

How Businesses Can Manage Oman's Tax System

THOUGHT LEADERSHIP



**GLOBAL
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Table of Contents

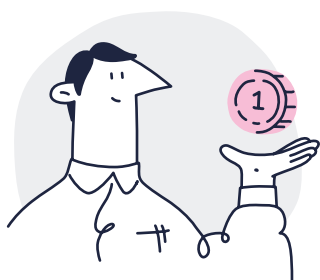
01	Introduction	P1
02	Corporate Income Tax	P2
03	Value Added Tax (VAT)	P3
04	Withholding Tax.....	P4
05	Customs Duties.....	P5
06	Municipality Fees.....	P5
07	Social Protection Fund (SPF) (Ex PASI)	P6
08	Partner with Local Experts.....	P7

01

INTRODUCTION

Understanding the tax system is key for anyone starting or running a business in Oman. This guide simplifies the process, outlining the essential taxes and fees for your business.

Oman has a business-friendly tax setup, but knowing the different taxes and compliance rules is important for streamlined operations.



02

CORPORATE INCOME TAX

One of the advantages of doing business in Oman is the simplicity of its corporate income tax framework.

The corporate tax baseline for all companies is 15% on profits. This rate applies to all corporations on the mainland.

Exceptions are made for Small and Medium Enterprises (SMEs) and companies operating in the Free Zones:

SMEs:

Companies classified as SMEs might benefit from reduced tax rates or exemptions. Criteria for SME classification can be found on the [Ministry of Commerce, Industry, and Investment Promotion website](#).

Free Zones:

Businesses operating within Free Zones may enjoy tax holidays and other incentives. Details can be found on the websites of the respective Free Zones, such as [Knowledge Oasis Muscat](#) and [Salalah Free Zone](#).



03

VALUE ADDED TAX (VAT)

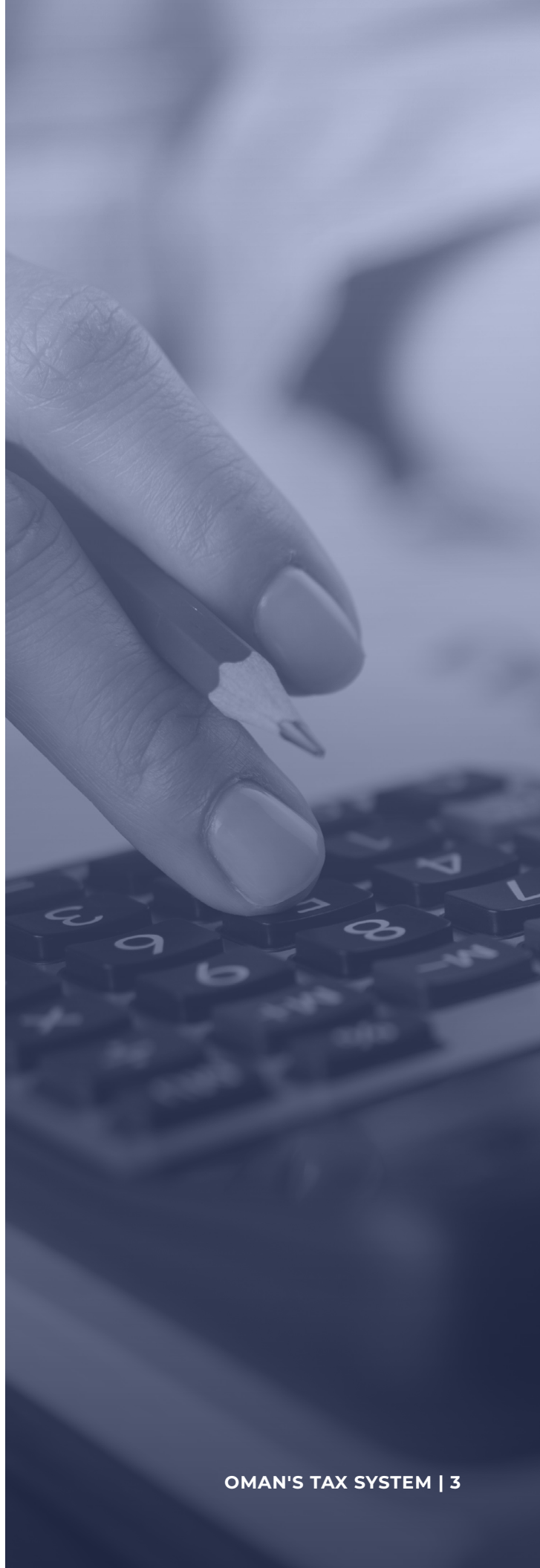
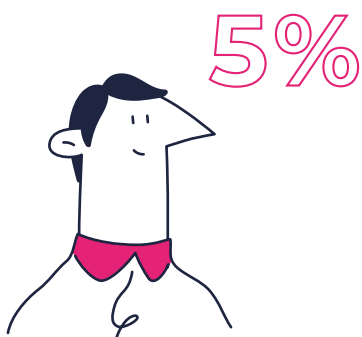
In 2021, Oman implemented a Value Added Tax (VAT) system with a fixed rate of 5%. This tax applies to most goods and services provided within the country, although some exemptions and zero-rated supplies exist.

