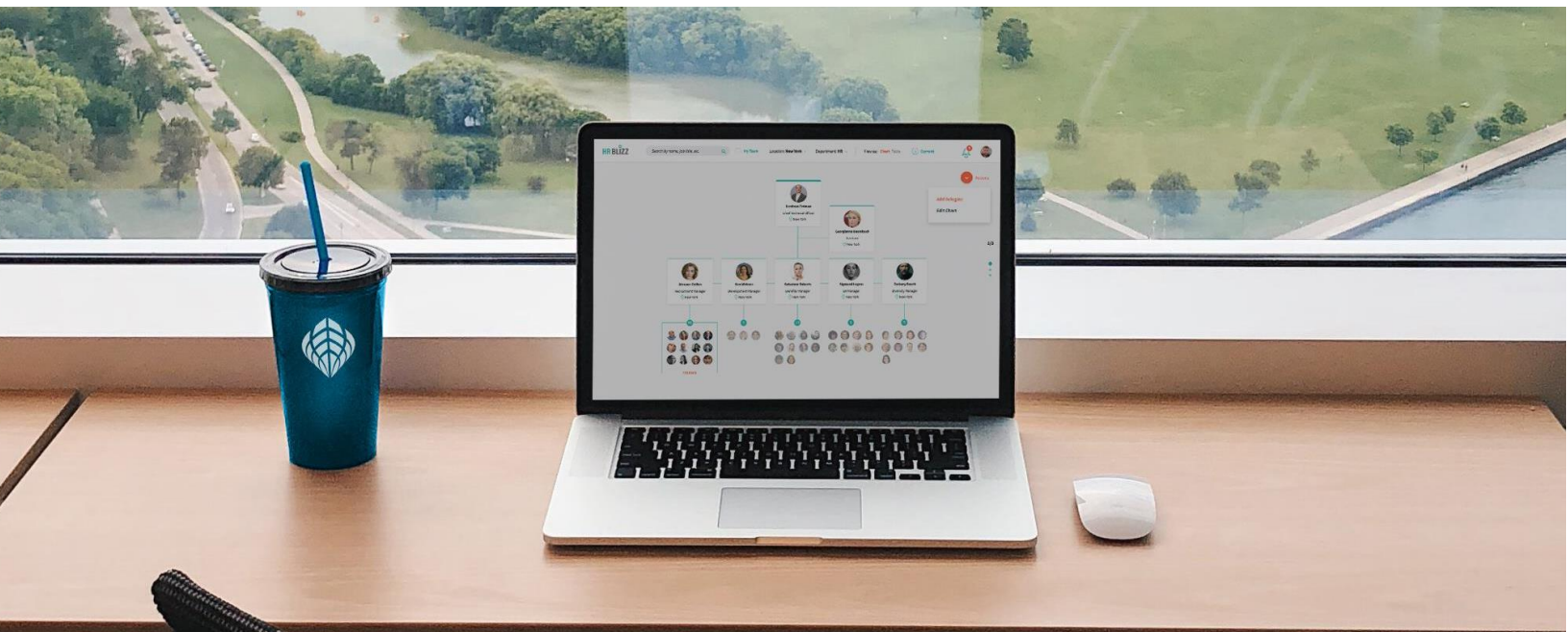




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Payroll & Tax Highlights

2020 Global Payroll Country Guide for Oman



SULTANATE OF OMAN



May 5, 2020



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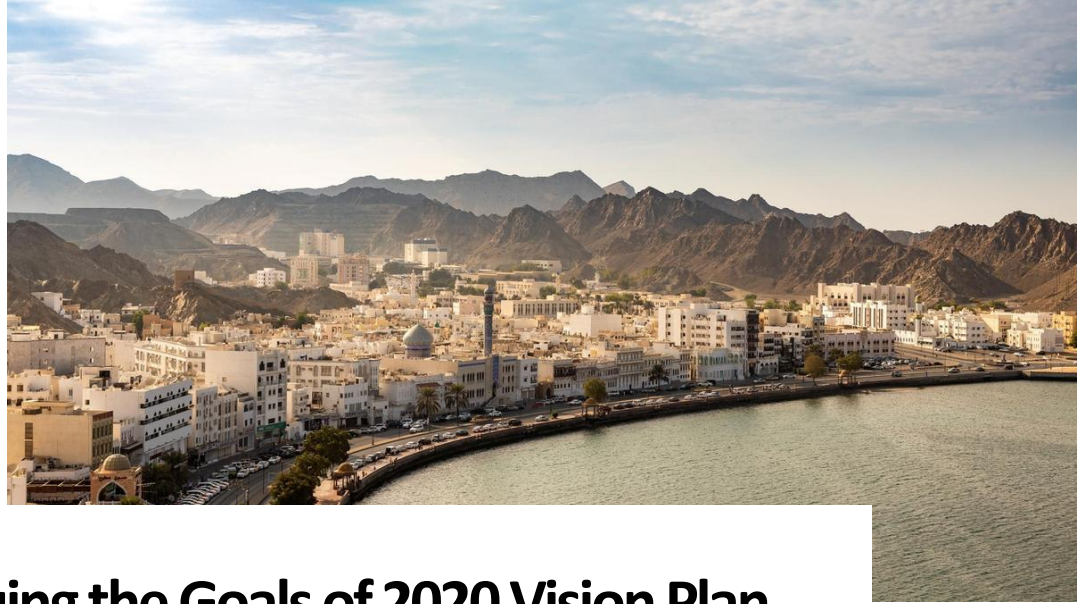


