SAVING FOR THE FUTURE

Sabrina Streeton and Wassim Mahmoud of Al Tamimi & Company explain how the mandatory saving scheme for non-Omani employees is expected to develop by 2027.

"Oman is currently preparing to replace its traditional end of service gratuity model for non Omani employees with a mandatory savings scheme which is to be introduced under the Social Protection Law (Oman Sultani Decree No. 52/2023)," states Sabrina Streeton. "This scheme was originally intended to be implemented within three years of Oman Sultani Decree No. 52/2023 being issued which would have been by 19 July 2026. However, Sultani Decree No. 60/2025 introduced a number of key amendments to the law which have changed implementation timelines for a number of social insurance provisions and have extended the new scheme's effective date to 19 July 2027. This will give employers and stakeholders more time to prepare for compliance."

"This reform is part of broader efforts to modernise Oman's social protection regime and strengthen financial security for employees through more structured and predictable mechanisms," adds Wassim Mahmoud. "This scheme is a move away from an 'end loaded' unfunded employer liability payable only on termination, towards a funded, account based model which is built up progressively during an employee's employment."

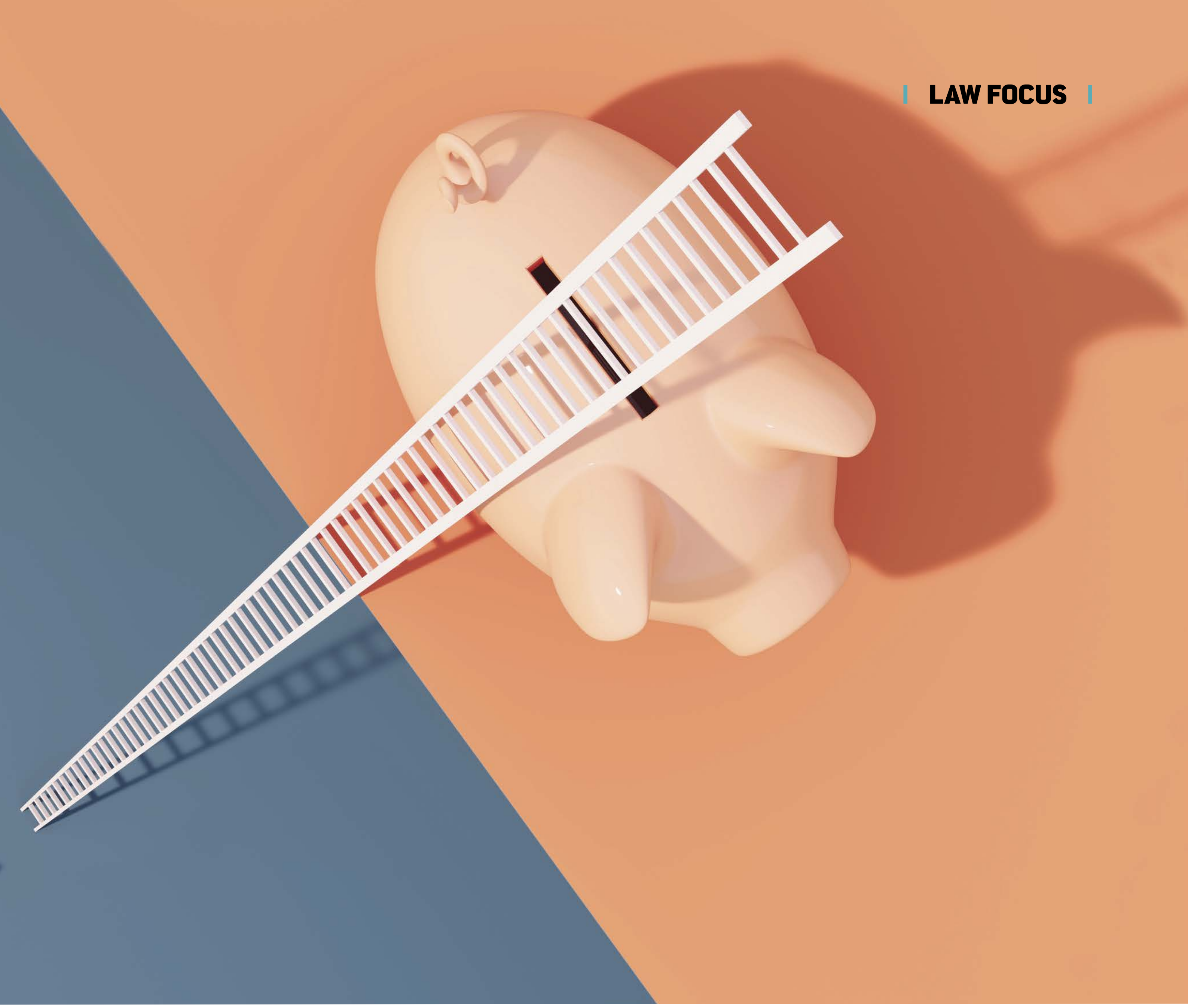
Sabrina Streeton

Partner, Al Tamimi & Company

HOW WILL IT WORK?

"Oman Sultani Decree No. 52/2023 expressly states the new scheme will replace the end of service gratuities paid by employers to non Omani employees," Streeton continues. "An employee's end of service entitlement is built up through regular contributions paid into the savings system."

