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Oman

Payroll & Employment Law Guide

2026 Edition · Last updated June 2026

Labour Law RD 53/2023 · Social Protection Law RD 52/2023 · EOSB Deferral RD 60/2025

Overview

A reference for employing in the Sultanate

Oman pairs a tax-free salary environment with the most comprehensive labour-law reform in the Gulf. There is no personal income tax, yet employers carry defined obligations for working hours, expanded leave, Social Protection Fund contributions, wage protection through WPS, end-of-service gratuity and Omanisation. Oman is also the only Gulf state that explicitly grants workers the right to form trade unions and bargain collectively.

Two reforms shape 2026 payroll: the sweeping Labour Law RD 53/2023, which overhauled hours, overtime, sick, maternity, paternity and caregiver leave, and the Social Protection Law RD 52/2023, whose new SPF contribution schedule is phasing in. A third decree, RD 60/2025, deferred the expatriate savings scheme that was set to replace end-of-service gratuity. Each is covered in the sections that follow.

0%	48h	14.5%	182d
PERSONAL INCOME TAX	MAXIMUM WORKING WEEK	SPF EMPLOYER RATE · 2026	MAXIMUM SICK LEAVE

WHAT THIS GUIDE COVERS

I

Company Setup & Key Platforms

Foreign employers can operate through a local entity or an Employer of Record. The limited liability company is the most common vehicle, and many sectors now allow full foreign ownership. Whichever route is chosen, a day-one Omanisation obligation and two compliance systems, the Social Protection Fund and the Wage Protection System, govern day-to-day payroll.

ENTITY & EMPLOYMENT ROUTES

ROUTE	WHEN IT IS USED
LLC	Most common structure; 100% foreign ownership permitted in many sectors
▸ **EOR**	Handles SPF, WPS and Omanisation obligations without a local entity

OMANISATION OBLIGATION FROM DAY ONE

— **Foreign-owned companies**
must employ at least one Omani national. The rule took effect in April 2024 with an April 2025 compliance deadline.

— **Wage Protection System (WPS):**
all private-sector wages must be paid through licensed Omani banks. Mandatory since November 2017.

— **Social Protection Fund (SPF):**
Omani employees must be registered from their first day of employment.

A regional first

Oman is the **only Gulf state** that explicitly grants workers the right to form **trade unions** and engage in **collective bargaining** (Royal Decree 113/2011). It also enacted the most comprehensive labour-law reform in the region in 2023 (RD 53/2023), overhauling working hours, overtime rates, sick leave, maternity, paternity and caregiver leave.

Why the platform layer matters

Wage, contract and social-insurance data must reconcile across WPS, SPF and the Ministry of Labour Business Platform. A salary or position change on one system that is not mirrored on the others is a common source of retrospective penalties and permit blocks.

II

Working Hours & Annual Leave

RD 53/2023 caps the working week at 48 hours and eight hours per day, down from nine hours under the old law, reduces hours during Ramadan and expressly permits remote work. It also replaced the old flat overtime premium with tiered rates, and introduced a 30-day annual-leave carry-over right.

STANDARD HOURS (RD 53/2023)

- **Maximum:** 8 hours/day and 48 hours/week (reduced from 9 hours/day under the old law).
- **Ramadan:** 6 hours/day.
- **Break:** 1 hour after 6 consecutive hours (increased from 30 minutes).
- **Remote work:** explicitly permitted by RD 53/2023.

OVERTIME

TYPE	RATE
First 2 hours daily overtime	125% of basic hourly wage
Night shift (21:00–06:00)	150%
▸ **Friday / public-holiday work**	150% or a compensatory day off

> On overtime
>
> Overtime rates were increased by RD 53/2023. The old law applied a flat **25% premium only**, with no night-shift or public-holiday tiers.

ANNUAL LEAVE

ITEM	ENTITLEMENT
Paid annual leave	30 calendar days per year; available after 6 months of service
Carry-over	Up to 30 days may be carried over (a new right introduced by RD 53/2023)
▸ **On termination**	Unused leave paid out in full

III

Sick, Maternity & Family Leave

RD 53/2023 expanded sick leave from a maximum of 10 weeks to 182 calendar days on a declining pay scale, raised maternity leave to 98 days with unlimited occurrences, and introduced new paternity and caregiver entitlements for both Omani nationals and expatriates.