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Table of Contents

Oman – Overview of the Economic Environment.....	5
Doing Business in Oman	6
Entity Registration & Incorporation Requirements	6
PROCESS OF REGISTERING A COMPANY IN OMAN	7
<i>Legal and regulatory framework</i>	<i>7</i>
<i>Establishment of Business</i>	<i>8</i>
<i>Limited Liability Company (“LLC”).....</i>	<i>8</i>
<i>Joint Stock Company.....</i>	<i>8</i>
<i>Branch.....</i>	<i>9</i>
<i>Commercial Agency</i>	<i>9</i>
<i>Commercial Representative Office</i>	<i>9</i>
<i>Free Zones.....</i>	<i>9</i>
<i>Accounting and Reporting</i>	<i>10</i>
Financial and Banking System	10
Working Week.....	11
Tax & Social Security.....	13
Overview.....	13
Corporate Income Tax	13
Permanent Establishment (PE)	14
Withholding tax	14
Personal Taxation	15
Public Authority for Social Insurance (PASI).....	15
Social Security.....	15
<i>Wage Protection System (WPS).....</i>	<i>16</i>
Payroll	17
Sample Payslip	17
Employment Law	18
Employment Contract	18
Employment of expatriates.....	19
Probationary period	19
Minimum wage.....	19
Leaves	19
Termination, Resignation or Retirement.....	20
Immigration	23
Omanisation Plan	23



Oman – Pursuing the Goals of 2020 Vision Plan

The Sultanate of Oman has had extraordinary economic development since 2004, primarily due to the exploitation of its oil reserves. However, growth rates declined in 2019 to 0.03% as oil production remains capped by the OPEC production cut agreement, but also a slowdown in household consumption. IMF forecasts a growth of 3.7% for 2020 and 4.3% for 2021, thanks to a rise in the natural gas output as production from new fields comes on stream.

Oman has a relatively healthy economic and financial situation. Its government debt (estimated at 38.9% in 2019) is small compared to its gold and foreign currency reserves, although is expected to grow in the coming years. The public deficit (5.3% of GDP in 2019) has contracted significantly in the last few years, following a recovery in commodity prices and austerity measures taken by the government

(which abolished electricity subsidies for businesses and state agencies and is planning to reduce hiring and freeze the salaries of civil servants). However, the country's habit to frequently resort to international markets for its financing needs could be risky and several rating agencies have degraded the country's sovereign rating. Although hydrocarbons represent a financial windfall, the Sultanate possesses one of the weakest oil and gas reserves in the region: it is estimated that the oil reserves will dry out 45 years from now if new exploration and production techniques are not developed. To decrease its dependence on raw materials, Oman has established reforms to liberalise and diversify its economy in the framework of its "2020 Vision Plan", which aims to increase investment in the tourism, financial services and port activity sectors.

Such reforms are slowly paying off, as confirmed by the fact that non-oil and gas economy now accounts for more than two-thirds of GDP. Inflation fell to 0.8% in 2019, but is expected to pick up to 1.8% in 2020 and 3.8% in 2021, due to inflationary pressures caused by the introduction of VAT (the Government plans to implement it in 2021, after several postponements) and further cuts to subsidies on fuels. Oman has a workforce of 2.7 million out of its 4.3 million population, of whom about 43% are expatriates (World Bank). Prior to the discovery of oil fields, Oman was virtually a subsistence economy that was entirely based on agriculture and fisheries. Nevertheless, Oman is seeking to achieve food self-sufficiency (which stands at 41.3% according to the latest survey of the Public Authority for Stores and Food Reserve of Oman).

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Doing Business in Oman

Entity Registration & Incorporation Requirements

The incorporation of a commercial company in Oman is governed by the Commercial Companies Law, Foreign Capital Investment Law & the Commercial Register Law. Depending on the capital of the business, objectives of the parties involved and the type of business, the most common forms of commercial companies in Oman are: limited liability company (LLC), joint stock company (closed) (SAOC), joint stock company (public) (SAOG), joint venture and general partnership.

The Commercial Companies Law include regulations covering all businesses in Oman under various business structures such as general partnership, limited partnership, limited liability company, joint stock company, holding company, joint ventures and sole proprietorship.

On 18 April 2019, a new Commercial Companies Law (New CCL) entered into force in the Sultanate of Oman, and the previous Commercial Companies Law that had been in force since 1974 (Repealed CCL) was repealed.

Although the changes are unlikely to have a seismic impact, the New CCL attempts to create a stronger and more transparent corporate governance regime in Oman. It also takes some more measured modernizing steps, which aim to make doing business in Oman easier. In this briefing, we provide an overview of the key changes in the New CCL and highlight some actions that will need to be taken by companies in Oman to comply with its terms. Many of the new provisions have also not yet been applied in practice and will likely be given more meaning and substance by an Executive Regulation which we expect to be published within the coming months.

Following the issuance of Oman's new Commercial Companies Law (CCL) enacted by Royal Decree No 18/2019, the Capital Market Authority (CMA) announced that all the matters related to listed companies [other than registrations] will come under the CMA's jurisdiction as per the new law. The new CCL comes at a time when the sultanate is preparing for 2040 Vision, which focuses on enabling the private sector to take the lead in production processes and effectively contributing to the growth of the economy.

