



Sultanate of Oman  
Ministry of Finance  
Secretariat General for Taxation

# **The Law of Profit Tax on Establishments**

**Sultani Decree No. 77/89<sup>1</sup>**

**For the enactment of the**  
**[Commercial and Industrial Establishments' Profit Tax Law]<sup>2</sup>**  
**The Law of Profit Tax on Establishments**

We Qaboos bin Said, Sultan of Oman:

Having perused the Sultani Decree No, 26/75 enacting the Law for Organization of the State Administrative Machinery as amended;

- and the Sultani Decree No. 47/81 for the enactment of Company Income Tax Law;
- and in accordance with the exigencies of public good;

Decrees

**Article 1:**

The provisions of the annexed Law shall apply to the commercial and industrial establishments' profits.

**Article 2:**

The Deputy Prime Minister for Financial and Economic Affairs shall issue relevant resolutions and regulations relating to the application of this Law.

**Article 3:**

Any text in violation or adverse to the annexed Law or provisions hereof shall be repealed.

**Article 4:**

This Decree shall be published in the official gazette and shall come into force with effect from the first day of January 1990.

Issued on 8 Safar 1410 AH  
Corresponding to: 9 September, 1989

**QABOOS BIN SAID**  
**Sultan of Oman**

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<sup>1</sup> Amendments:

Royal Decree No. 61/94; Royal Decree No. 93/94; Royal Decree No.83/96, Royal Decree No.99/97, Royal Decree No. 27/99 and 69/00.

<sup>2</sup> Name of the Law changed by R.D no. 69/00 wef 15.8.2000

## **The Law of Profit Tax on Establishments**

### **Article 1:**

<sup>4</sup> [Tax shall be charged upon the taxable income which accrues or arises in Oman or is deemed by the <sup>5</sup>{Secretary General for Taxation} to so accrue or arise for any commercial or industrial establishment owned or exploited solely by any natural person for each taxable year.

In application of this law, establishment means any commercial or industrial profit seeking business operating independently in Oman.]

The tax shall be charged for any tax year on the taxable income which is realised or arisen in Oman or which is deemed by the Secretary General for Taxation as realised or arisen therein to any establishment which is solely owned or exploited by a natural person.

For the purposes of this Law, the term "establishment" means every commercial, industrial or professional establishment, which carries on a commercial, industrial or <sup>6</sup>professional activity aiming at the attainment of gains and carried on independently in Oman.

For purposes of this Law, the term "professional activity" means any activity based on the constituents of work and capital, depends basically on the first constituent and involves personal practice of certain types of art and science such as medicine, engineering, legal profession, accounting and auditing, expertise and the other independent professions which satisfy constituents condition referred to above.

### **Article 2:**

<sup>7</sup>[This tax shall be applicable to commercial and industrial establishments owned or exploited solely by natural Omani person subject to the following rates:

1. The first RO 30,000 of the net taxable income shall be tax exempt.
2. The next RO 170,000 of the net taxable income shall be taxable at 5%.
3. The next net taxable income exceeding the above shall be taxable at 7.5%.]

{The following tax rates shall apply to the <sup>8</sup>[Commercial and Industrial Establishments] establishments that are solely owned Omani natural persons:

The first RO 30,000 of the taxable income is exempted from tax. Taxable income exceeding this amount shall be taxed at the rate of 12 percent. }

### **Article 3:**

[The tax shall be applicable to the commercial and industrial establishments solely owned or exploited by a non-Omani natural person subject to the rates specified in the second schedule annexed to the aforesaid Company Income Tax Law.]<sup>9</sup>

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<sup>3</sup> Name of the Law changed by R.D no. 69/00 wef 15.8.2000

<sup>4</sup> The text of Article 1 is substituted by the new text printed next, by Royal Decree No. 69/00, w.e.f. 15.8.2000.

<sup>5</sup> Substituted for the words 'Director of Taxation Affairs' by Royal Decree No. 27/99, we.f. 3.4.1999.

<sup>6</sup> Tax on professional establishments which are existing on the effective date of Royal Decree No. 27/99, shall apply as from the tax year 2001.