Registration and Compliance:

Businesses exceeding the mandatory registration threshold must register for VAT. The VAT registration threshold and other details can be found on the Oman Tax Authority website.

Exemptions:

Certain sectors, such as healthcare, education, and specific financial services, might be exempt from VAT or zero-rated.



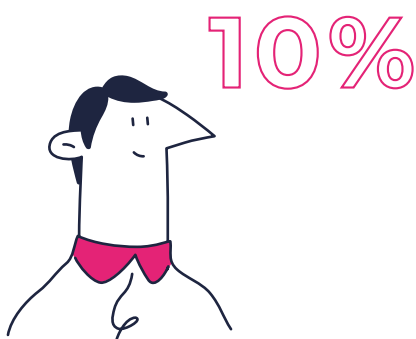
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WITHHOLDING TAX

Businesses making payments to non-residents, such as dividends, interest, royalties, and technical service fees, are subject to withholding tax. The standard withholding tax rate is 10%, but this can vary depending on the type of payment and any applicable tax treaties.

Tax Treaties:

Oman has agreements with various countries to avoid double taxation. Details of these treaties can be found on the Oman Tax Authority website.



05

CUSTOMS DUTIES

Imported goods are subject to customs duties in Oman, which vary based on the type of product and its classification under the customs tariff.

Tariff Classification:

- ▶ Understanding the correct tariff classification is essential for compliance and cost management. More information is available on the Royal Oman Police Customs website.

06

MUNICIPALITY FEES

Businesses in Oman may be subject to various municipality fees for services and permits, such as trade licenses, health permits, and commercial registrations.

Fee Structure:

- ▶ The structure and amount of these fees can vary by municipality. Specific details can be found on the websites of local municipalities, such as the [Muscat Municipality](#).

07

SOCIAL PROTECTION FUND (SPF) (EX PASI)

Employers in Oman are mandated to contribute to the Social Protection Fund (SPF), formerly known as the Public Authority for Social Insurance (PASI), on behalf of both Omani nationals and expatriate employees. These contributions are determined by employees' salaries.

Contribution Rates:

The current baseline for SPF contributions is 20.5%, but this is subject to change. Up-to-date information can be found on the [SPF](#) website.

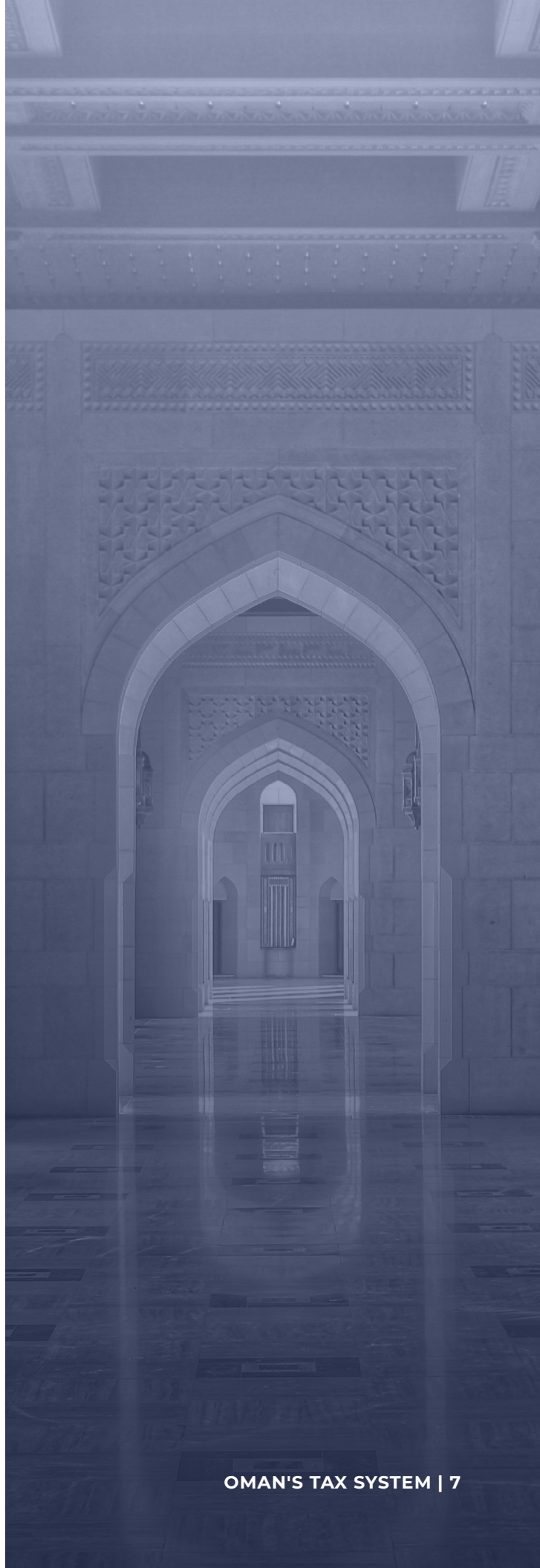


08

PARTNER WITH LOCAL EXPERTS

Understanding taxes in Oman involves knowing the different taxes and compliance rules. Using local experts can make this easier and ensure you follow the rules. For detailed advice, consult tax professionals or local advisors.

Visit the official [Oman Tax Authority](#) website for more information.





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