The government of Oman has been taking active measures to encourage business growth, focusing on diversification, industrialization and privatization. The Sultanate is located at the mouth of the Persian Gulf, granting it a nautically strategic position, with a 1700 km long coastline serving as the gateway to the Arabian Gulf. Oman has witnessed extensive economic and social reforms since 1970. It has been growing manifold, with the development of tourism and real estate. As such, the Sultanate now attracts sizeable foreign investment, paving the way for even more business opportunities in Oman.



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PROCESS OF REGISTERING A COMPANY IN OMAN

Oman company registration process is as follows:

1. Reserve a Company Name: Submit an application to the Ministry of Commerce and Industry (MCI) to reserve a unique name for your company, subject to nomenclature norms in Omani Law.
 2. Submit Incorporation Documents: Once the company name is reserved and approved, draft the shareholder documents and constitutive contract, and obtain the authorized signatory form and bank certificate, and submit these to the MCI.
 3. Register with the Oman Chamber of Commerce and Industry (OCCI): After registering with the MCI, register with the OCCI, for compliance with the commercial rules and regulation required of a corporate in Oman.
 4. Get Approvals from Government Departments: Depending upon the nature, size and activities of your business, you may need to obtain a couple of government approvals. This can include obtaining or carrying out:
 - Tax registration
 - Registration with the Royal Oman Police
 - Registration with the Ministry of Manpower, to file for labour clearances and visas
 - Municipality license
 - Import/export license, if required
 - Industrial, environmental and other permits and licenses
 5. Design a Company Seal: Get a company seal designed.
- Documents Required for Omani Company Registration
- Company registration form
 - Copy of valid ID of the shareholders and authorized signatories of the company
 - An approved authorized signatory form, with the signatures and names of the authorized signatories of the company
 - Company statutes
 - Chamber of Commerce and Industry Affiliation certificate
 - Certificate of initial capital deposit at bank

Legal and regulatory framework

The legal system in Oman is based on both civil code principles and on Islamic Shari'a Law. The sources of law for civil matters include:

- The 1996 Basic Statute of the State ('the Basic Law')
- Islamic Shari'a

The Basic Law states that 'Islam is the religion of the state and the Islamic Shari'a is the basis of legislation.' Existing laws and regulations remain in force 'provided that they do not conflict with any of the provisions of



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this Basic Law.’ The only areas that, according to the Basic Law, are governed by Islamic Shari’a are family law and inheritance.

The Commercial Court has jurisdiction over commercial disputes. As Oman is a civil law jurisdiction, judges have freedom to interpret agreements in a way in which, in their opinion, the original intentions of the parties are reflected. This could extend to amending a contract if the judge feels the amendment would more accurately reflect the parties’ original intentions.

Establishment of Business

Introduction Foreign companies and individual investors may establish operations in Oman via one of the following main forms:

- Limited Liability Company (LLC)
- Joint stock company
- Branch
- Commercial Agency
- Commercial Representative Office

We will look at each one of these potential options in more detail below.

Limited Liability Company (“LLC”)

Foreign companies and individuals are generally required to have an Omani partner with a minimum 30% shareholding in order to form an LLC. Minimum share capital of OMR 150,000 (390,000 USD) is required to register an LLC with foreign participation. GCC companies that are 100% owned by GCC nationals, or GCC nationals themselves, may establish an LLC without a local partner for approved activities. An LLC is required to have at least two shareholders.

Pursuant to a free trade agreement (FTA) concluded between the US and Oman, US persons may form an entity in Oman without a local partner, provided that all the shareholders are US persons. The minimum share capital for LLCs with local or GCC ownership, or for those qualifying under the US FTA is OMR 20,000 (52,000 USD).

Joint Stock Company

Joint stock companies that do not offer their shares for public subscription are known as privately held joint stock companies (SAOC). The minimum share capital required for an SAOC is OMR 500,000 (1.3m USD).

Alternatively, joint stock companies that offer their shares to the public are called publicly held joint stock companies (SAOG). The minimum share capital required for an SAOG is OMR 2m (5.2m USD). The 30% local Omani shareholding requirement must also be observed in establishing a joint stock company.

Ownership of stock in SAOGs is through Muscat Securities Market (MSM) trading and regulated by the Capital Market Authority. Foreign investment in banks and other types of financial institutions is governed by the Central Bank of Oman (CBO).



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Branch

A foreign company may register a branch in Oman only to execute a contract with the government or a quasigovernment body. The branch registration is limited to the duration of the underlying contract. Special dispensation may be given to allow a foreign company to register a branch without a government or semi-government contract if the activity is deemed by the Council of Ministers to be of national economic importance.

Commercial Agency

Foreign companies without commercial registration in Oman may do business through commercial agents. Agency agreements are formally registered with the Ministry of Commerce and Industry (MOCI) under the Commercial Agency Law.

Commercial Representative Office

A foreign firm may open a commercial representative office in Oman solely for the purpose of marketing and promotion of its products or services. A representative office is not allowed to sell products or services or to engage in other forms of commercial activity. However, it may sponsor and hire employees.

Historically it has taken approximately four to six weeks to incorporate an entity, since there are a number of steps, and supporting documentation which need to be legalised, to complete the incorporation process. However, effort has been made in recent years to make the company registration process more efficient and convenient, including the introduction of the Ministry of Commerce and Industry's e-portal www.business.gov.om, which permits the immediate, online registration of a new company, allowing for the submission of establishment documents post-registration.

