based on the nature of trip.

Oman currently exempts individuals from 103 countries from entry visa requirements for a stay of up to fourteen days based on specific regulations and conditions stated therein. This relaxation is to facilitate travel for tourism. The country list and the conditions thereof should be reviewed periodically by the concerned traveller.

Foreign nationals coming to Oman for the purpose of employment must obtain an employment visa (prior to departure from home country/territory) sponsored by the entity that will act as their employer. For certain nationalities, the foreign nationals seeking employment have to undergo medical tests and obtain a medical report from their home country/territory prior to employment visas being issued.

**06**

# **Other issues**

# 6 Other issues

## 6.1 Double taxation treaties

Oman currently has 36 effective double taxation treaties (comprehensive and limited) with other countries/territories to prevent double taxation and allow cooperation between Oman and overseas tax authorities in enforcing their respective tax laws.

## 6.2 Permanent establishment

There could be permanent establishment implications for overseas entities due to the presence of their employees in Oman and this may need a separate examination from an income tax on businesses perspective.

A permanent establishment has been defined to include, amongst others, a non-resident providing services in Oman, where the presence of the company's employees in Oman (or other individuals under the company's control) exceeds 90 days in any 12-month period.

## 6.3 General overview of indirect taxes

In accordance with the Common Customs duty regime in place across the states of the Gulf Cooperation Council (GCC), Oman imposes customs duty at a flat rate of 5 percent on majority of the goods entering the GCC. Customs duty is levied at the first point of entry into the GCC. Subsequent movements of the same duty paid goods within the GCC are free of customs duties.

On 13 March 2019, a Royal Decree was issued approving an excise tax on selected goods in Oman which has been made effective from 15 June 2019. According to the Ministerial Decision on the determination of type, value and tax rate applicable to excisable goods, excise tax is applicable on carbonated and sweetened drinks at 50 percent whereas alcohol, energy drinks, pork products and tobacco products are subject to excise tax at 100 percent.

On 12 October 2020, His Majesty, the Sultan of Oman, issued a Royal Decree 121/2020 (Oman VAT Law) for the implementation of VAT in Oman. The Oman VAT Law was published in the Official Gazette on 18th October 2020 with an effective date of 16 April 2021. The standard rate of VAT is 5% in Oman unless the supplies are zero rated, exempt or out of scope.

## 6.4 Exchange control

Currently, there are no exchange controls in force in Oman.

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### FOOTNOTES

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