<sup>7</sup> The text of Article 2 is substituted by the new text printed next, by Royal Decree No. 27/99, w.e.f. the tax year 1999.

<sup>8</sup> These words were substituted by the word 'establishments', by Royal Decree No. 69/00, w.e.f. 15.8.2000.

<sup>9</sup> The text of Article 3 is substituted by the new text printed next, by Royal Decree No. 69/00; it is applicable to taxable profits realised or arisen during any tax year begins on or after 15.8.2000.

<sup>10</sup>[The tax on establishment which are solely owned or exploited by non-Omani natural person shall be fixed in accordance with rates mentioned in paragraph 2 of the Second Schedule attached to the aforementioned Law of Income Tax on Companies.]

<sup>11</sup>Tax shall apply to the establishments owned or utilized solely by a non-Omani natural person in accordance with the rates specified in paragraph 2 (subparagraphs a, b) of the Second Schedule attached to the aforementioned Law of Income tax on Companies.

As an exception from the provisions of the foregoing paragraph, tax shall apply at the rates specified in Article (2) of this Law on the establishments which are owned or utilized solely by a natural person who is a national of one of the countries of the Cooperation Council of the Arab Gulf Countries.

<sup>12</sup>**Article 4:**

The Company Income Tax shall be applicable to the companies wholly owned by Omani nationals subject to the rates specified in Article 2 of this law.

<sup>13</sup>, <sup>14</sup>[Public Joint Stock companies which are wholly owned by Omani national shall continue to be charged at the rates specified in paragraph (1) of this article in event of purchase of shares of such companies, through Muscat Securities Market, by a mixed company registered under Foreign Business and Investment Law referred to above.]

Public Joint Stock companies<sup>15</sup> which are wholly owned by Omani national shall continue to be charged to tax at the rates specified in the first paragraph of this Article in the event of purchase of some of the shares thereof by branch of a foreign company or by a company which is licensed to be established under the Foreign Business and Investment Law issued by Royal Decree 4/74 or under the Foreign Capital Investment Law issued by Royal decree No. 102/94.]

**Article 5:**

<sup>16</sup> [The tax shall not be applicable to the dividends received by an establishment or a company as a return on shares or equity from another company in case such company have already paid the tax on dividends in application to this law or the aforesaid Company Income Tax Law.]

<sup>17</sup>[No tax shall apply to the dividends received by the establishment from its ownership of shares in the capital of any company.]

Tax shall not be applicable to:

<sup>18</sup>(1) dividends received by the establishment from its ownership of shares, portions or shareholding in the share capital of any other company.

<sup>19</sup>(2) profits or gains realized by the establishment from the sale or disposal of securities registered in Muscat Securities Market.

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<sup>10</sup> Article 3 is replaced by the two paragraphs printed next, by RD No. 55/03.

<sup>11</sup> As above, effective from 15.9.2003.

<sup>12</sup> Article 4 deleted by Royal Decree No. 27/99 w.e.f. 3.4.1999.

<sup>13</sup> Added by Royal Decree No. 61/94 w.e.f. 1.1.1994.

<sup>14</sup> Substituted by Royal Decree No. 89/96 with the next paragraph w. e. f. 2.11.1996.

<sup>15</sup> Also refer to Article 5 of Royal Decree No. 5/94, Amendments to the Law of Muscat Securities Market, which reads as follows: For taxation purposes, the Investment accounts shall be treated as companies\* wholly owned by Omani nationals, and the taxation status of those companies shall not be affected by trading their shares within the Investment Account to non-Omanis. (\* The term 'companies' means the investment accounts.)

<sup>16</sup> The text of Article 5 is substituted by the new text printed next, by RD No. 69/00, w.e.f. the tax year 2000.

<sup>17</sup> Article 5 is replaced by the two paragraphs printed next, by RD No. 55/2003.

<sup>18</sup> As above, effective from tax year 2000 for commercial and industrial establishments existing on 15.8.2000, and effective from tax year 2001 for professional establishments existing on 15.8.2000.