The Oman government is also considering legislating a new foreign Capital Investment Law.

Free Zones

There are currently three free zones (Sohar, Salalah and Al Mazunah) in Oman, as well as a special economic zone in Duqm. Each zone has its own features.

Although goods produced in free zones can be sold freely in the mainland, this may affect some of the benefits available on account of operating within the free zones (such as tax exemptions).

Sohar Free Zone

Full exemption from customs duties on goods imported into the free zone. Businesses may be 100% foreign owned and tax exemptions are allowed for up to 25 years for companies established in this free zone, the free zone also allows relaxed Omanization rates. Located close to Port of Sohar and Sohar Industrial Estate, this free zone is aimed at attracting investment in the metal and steel, food and logistics sectors.

Salalah Free Zone

Located in the south of the country near to Oman's second city, Salalah, this free zone offers competitive labour and infrastructure costs compared to other regions in order to attract investors in the chemical and



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material processing, manufacturing, assembly and logistics sectors. Income tax exemptions are available for up to 30 years. Full foreign ownership is permitted, and customs exemptions are available. There is no minimum capital required to set up a company located in this free zone and there are relaxed Omanization rates applicable to such companies.

Al Muzunah Free Zone

This free zone is located in the Dhofar region, in the South West of Oman, to attract investors in the trading, light industry and assistant services sectors. Income tax exemptions are available for up to 30 years. Full foreign ownership is permitted, and customs exemptions are available. There is no minimum capital required to set up a company located in this free zone and there are relaxed Omanization rate applicable to such companies. Additionally, Yemeni nationals are permitted to work in the zone without visas or work permits

Accounting and Reporting

Financial statements must be prepared in accordance with International Financial Reporting Standards (IFRS). An exception to IFRS can be allowed. The first accounting period of an entity begins on the date of its registration and may cover any length of time up to eighteen months, after which a fixed twelve-month period must be chosen. If an entity wishes to change its accounting period subsequently, it must first obtain approval from the Secretary General for Taxation at the Ministry of Finance.

Accounting records maintained by entities must be recorded in OMR (Omani Rials), although an entity may be permitted to use another currency if it requests and receives permission to do so from the Ministry of Finance. It is standard for accounts to be recorded in English; no Arabic translation is required. Accounting records must be preserved for a period of ten years.

Financial and Banking System

The Central Bank of Oman (CBO) is responsible for maintaining the stability of the national currency the Omani Rial and ensuring monetary and financial stability in a deregulated and open financial system by way of monitoring and regulating banking activities in Oman. The institutional framework of the financial sector falling directly under the jurisdiction of the CBO embodied mainly conventional commercial banks, Islamic banks and Islamic Windows, specialized banks, non-bank finance and leasing companies and money exchange and draft issuing establishments. Besides the above, the financial sector also included several insurance firms, public and private sector pension funds, primary capital markets, brokerage firms and a stock exchange i.e. the Muscat Securities Market.

Official data reveals that the top three commercial banks contribute around 62% of total sector assets, while leading player Bank Muscat accounts for 37.26% of total sector assets. The three specialized banks Alliance Housing Bank, Oman Development Bank, Oman Housing Bank have been set up to support national development efforts in specific fields such as housing, industry, agriculture, fisheries, tourism, education by providing financial and technical assistance for small, medium and large projects in order to promote economic activity. The 2 Islamic banks are full-fledged sharia compliant banks and there are also six Islamic windows.



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Banks are generally from Sunday to Thursday 8.00 am – 2 pm. Hours vary significantly during the holy month of Ramadan to accommodate breaking the fast.

Working Week

The working week in Oman tends to vary between 40 and 48 hours, depending on company policy. Office hours are usually from 8.30 or 9.00 am to 5.30 or 6.00 pm. There are no differences in time keeping between summer and winter. In the month of Ramadan, the working day is sometimes reduced to six hours. In theory, the reduced hours should apply to all employees, but many companies only grant the reduced hours to their Muslim employees, leaving their foreign workers to work standard hours.

Friday is the Muslim rest day (the equivalent of Sunday in most western countries). If your company has a five-day work week, your other day off will be Saturday.

In the month of Ramadan, the working hours are reduced to six hours for Muslims employees. Other workers have the usual working hours.

The working hour's related regulations have been summarized below:

Area	Regular Employee	Shift Employee	Female Employee
Workdays (1)	Saturday – Thursday (Friday is the only official weekend day).		Workdays (1)
Weekly Regular Working Hours (1)	Daily Criterion – 8 hours/day	Weekly Regular Working Hours (1)	Daily Criterion – 8 hours/day
Breaks	Min 30 minutes every 5 hours (not part of the working hours i.e. unpaid – employee may not be required to stay at their workplace) (4)	Min 30 minutes every 5 hours (not part of the working hours i.e. unpaid – employee may not be required to stay at their workplace) (4)	1 hour for nursing mothers (paid break)
Max Stay at the Workplace	9 hours per day	9 hours per day	
Ramadan Working Hours (1)	Daily Criterion – 6 hours/day	Ramadan Working Hours (1)	Daily Criterion – 6 hours/day
Total Maximum Working Hours (Regular + Overtime)	12 hours per day	Total Maximum Working Hours (Regular + Overtime)	12 hours per day
Public Holidays (5)	2 - 5 days – Eid Al-Fitr	Public Holidays (4)	3 – 5 days – Eid Al-Adha

Basic Facts

Official State Name	Sultanate of Oman
Population	5.10 million
Capital	Muscat
Major Languages	Arabic
Currency	Omani Rial (OMR)
Main Industries	Oil refining, Mining, Construction
GDP Growth	0.3% (2019)
Internet Domain	.om
International Dialing Code	+968
Dates & Numbers	Dates are usually written in the dd/mm/yyyy format.