SICK LEAVE — EXPANDED TO 182 DAYS (RD 53/2023)

PERIOD	PAY RATE
Days 1–21	Full pay (100%)
Days 22–35	75%
Days 36–70	50%
Days 71–105	25%
Days 106–182	Unpaid
▸ **Beyond 182 days**	Contract may be terminated

MATERNITY — 98 DAYS (RD 53/2023)

- **Duration:** 98 calendar days paid (increased from 58 days); up to 14 days may be taken before delivery.
- **Occurrences:** unlimited (the old law capped at 2). Nursing break of 1 hour/day paid for 1 year after return.
- **Childcare:** additional unpaid childcare leave of up to 1 year per occurrence (new). Equal coverage for Omani nationals and expatriates.

PATERNITY & CAREGIVER LEAVE (NEW)

LEAVE	ENTITLEMENT
Paternity (RD 53/2023)	7 calendar days paid; must be taken within 98 days of birth. Applies to Omani nationals and expatriates
▸ **Caregiver (RD 53/2023)**	Up to 15 days/year paid (Omani nationals) to accompany or care for close family members

IV

Social Security — SPF

There is no personal income tax in Oman. Social insurance runs through the Social Protection Fund (SPF, formerly PASI), which covers Omani nationals across five phased branches. Expatriate coverage is being introduced separately on a deferred timeline, with retirement provision still met through end-of-service gratuity until 2027.

SPF — OMANI NATIONALS (2026)

INSURANCE BRANCH	EMPLOYER	EMPLOYEE	EFFECTIVE
Old age / disability / death (pension)	11%	7.5%	1 Jan 2024
Work injury insurance	1%	—	1 Jan 2024
Employment security (unemployment)	0.5%	0.5%	1 Jan 2024
Maternity leave insurance	1%	—	1 Jul 2024
Sick & other leaves insurance	1%	—	1 Jul 2025
▸ **Total (2026)**	14.5%	8%	Active

Contribution base

Base is **basic salary only**, with an **OMR 3,000/month cap**; allowances are excluded. Register Omani employees with SPF from day one.

SPF — EXPATRIATE EMPLOYEES (PHASED IMPLEMENTATION)

COVERAGE	EMPLOYER	EFFECTIVE
Sick & other leaves insurance	Phased	19 Jul 2026
Savings scheme (replaces EOSB)	9% of basic wage	19 Jul 2027 (deferred by RD 60 / 2025)
Work injury insurance	1%	19 Jul 2028 (deferred by RD 60 / 2025)

Critical — RD 60/2025 (July 2025)

The expatriate savings fund was originally scheduled to replace EOSB in mid-2026. Royal Decree No. 60/2025 **deferred this to 19 July 2027**. Until the savings scheme takes effect, the **Article 61 gratuity formula applies in full** for expatriates, so end-of-service accruals should stay provisioned on the existing basis.

Re-model Omani costs

The 14.5% employer total for 2026 is materially higher than the old PASI rate of about 11.5%. Refresh Omani-national cost models before budgeting.

V

End-of-Service Gratuity — EOSB

RD 53/2023 changed the gratuity formula for expatriate employees, and the Ministry confirmed in October 2024 that service before and after 31 July 2023 is calculated on two different formulas. Gratuity is based on the last drawn basic wage only, capped at 24 months' basic salary, with a one-year minimum service requirement.

TRANSITION SPLIT AT 31 JULY 2023 (EXPATRIATES)

SERVICE PERIOD	FORMULA	AUTHORITY
Before 31 July 2023	Years 1–3: 15 days/year; Year 4+: 1 full month/year	Old RD 35/2003
▸ **From 31 July 2023 onward**	Every year: 1 full month's basic wage per year	New RD 53/2023 Article 61

Calculation base

Last drawn **basic wage only**; allowances, bonuses and overtime excluded. Minimum service 1 year; cap 24 months' basic salary. Fractional years (beyond year 1) are pro-rated for completed months.

ILLUSTRATIVE CALCULATION — 4 YEARS, OMR 500/MONTH BASIC

PERIOD	DURATION	CALCULATION	OMR
Old formula (Aug 2021 – Jul 2023)	2 years	2 × 15 days × (500/30)	500
New formula (Aug 2023 – Aug 2025)	2 years	2 × 1 month × 500	1,000
▸ **Total**	4 years	Combined gratuity	1,500

Unfair dismissal compensation

Capped at **12 months' gross salary** under RD 53/2023. The old law had **no cap**, with a minimum of 3 months.