<sup>19</sup> As above, effective from tax year 2003.

<sup>20</sup>, <sup>21</sup>, <sup>22</sup> **Article 5 (Bis):**

[The industrial establishments which are registered under the Law of Organization and Promotion of Industry referred to above may be exempt from tax for 5 years as from the date of commencement of production and can be renewed for further period. The exemption shall be granted by decision to be issued by Deputy Prime Minister for Financial and Economic Affairs on suggestion of the Minister of Commerce and Industry after he reviews the opinion of the Industrial Development Committee.]

### **Article 5 (Bis):**

<sup>23</sup>[A Commercial or Industrial Establishment which is owned or utilised by an Omani natural person shall be exempt in the cases and on the conditions stated hereunder:]

There shall be exempted from tax, the profits realized by the establishment which is owned or utilized by an Omani natural person from the activity carried on in the fields specified in this Article, in the cases and on the conditions stated hereunder:

- i) It should be an industrial establishment which is registered under the above mentioned Law for Organization and Promotion of Industry.
- ii) It should be a commercial or industrial establishment which carries or activities in any of the following fields:
  - a) mining;
  - b) agriculture farm production, farm processing including animal husbandry, processing/manufacturing of animal products and agriculture industries;
  - c) promotion of tourism including operation of hotels and tourist villages, excluding management contracts;
  - d) export of locally manufactured /processed products;
  - e) utilisation and performance of services such projects for public facilities, excluding management and project contracts;
  - <sup>24</sup>f) fishing and fish processing.
  - (f) fishing, fish processing, fish farming and pisciculture;
  - <sup>25</sup>, <sup>26</sup>g) University and high education carried on by the private universities, colleges and high institutes which take the form of a commercial establishment and incorporated pursuant to the Laws and Royal Decrees in force.
- iii) Tax exemption shall be granted for a period of five years with effect from the date commencement of production or the date or commencement of business, as the case may be. The exemption period may be renewed in the cases of necessity for a period not more than five years, provided that such renewal shall be made by a decision to be issued by the Financial Affairs and Energy Resources
- iv) The Minister may issue the regulations and procedures necessary for implementing the tax exemption and renewal of exemption pursuant to the provisions of this Article..

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<sup>20</sup> Added by Royal Decree no. 93/94 w.e.f. 17.9.1994.

<sup>21</sup> To be read with Article 2 of the Royal Decree no. 89/96 which reads as follows:

Article 2: The industrial establishments which have previously been exempted from tax by virtue of decisions issued in accordance with the provisions of Article 5(Bis) of the aforementioned Law of Profit on Commercial and Industrial Establishments, shall continue to be exempted up to the date of expiry of the period of exemption granted under the Law.

<sup>22</sup> Substituted by Royal Decree No. 89/96 with the next paragraphs w. e. f. 2.11.1996.

<sup>23</sup> The first paragraph is replaced by the text printed next, by RD No. 55/2003, wef 15.9.2003.

<sup>24</sup> The paragraph f) was substituted by the paragraph printed next by RD 55/03, wef 15.9.2003

<sup>25</sup> The paragraph g) was added by Royal Decree No. 69/00, w.e.f. 15.8.2000

<sup>26</sup> The paragraph g) was deleted by RD No. 55/03, w.e.f. 15.9.2003.

<sup>27</sup> **Article 5 (bis)(1):**

Without prejudice to the previously granted exemptions, the commercial establishment which is solely owned or exploited by an Omani natural person and carries on shipping activity shall be exempted from tax as from the tax year 2000 which begins on 1<sup>st</sup> January 2000.

<sup>28</sup> **Article (5) Bis (2):**

There shall be exempted from tax the profit realized by the establishment which is owned or utilized solely by an Omani natural person from carrying on its main activity in the university education, college, higher institutes, private schools, kindergartens, or training colleges and institutes or in the field of medical care through establishing private hospitals.

The Minister supervising the Ministry of Finance shall specify the rules and procedures necessary for implementing the exemption from tax in accordance with the provisions of this Article.