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Tax & Social Security

Overview

Taxation regime in Oman is very favorable for businesses in the present global context and provides various incentives for new businesses and foreign investment. Therefore, taxation system is moderate. Oman levies no personal income tax, estate tax or gift tax. The main tax levied in Oman is the tax on business income. All business entities, both foreign and locally owned, are taxable in Oman.

Oman's Government deserves praise for carrying out reforms of the Oman's tax structure. The revised tax system provides balanced and identical tax practices for the foreign and local firms operating in Oman. The revised tax system has been effective since January 2010, which has been further amended in February 2017.

Apart from business income tax, Oman has levied only customs duty on imports and certain tourism and municipality tax.

All the business entities shall pay income tax at a flat rate of 15% on the entire taxable income without any basic exemptions.

Companies deriving their income from sale of petroleum are taxed on their taxable income at the rate of 55%.

Corporate Income Tax

Corporate income tax is charged on all sources of income (including capital gains) of a company or an establishment or a PE, earned or realized in Oman. Omani companies are also liable to tax on their overseas income. Credit is given for taxes suffered overseas irrespective of whether the country where the activity is carried out has a double tax treaty with Oman. The credit is limited to the Oman taxes applicable to such overseas income.

The principal tax in Oman is a corporate tax on business income.

The following entities are subject to corporate tax:

1. Companies and enterprises established in Oman
2. Branches
3. Individual corporations undertaking business in Oman.

Corporate tax is payable by Omani companies and foreign entities that have a permanent establishment in Oman at the rate of 15% of profits. There is also no tax- free threshold. The applicable rate of corporate tax will be 3% if the taxpayer satisfies all of the following conditions:

1. Is an Omani corporate entity
2. Has a share capital of OMR 50,000 or less
3. Employs 15 employees or less
4. Has an annual revenue of OMR 100,000 or less



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5. Does not partake in activities relating to the business of banking, insurance, financial institutions, public utilities concessions, air and sea transport, or extraction of natural resources, or as otherwise decided by the Council of Ministers.

Entities whose main activity is in the industrial sector may be granted a tax exemption. Income derived from the sale of oil and gas originating in Oman is taxed at a rate of 55%. However, the petroleum company that realizes such profits, although still considered a taxpayer in Oman, would typically have its tax obligations discharged by the government of Oman under the terms of its Exploration and Production Sharing Agreement.

Permanent Establishment (PE)

Under Oman Tax Law, a permanent establishment ('PE') is defined as a fixed place of business through which a business is wholly or partly carried out in Oman by a foreign person. This includes places of sales, places of management, branches, offices, factories, workshops, mines, quarries and buildings sites, places of construction or assembly projects where activities are carried for more than 90 days. However, the use of storage or display facilities, maintenance of a stock of goods, purchase of goods or collection of information for the business, and/or other activities of a preparatory or auxiliary nature will not create a PE in Oman.

The definition of PE also references carrying out business in Oman either directly or through a dependent agent. A 90-day threshold in a 12-month period applies to foreign companies rendering consultancy or other services in Oman, whether directly or through employees or others designated to perform the services.

Tax treaties between Oman and its treaty partners may in some cases alter the PE determination resulting under domestic law.

Withholding tax

A 10% withholding tax is applied at source to amounts paid or credited to foreign persons that do not have income attributed to a permanent establishment in Oman for the following categories of income:

- Royalties.
- Management fees.
- Fees for the performance of services (with defined exclusions for participation in organizations, conferences, seminars and exhibitions / training / transportation and insurance thereon / air tickets and accommodation abroad / board of directors' meetings / reinsurance payments / services in connection with an activity or property outside Oman).
- Consideration for research and development.
- Consideration for the use of or right to use computer software.
- Dividends and interests (temporarily suspended with effect from 6 May 2019 through a Royal Directive).



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Personal Taxation

Income is currently not subject to personal income taxes in Oman and there is no requirement to file income tax returns.

Public Authority for Social Insurance (PASI)

All private companies within Oman and GCC with Omani employees are required to register with the PASI within one month from the date of commencement of employment. This means that registration of Omani employees employed by the private sector should be made with the authority and they should be brought under the umbrella of the Social Insurance Law. The registration is usually made by the company's Public Relations officer. The PASI number does not change when the employee changes companies, but the PASI authority must be informed about the change in companies. The registration of employees is preceded by the registration of employers. Registration is free of charge. Citizens and businesses can register with PASI and should follow the steps listed below.

- Completed employee registration form
- Copy of ID card or passport of the endorsed employee
- Copy of employee contract registered by the Ministry of Manpower
- For Omanis working outside GCC countries: employee to complete registration of Omanis Working Abroad Form
- Authorized representative to submit supporting documents to registration counter in one of PASI's nine branches
- Permanent Insurance Number (PIN) generated and PIN card issued

Requirements when only Omani employees are being registered:

- The employer should provide a copy of the job contract registered by the Ministry of Manpower.
- The employee should not be less than 15 years of age or above 59 years of age at the time of first registration.
- The employee should not be active with other employers.
- A valid ID card or passport should be provided by the employee.
- Special condition (if the employee is a GCC national)

The maximum salary cap for the calculation of the PASI contributions is 3,000 Omani Rials (OMR) per month. Even if the salary exceeds OMR3,000 per month per employee, for the purpose of the PASI employer contribution and the employee contribution, the salary will be restricted to OMR3,000 per month per employee, or equivalent.