"Crucially, the transition is prospective, not retrospective," Mahmoud adds. "Employers are responsible for settling end of service gratuity for service periods which accrued before the new savings contribution rules begin. That pre-commencement entitlement continues to be dealt with under Oman's Labour Law



(Oman Sultani Decree No. 53/2023, as amended) or any other applicable employment regime) on termination. However, Oman Sultani Decree No. 52/2023 also allows for the possibility of settling a pre-commencement gratuity into the savings system or directly to the employee, in line with the implementing rules. This is an important point for employers who are assessing whether and how to 'bridge' accrued liabilities."

CONTRIBUTIONS AND FUNDING

"The mandatory contribution rate is set by Oman Sultani Decree No. 52/2023 at 9% of the non Omani employee's monthly basic wage, payable by the employer," Stretton explains. "In addition, Oman Sultani Decree No. 52/2023 recognises other potential sources of funding for the savings system. These can include additional savings amounts paid by the employer, the insured employee, or third parties (as permitted under the Executive Regulation of the Social Protection Law issued by the Social Protection Fund Decision (Oman Decision No. R/7/2023). Donations, bequests and gifts can also be allocated to the system and approved by the Social Protection Fund's board; as can loans approved for the savings system, subject to the approval of the Ministry of Finance."

Wassim Mahmoud
Legal Advisor, Al Tamimi & Company

"The breadth of the permissible funding sources reflect a regime designed not only to deliver end of service entitlements but to act as a broader savings vehicle within the parameters set by the regulator," Mahmoud adds.

RELEVANT LEGISLATION

Article 135 of Oman Sultani Decree No. 52/2023

The savings system is a defined contribution system, and the Regulation shall set out the provisions regulating the savings system.

(Source: Lexis Middle East Law)

OTHER SOCIAL PROTECTION MEASURES FOR NON-OMANIS

Sick and non-routine leave
This is available for Omani and non-Omani employees from 19 July 2026.

Occupational injury insurance
This comes in for non-Omani employees from 19 July 2028.

PAYMENT AND DEDUCTIONS

"From a compliance perspective, the timing of payments is particularly important," Stretton continues. "Contributions must be paid into the relevant account within the first 15 calendar days of the month following the month for which those contributions are due. In all cases, the employer remains responsible for ensuring timely payment of contributions due from them and (where applicable) on behalf of the insured employee. The employer can—where employee contributions apply – deduct the employee's share from wages to facilitate remittance. This approach is consistent with social insurance systems internationally as the employer is the remitting party and has primary responsibility for timely payment, even where part of the contribution is ultimately being borne by the employee."

WHO WILL IT APPLY TO?

"The new saving scheme applies compulsorily to non-Omani employees working in Oman, but there is optional coverage available for certain other categories as provided for in Oman Sultani Decree No. 52/2023 and Oman Decision No. R/7/2023," Mahmoud continues. "However, it does not apply to Omani national employees, as they are already covered by the mandatory social insurance system under Oman Sultani Decree No. 52/2023. This provides pension based benefits funded through ongoing employer and employee contributions, rather than an end of service savings or gratuity model."

"Oman Decision No. R/7/2023 has added operational detail which employers will need to build into onboarding and payroll workflows," Stretton explains. "For example, employers have to register non-Omani employees in the savings system from the effective date (19 July 2027), or within 30 days of the employee commencing employment if they commence employment after the effective date has passed."

"Registration may also occur automatically following the approval/registration of employment contracts by the competent authority (and other relevant bodies)," Mahmoud states. "There may also be deemed registration, as a non-Omani may be treated as registered in the savings system if they are registered under one of the Social Protection law social insurance branches. The Social Protection Fund may also register a non-Omani retrospectively if it is established the employee has not been registered. Oman Decision No. R/7/2023 also includes an important governance safeguard on wage reporting, as employees may object to the registered wage within a maximum period of 90 calendar days from the date the wage is recorded or amended, and employers must be prepared to evidence wage accuracy promptly, as the objection mechanism can impact contribution calculations."

WHEN WILL SAVINGS BE PAYABLE?

"Under Oman Sultani Decree No. 52/2023 there are several entitlement triggers," Mahmoud states. "The most relevant one for non-Omani employees is the end of the employment relationship and their departure from Oman. However, they are entitled to receive their savings if they remain in Oman three months after the date of termination of their employment, if they are not engaged under another employment contract at the time of submitting the request for the savings to be disbursed."

"Other triggers include completion of at least 180 months of monthly contributions/deposits; death (when payments made are made to legal heirs in line with Oman law); and in cases of permanent disability," Stretton adds. "Oman Sultani Decree No. 52/2023 allows savings to be disbursed either as a single lump sum or by monthly/annual instalments, offering flexibility when entitlement arises."

NEXT STEPS FOR EMPLOYERS

"Employers should begin their readiness planning well in advance," Stretton states. "Key steps include budgeting and cash-flow modelling to take into account the ongoing 9% monthly basic wage contribution. It is also necessary to ensure payroll and HR systems can support timely registration (including the 30-day registration requirement and any automatic onboarding processes) as well as ongoing remittances. Employers should be implementing robust internal controls in order to meet the requirement to pay contributions within the first 15 days of the following month. This should include clear internal cut-offs, approvals and reconciliation procedures. Employers should be strengthening governance around wage reporting, document retention and response timelines, particularly in light of the wage objection mechanism. Clear, early communications with employees will be essential to explain how the regime will operate in practice. It will be important to explain the split between the pre-commencement gratuity (which remains payable under the existing framework) and the post-commencement savings accrual, including how prior accrued gratuity will be treated and savings balances may be accessed on termination or other entitlement events."