VI

Minimum Wage & WPS

Oman sets a statutory minimum wage for Omani nationals in the private sector only. Expatriate pay is contract-determined. From January 2026 a mandatory annual increment applies to Omanis, and all private-sector wages must flow through the Wage Protection System.

MINIMUM WAGE & INCREMENT

CATEGORY	AMOUNT	NOTES
Omani nationals (private sector)	OMR 325/month (OMR 225 basic + OMR 100 allowances)	Unchanged since 2013; increase to OMR 360–400 under review
Expatriate employees	No statutory minimum	Contract and market rate determined
▸ **Mandatory annual increment (Omanis)**	2–5% per year	From January 2026; implementing regulation required

WAGE PROTECTION SYSTEM & PAY SECURITY

— **WPS:** all private-sector wages must be paid via licensed Omani banks. Mandatory since November 2017.

— **Constructive dismissal right (new — RD 53/2023):** if the employer fails to pay for 2 consecutive months, the employee may leave without notice and claim full gratuity.

On the wage floor

The OMR 325 Omani minimum has been unchanged since 2013. An increase to **OMR 360–400** is under review, and the 2–5% annual increment from January 2026 still awaits its implementing regulation, so model both scenarios.

VII

Hiring, Termination & Omanisation

RD 53/2023 capped the total length of fixed-term contracts, formally recognised redundancy as a permitted termination ground subject to committee approval, and tightened Omanisation obligations. Foreign-owned companies must hire Omani nationals from day one and larger employers file an annual localisation plan.

CONTRACTS & TERMINATION

Fixed-term	Maximum 5 years total, including renewals (new under RD 53/2023).
Unlimited-term	Minimum 1 month notice.
Redundancy (new)	Now explicitly recognised as a permitted termination ground. The employer must apply to a special committee for approval before redundancy terminations; the committee considers alternatives such as reduced hours or salary reduction before approving.

OMANISATION

RULE	DETAIL
Foreign-owned companies	Must employ at least 1 Omani national from April 2024 (deadline: April 2025)
25+ employee employers	Prepare and submit an annual Omanisation plan to the Ministry of Labour
General benchmark	~50% Omani employees; sector-specific quotas set by the Ministry
Work permit fee increase	Work permit fees raised 50%
▸ **Non-compliance**	Business Platform restrictions; new permit denial

VIII

Practical Notes

The obligations in this guide reduce to a short list of checks that prevent the most common and most costly Oman payroll errors. Each should be settled before the first pay run and revisited as the RD 53/2023 and RD 60/2025 reforms continue to phase in.

EOSB split is mandatory	The 31 July 2023 gratuity split must be applied correctly. Employees know their rights, so run both formulas to avoid disputes.
Track the RD 60/2025 deferral	The expat savings fund is deferred to July 2027. Monitor for further extensions or implementation circulars.
SPF cost has risen sharply	Employer SPF is now 14.5% total (2026) versus the old PASI rate of about 11.5%. Re-model Omani-employee costs.
Unlimited maternity occurrences	The old 2-occurrence cap no longer applies. Review and update HR policies accordingly.
182-day sick leave	These days count toward seniority and gratuity calculations, so budget for them.
Annual Omanisation plan	Submit to the Ministry portal at the start of each calendar year; it directly affects permit compliance.
Oman recognises trade unions	Unique in the region. HR policies should account for potential collective bargaining.
Unfair dismissal cap	Now 12 months' gross salary. Risk modelling for employment disputes has changed.

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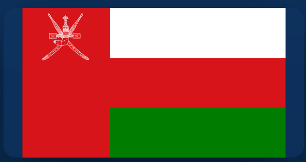

EOR & PAYROLL, HANDLED

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SPF (formerly PASI) social-insurance registration and contributions, WPS wage filing through licensed Omani banks, EOSB gratuity across the 31 July 2023 formula split, Omanisation planning and permit tracking, plus in-country EOR. Datassist runs payroll and employment for international employers across Turkey, Oman and the wider MENA region from a single center.

Schedule a Meeting →

7+	1	0%
MENA MARKETS COVERED	SINGLE COMPLIANCE OPERATION	MISSED WPS DEADLINES