Salaries should be stated in Omani Rials for employees working in Oman. For employees working in other GCC countries, salaries should be in the corresponding currencies.

Social Security

Employees who are Omani nationals are subject to a social security regime in Oman. Currently, the social security payment is at a rate of 18.5% of the employee's gross remuneration as stated in an employee's



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employment contract and applies regardless of free zone tax holidays: 7% is payable by the employee and the remaining 11.5% (including a 1% payment for work related injuries) is payable by the employer. The withholding obligation is on the employer. There are no social security payments for expatriates.

Wage Protection System (WPS)

The WPS was introduced by the Ministry of Manpower and Central Bank of Oman in January 2014. In accordance with Article 53 of the Omani Labor Law, employers are required to pay their employees in the local currency through Omani banks. The local banks are required to report all salary payments to the Ministry of Manpower for comparison with the employee's contractual salaries. Any late or short payments require valid justifications from the employer.

A key requirement under the WPS is to pay employees' wages in the local currency, by way of bank transfer into their local bank accounts. Employers non-compliant with the WPS could face financial penalties and problems with renewing or processing new visas for their workforce.

In order to avoid any potential risks related to non-compliance with the WPS regulations in Oman, employers should take the following steps:

1. Request that employees open local bank accounts
2. Confirm that their Omani corporate banking partner is able to facilitate salary payments in accordance with the WPS regulations
3. Ensure that all employees are paid their full contractual salary in the local currency.



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Payroll

There is no specific rule for payslips or payment frequency, however, in general practice, payslips are released to employees monthly. While there are no personal income tax obligations in Oman, it is important to comply with all labor law requirements together with certain mandatory requirements, such as the Wage Protection System (WPS). The WPS applies to employees registered with Oman's Ministry of Manpower.

A key requirement under the WPS is to pay employees' wages in the local currency, by way of bank transfer into their local bank accounts. Employers non-compliant with the WPS could face financial penalties and problems with renewing or processing new visas for their workforce.

Sample Payslip



EMPLOYEE PAYSLED

REF-P00-463

I

TRANSFERABLE AMOUNT:

Employer	
Employer address	
Country	Oman
Pay Period	April 2020

OMR	1,595.00
-----	----------

Employee name		Email	
Employee ID	001	Hire date	2017-07-12
Employee Position	Engineer	Payment Method	Bank

Summary			
Pay currency	Entitlements	Deductions	Net pay
OMR	1,700.00	105.00	1,595.00

Details					
Entitlements	Amount	Currency	Deductions	Amount	Currency
Basic salary (incl. Arrears)	1,500.00	OMR	Housing loan deduction	20.00	OMR
Housing allowance	200.00	OMR	Social Security (employee)	85.00	OMR

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Employment Law

The Sultanate of Oman is the second-largest state in the GCC and possesses a wider range of natural resources than most other Gulf nations. Oman plays a leading role in the Arabian peninsula's external trade, and the private sector is driving the continuing development of the country. Oman has a population of nearly 3 million and about one third of the workforce are expatriates.

Employment in Oman is regulated by the Labour Law, issued in accordance with Sultani Decree 35/2003, and the various ministerial decisions that amend it, and the Civil Transactions Law, issued in accordance with Sultani Decree 29/2013.

The Labour Law regulates the employment of all workers in the private sector, other than domestic servants. It governs employment contracts, wages, overtime pay, leave, work hours, industrial safety, labour disputes, and the employment of Omani and foreign nationals.

The Civil Transactions Law contains 20 articles concerning employment contracts. The areas covered range from formation of the employment contract to its termination. It must be noted, however, that the provisions of the Civil Transactions Law relating to employment contracts apply only to issues that are not regulated by the Labour Law.

The provisions of the Labour Law are mandatory, although employers and employees may provide for more generous entitlements and benefits than those provided for by law.

Expatriate employees are also subject to the Law of Expatriates Residence issued by Sultani Decree 16/1995, and the regulations and decisions made by the Royal Oman Police, dealing with employment visas and residency permits.

Employment Contract

The Labour Law requires that there be a written employment contract between the employer and the employee; if it is in a language other than Arabic, a translation must be attached.

Certain matters must be contained in the employment contract, such as the employee's qualifications, nationality and position description. It is usual for employers to use a standard-form employment contract issued by the Ministry of Manpower (MOM) for Omani employees, and a more detailed employment contract for expatriate employees covering additional benefits, such as payment of air tickets for annual leave and school fees.

While the Labour Law is silent as to the maximum contractual duration of an employment contract, the Civil Transactions Law provides that it may not exceed five years. Both laws agree that a limited duration employment contract will become a contract for an indefinite period if the contracting parties continue the employment relationship past the specified contractual period.

The Civil Transactions Law makes it permissible to oblige an employee not to divulge work secrets even after the termination of the employment contract, and to agree on non-competition clauses. It also addresses



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ownership and rights relating to inventions and discoveries made by an employee during the course of employment.