**Article 6:**

The provisions of the aforesaid Company Income Tax Law shall be applicable in all matters not specifically covered under this law.

<sup>29</sup>Objections against the assessments in respect of the [profit tax on commercial and industrial establishments]<sup>30</sup> profit tax on establishments and tax lawsuits and appeals against the decisions thereon shall be made in accordance with the rules and procedures provided for in Chapter Eleven of Royal Decree no. 47/81 referred to above.

<sup>31</sup> **Article 6 (Bis):**

As an exception to the provision of Article 14 of the Company Income Tax law referred to above, the establishments specified in paragraphs (1) and (2) of Article 5 (Bis) of the Law may carry forward and deduct the net losses incurred during the period of exemption granted under the Law in the subsequent years until these losses are finally set off.

<sup>32</sup> **Article 6 (Bis 1):**

As an exception from the provision of paragraph (1) Article 13 of the Royal Decree 47/81 referred to above, there shall be regarded as costs, the salaries and similar costs paid to the owner of the [commercial and industrial establishment]<sup>33</sup> establishment and also value of utilisation by the establishment, of the real estates registered in the name of the owner thereof. Deduction of any of those costs from the gross income of the commercial or industrial establishment may be made only in the instances and according to the conditions, limits, rates and restrictions specified by a decision to be issued by the

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<sup>27</sup> The Article 5 (bis)(1) was added by Royal Decree No. 69/00, w.e.f. 15.8.2000

<sup>28</sup> The Article 5 (bis)(2) was added by RD No. 55/2003, w.e.f. 15.9.2003.

<sup>29</sup> Added by Royal Decree no. 99/97 w.e.f. 2.2.1998.

<sup>30</sup> These words were replaced by the word 'establishments' by RD no. 69/00.

<sup>31</sup> Added by Royal Decree no. 89/96 and shall apply to the net losses incurred as from the tax year 1996 which commenced on 1<sup>st</sup> January 1996.

<sup>32</sup> Added by Royal Decree no. 99/97, and shall apply to the taxable incomes the final assessments of which have not been completed until on which this Decree comes into force i.e., 2.2.1998.

<sup>33</sup> These words were substituted by the word 'establishment', by Royal Decree No. 69/00, w.e.f. 15.8.2000.

Minister supervising the Ministry of Finance and without prejudice to the provisions of Article 10 and 11 of the aforementioned Royal Decree 47/81.

<sup>34</sup> **Article 6 (bis)(2):**

Any establishment pays any of the amounts specified in paragraph 3 (c ) of the Second Schedule attached to the aforementioned Law of Income Tax on Companies to any foreign company which has no permanent establishment in Oman shall be obliged to deduct income tax on companies which is specified in paragraph 3 (c ) of the Second Schedule referred to above and to remit the same to the Secretary General for Taxation in accordance with the rules which shall be specified in a decision to be issued by the Minister, Supervisor of the Ministry of Finance.

In the event of breach by the establishment to its obligation of deducting and remitting the due income tax on companies, the procedures specified in Articles 27, 30, 31, 32 and 39 of the aforementioned Law of Income Tax on Companies shall be enforced.

**Article 6 (bis)(3):**

The Minister, Supervisor of the Ministry of Finance shall issue a list of the independent profession specified in the third paragraph of Article (1) of this Law. The same shall be notified to the Government Ministries and Organizations.

All Government Ministries and Organizations, which are competent to issue licenses for exercising the independent profession referred to above shall be obliged to notify the Secretary General for Taxation of a statement on the licenses issued by them. The statement of permanent licenses and their renewal, cancellation or termination shall be notified in intervals of 6 months each. Temporary licenses shall be notified promptly after issue. Notification of these statements shall be made as specified by the Secretary General for Taxation

**Article 7:**

This tax shall be applicable to the aforesaid commercial and industrial establishments and companies wholly owned by Omanis, on the taxable income for the tax year ending on the 31<sup>st</sup> December 1989 and following tax years.

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<sup>34</sup> The Article 6 (bis)(2) and Article 6 (bis)(3) were added by Royal Decree No. 69/00, w.e.f. 15.8.2000