Employment of expatriates

Before hiring an employee from overseas, an employer in Oman must obtain a labour clearance from the MOM, allowing the position to be filled by an expatriate. The employer must then obtain an employment visa from the immigration department at the Royal Oman Police. Once the expatriate is in Oman, she/he must obtain a residence permit, also from the Royal Oman Police. Expatriates are only permitted to work for the employer that has obtained these clearances and visas.

Probationary period

An employer is entitled to stipulate that a probationary period applies for up to three months. Any probationary period must be set out in the employment contract, otherwise it will not apply.

Minimum wage

The minimum monthly wage for Omani employees is RO225 (\$584.49), plus RO100 in allowances for transport and accommodation. Strictly there is no minimum wage for expatriates, although Ministerial Decision 13/1979 (which was made under the previous, repealed, Labour Law) arguably still stands. Under that decision, the minimum wage is RO60, plus any (unspecified) allowances.

Leaves

The statutory leaves for Oman have been summarized in the below table:

Leave Type	Eligibility	Compensation	Leave Duration
Annual Leave	<ul style="list-style-type: none">• Completion of probationary period (6 months)• Employer approval required – 30 days advance notice• No carry-forward by employee; max grace period for the employer 60 days	Paid	30 calendar days per year
Sick Leave	<ul style="list-style-type: none">• Doctor's notice	Paid/Partially-paid/Unpaid	First 2 weeks – fully paid 3 rd & 4 th weeks – 75% paid 5 th & 6 th weeks – 50% paid 7 th up to the 10 th week – 25% paid Following anything - unpaid
Bereavement Leave	<ul style="list-style-type: none">• Death of direct family member	Paid	6 days in addition to the 30 days annual leave period



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Marriage Leave	• Marriage	Paid	3 days (true copy of Marriage certificate)
Childbirth Leave for Male Employees	• Birth of a child	Paid	3 - 7 days
Haji Leave	• Once during service period	Paid	15 days
Maternity Leave	• Completion of the probation period	Paid	50 days includes before and after the delivery
Examination Leave	• During the year (Omani employee's only)	Paid	15 days
Special Leave	• During service	Paid	130 days for a Muslim woman whose husband has died
Unpaid Leave	• Employer prior approval	Unpaid	Max duration is defined by the employer.

Termination, Resignation or Retirement

In accordance with Labor Law Articles 36, 37, 38, 39, 40, 41, 42, 43, 44, 45 & 46, If the contract is for a limited period and the parties continue to execute it after the expiry of its period, the contract will be deemed to have been renewed with the same terms and conditions for an unlimited period.

If the contract is for an unlimited period, any party may choose to terminate it by giving the other party a thirty day written notice of termination in case of employees who receive their salaries monthly, and fifteen days for other employees unless it is agreed in the contract for a longer period.

If the contract is terminated without such period being observed, the party who terminates the contract will be obliged to pay to the other party a compensation equal to the gross salary of the notice period or the remaining part thereof.

Notice of termination of the contract, issued by the employer to the employee, when the latter is on leave or public holiday, will not be valid except from the date following the end of either the leave or the public holiday.

If the employment relationship is terminated, the employer, shall, in respect of the employees who do not benefit from the rules of the Social Insurance Law, pay to the employee an end of service gratuity equal to the salary of fifteen days for each year of service for the first three years and a one month salary for each year for the following years and the employee will be entitled to gratuity for the fractions of the year in Oman Labour Law 12 respect of the period he spent in service and the last basic salary shall be the basis of calculating the gratuity. The duration of continuous service which began before the commencement of this



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law shall be counted within the period of service which will be considered for determining the payable gratuity period.

The employer may dismiss the employee without notice and without paying end of service gratuity in any of the following cases:

1. If the employee assumes a false identity or resorts to forgery to obtain the employment.
2. If the employee commits a mistake which results in grave material loss to the employer, provided that the latter reports the incident to the concerned Directorate within three days from the date of his knowledge of such incident.
3. If the employee does not abide by the instructions which must be followed for the safety of the employees and the place of work despite being warned in writing, provided that such instructions are made in writing and displayed in a conspicuous place.
4. If the employee is absent from his work without reasonable justification for more than ten days in one year or more than seven consecutive days, provided that the employer gives the employee a written warning after being absent for five days in the first instance.
5. If the employee discloses the secrets of the establishment in which he works.
6. If the employee is finally convicted of a crime or misdemeanour involving breach of honour or trust or a misdemeanour committed in the place of work or while the work is being performed.
7. If during the working hours the employee is found drunk or intoxicated by a narcotic substance or a mind stimulant. If the employee assaults the employer or the manager in charge or gravely assaults any of his superiors during the work or because of the work or if he beats one of his fellow employees in the place of work and such beating results in illness or discontinuation of work for a period which exceeds ten days.
8. If the employee gravely breaches his obligations to perform the work agreed upon in his contract of employment.

Without prejudice to his right to claim all his entitlements an employee may, after giving notice to the employer; abandon the work before the expiry of the contractual period in any of the following instances:

1. If the employer or the employer's representative uses fraud on him at the time of contracting in respect of the terms and conditions of work.
2. If the employer does not perform his substantial obligations towards the employee in accordance with the contract of employment.
3. If the employer or the employer's representative commits an act contrary to morals against the employee or any member of the employee's family.
4. If the employee is assaulted by the employer or the employer's representative.
5. If there is a severe danger, which threatens the safety of the employee or his health provided that the employer is aware of the existence of such danger Oman Labour Law 13 and fails to take the prescribed measures imposed by the concerned authorities at the material time.

Subject to the rules of Social Insurance Law, if the employee abandons the work for any of the reasons mentioned in the preceding Article, the employer shall be obliged to pay such employee his end of service gratuity, without prejudice to the employee's right to be compensated.

The contract of employment may expire in any of the following events:

1. Upon the expiry of its period or by completion of the work agreed upon.



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2. Upon the death of the employee.
3. If the employee becomes incapable of carrying out his work.
4. Upon resignation or abandonment of work in accordance with the provisions this law.
5. If the illness of the employee requires discontinuation of work for a continuous or interrupted period of not less than ten weeks within one year.

The employees' incapacity or illness shall be proved by a medical certificate and proof of age shall be by the same certificate if it cannot be proved by birth certificate or on official printout of the same and the medical certificate must be issued by the Medical Committee, which will be convened by a decision from the Minister of Health in coordination with the Minister for the purpose of implementing the law, and such decision must contain the organisation of work procedures, and the decision of the said Committee shall be final.

The contract may not be terminated by the employer unless the employee attains, the age of sixty at least.

The employer shall, in case the contract is terminated for any of the reasons referred to above, pay the end of service gratuity provided for in Article (39) to the employee or his successors if the employee is not subject to the rules of the Law of Social Insurance.

Without prejudice to the Law of Social Insurance, if an establishment has a pension fund for the employees and the regulations of such fund provide that the employer's contribution to the fund for the employee's account is paid in consideration of discharging the employer's legal obligations pertaining to his payment of the end of service gratuity to the employee, and if the said contribution is equal to or more than the gratuity payable to the employee, the employer must pay to employee the said amount in lieu of the gratuity otherwise the employee will be entitled to the gratuity.

If the employee contributes to the money of such fund, he will be entitled to collect what is due to him from the pension fund as well as the end of service gratuity.

Those who establish pension funds in their establishments must obtain the approval of the Ministry for such funds and their internal regulations before their registration. Lack of any objection to the internal regulations by the Ministry within sixty days from the date of their submission will be treated as an approval thereof.

When the contract is terminated the employer shall, upon the employee's request, give the employee a free of charge certificate of service showing the date he joined the service, the date he left the service, the type of work he used to perform, the salary and the other allowances and advantages if any. The employer must return to the employee the documents and certificates which may have been deposited with him.



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Immigration

All international visitors to Oman (other than Gulf Cooperation Council Nationals) require visas for the duration of their stay, which may be obtained through an Omani sponsor from the Immigration Department of the Royal Oman Police. Passengers are requested to check with their nearest Omani embassy or with their airline for visa requirements. To obtain a visa, all passengers must have a passport valid for more than 6 months. Amongst others, the following entry visas to the Sultanate are issued:

- Residence visa (investor visa, joining visa, family joining visa)
- Visit visa (trade mission, job contracting, family and friends visit, official visit, artiste groups, express business visa)
- Tourist visa
- Transit visa (via airports, via sea, and truck drivers visa)
- Work visa (with companies and servant visa)

For visit to neighbouring Gulf States by road, road permits are also issued by the Sultanate.

Omanisation Plan

Oman's Ministry of Manpower has launched an initiative to increase the Omanisation rates across the country's expanding tourism, industrial and logistics sectors next year, so as to provide more employment opportunities to locals in the country.

In 2020, the travel and tourism sector will need to meet an Omanisation level of 44.1 per cent, the logistics sector 20 per cent, and the industrial sector 35 per cent.

The three sectors are among those targeted for development and investment under the country's Tanfeedh plan for economic diversification, and as these sectors expand, the government wants to make sure that the jobs that come about due to this expansion are prioritised for Omanis.

An official from the Ministry of Manpower told Times of Oman, "We will provide training facilities and employment incentives to specialised companies in the travel and tourism, logistics and industrial sectors.

"We will provide temporary work licences across some occupations for the expatriate workforce, as well as part-time local workers, whose presence will count towards the Omanisation rate, provided that the percentage of part-time workers does not exceed 20 percent of the required Omanisation rate."

"Those people who are subject to our training programmes followed by employment provided through us will be part of this Omanisation rate," added the official. "Those companies that meet or exceed the Omanisation rate assigned by the ministry will be considered outstanding and will fall under the government's green card scheme provided the conditions to receive this green card are met."

Outstanding companies that meet this Omanisation rate will receive faster treatment from the ministry when it comes to providing facilities and clearances at a quicker rate.

"In case these conditions are not met, or there are no programmes in place to implement these conditions, then we will not be able to give these establishments permission to hire more workers. After a 30-day grace



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period which is provided to the company, the fines stipulated according to Article 114 of the Labour Law will apply,” explained the official.

The travel and tourism sector had an Omanisation rate of 41.1 per cent in 2017, 42.2 per cent in 2018, 43.1 per cent in 2019, and the Omanisation target for 2020 in the tourism sector is set at 44.1 per cent. The Omanisation rate in the logistics sector was 14 per cent in 2017, 16 per cent in 2018 and 18 per cent in 2019. It has been pegged at 20 per cent for 2020. Meanwhile, the Omanisation target for the industrial sector will be 35 per cent in 2020, after standing at 34 per cent in 2019, 33 per cent in 2018, and 32.5 per cent in 2017.



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