

# Oman Budget 2025: Key Highlights

January 2025

His Majesty Sultan Haitham bin Tarik issued a Royal Decree (“RD”) on 1 January 2025, published in the Official Gazette on 5th January 2025, promulgating the 2025 State Budget (RD 1/2025). In this News Alert, we are setting out the key features of the 2025 State Budget.

## Snapshot of the key features

### Oman budget 2025

Projected Revenue	OMR 11.18 billion
Projected Expenditure	OMR 11.8 billion
Projected Deficit	OMR 0.62 billion
Projected income from the Oman Investment Authority (“OIA”)	OMR 0.8 billion
Projected investment by OIA	OMR 1.8 billion
Projected Income from Taxes and Fees Revenue	OMR 2.027 billion
Projected average oil price	\$60

Oman is projecting a fiscal deficit of OMR 0.62 billion in 2025, down by 3% on year-on-year budgeting, as growth in state spending is outpaced by a stronger growth in revenues on the back of projected higher gas receipts. This is despite a 1.4 percent decrease in oil revenue compared to last year budgeted revenue. However, the marginal change in budgeted deficit suggests that the Government remains conservative in its approach to growth and spending in the upcoming years.

Revenues and expenditures were estimated in line with Oman Vision 2040 and 10th Five-Year Development Plan (2021-2025). The budget was prepared with an aim to maintain financial, economic and social stability taking into account various factors such as the uncertainty facing global oil markets, global inflation, elevated global debt, tightening monetary monetary policies, and evolving geopolitical tensions.

Also important considerations in determining the budget, was a set of economic and social objectives such as further improving Oman’s credit rating, providing employment opportunities, economic growth of not less than 3% during 2025 and last but not the least economic diversification.

Oil and gas revenues are forecasted at around OMR 7.6 billion, or 68% of overall receipts, increase from 7.49 billion from budgeted 2024 and down from 9.15 billion from the actual result of 2024,. Oman's projected revenue figures are based on an assumed oil price of \$60 per barrel which is consistent from an expectation of \$60 per barrel in the 2024 budget. Again, the projected average oil price seems to be on a conservative basis considering that the current oil prices are relatively higher and the actual average oil price per barrel for Oman Crude of \$82 per barrel in 2024.

The reduction of 1.4% in oil revenue as per the budget 2025 is due to decrease in expected production of oil by 2.9 percent compared to the 2024 estimates, while the 2025 budget assumes the same average oil price of \$ 60 per barrel.

## Economic developments in Oman Middle East

### Summary of State Budget released in Royal Decree 1/2025

	2025 Budget			2024 Budget		2024 actuals*	
	Target oil prices at \$60/bbl			Target oil prices at \$60/bbl		Average oil prices at \$82/bbl	
	OMR (m)	% of total	% change from 2024	OMR (m)	% of total	OMR (m)	% change from 2024 budget
<b>Revenues</b>							
Oil	5,830	52%	(2%)	5,915	54%	7,353	24%
Gas	1,777	16%	2%	1,575	14%	1,800	14%
<b>Total Oil and Gas</b>	<b>7,607</b>	<b>68%</b>	<b>0%</b>	<b>7,490</b>	<b>68%</b>	<b>9,153</b>	<b>38%</b>
Taxes and Fees	2,072	18%	0%	1,976	18%		
Non-tax revenue	1,442	13%	0%	1,438	13%		
Others	61	1%	0%	106	1%		
<b>Total Non Oil and Gas</b>	<b>3,573</b>	<b>32%</b>	<b>0%</b>	<b>3,520</b>	<b>32%</b>	<b>3,521</b>	<b>0%</b>
<b>Total Revenues</b>	<b>11,180</b>	<b>100%</b>	<b>0%</b>	<b>11,010</b>	<b>100%</b>	<b>12,674</b>	<b>15%</b>
<b>Expenditures</b>							
Defense and Security	3,070	26%	0%	3,070	26%		
Development Projects	240	2%	0%	240	2%		
Civil Ministries	4,570	47%	3%	4,453	47%		
Servicing public debt	915	8%	(13%)	1,050	9%		
Electric Subsidies	520	4%	13%	460	4%		
Allocation for SPS	577	5%	3%	560	5%		
Other Subsidies	568	5%	1%	517	4%		
Provision for debt	440	3%	10%	400	3%		
Development of Civil Ministries	900	8%	0%	900	8%	1,160	29%
<b>Total Expenditures</b>	<b>11,800</b>	<b>100%</b>	<b>(1%)</b>	<b>11,650</b>	<b>100%</b>	<b>12,134</b>	<b>4%</b>
<b>Surplus/ (Deficit)</b>	<b>(620)</b>		<b>(3%)</b>	<b>(640)</b>		<b>540</b>	<b>184%</b>

#### Deficit funded by:

Foreign Borrowing	239	36%	254	39%
Local Borrowing	(19)	(1%)	(14)	(1%)
Reserves	400	65%	400	62%

\*Source of information: Royal Decree 1/2025 and Ministry of Finance press release

## Economic developments in Oman Middle East

### Overview

#### Oman Budget 2025 (RD 1/2025)

The FY 2025 Oman budget represents the Fifth year of the Tenth Five-Year Development Plan (2021-2025) ("the 10th FDP"), which paves the way to implement Oman Vision 2040 development objectives.

The Sultanate had good reason to be cautiously optimistic in preparing the 2025 budget, as 2024 afforded a number of positives that would have factored into the budget, such as:

- Oman's actual 2024 revenues significantly exceeding budget due to higher oil prices which resulted in a surplus at the end of 2024, and therefore strengthening the Sultanate's efforts to meet its vision 2040
- The Sultanate's credit outlook having significant improved across the three main agencies.

#### 2025 Budget Objectives

The State's General Budget for 2025 is designed to uphold financial, economic and social stability consistent with the financial framework of the 10th Five Year Plan and Vision 2040, as the general budget aims to achieve the following set of economic and social development goals:

- 1) Completing the implementation of financial sustainability plans
- 2) Economic growth of at least 3% at constant prices during 2025
- 3) Supporting the governorates to implement developmental programs
- 4) Completing the development of institutional performance through digital transformation program.
- 5) Maintaining the quality of basic government social services
- 6) Continuing the government's plan for employment in the public and private sectors.
- 7) Providing insurance coverage and fair social protection for all segments of society
- 8) Supporting the urban movement and enabling more citizens to own homes
- 9) Continuing provision of government subsidy for utilities, food items and other services.

Oman's 2025 budget was build on the basis of \$60 per barrel with average oil production projected to be 1,001 thousand barrels per day and the Ministry of Finance confirmed that a cautious approach against price volatility was taken once again in this regard to allow public finances to effectively address fluctuations in oil prices and respond to global variables. This price was assumed after taking into consideration several factors such as uncertainty facing global oil markets amid ongoing geopolitical tensions. This is despite the estimates of the International Energy Agency, the International Monetary Fund and credit rating agencies (Fitch, Moody's, Standard & Poor's, and other global agencies) that put the average price during 2025 at US\$ 72.84 per barrel.

Revenue is budgeted to slightly increase by 1.5 percent to OMR 11.18 billion (Budgeted FY24 OMR 11.01 billion), with oil and gas revenue representing 68% (FY25 OMR 7.607 billion).

## Economic developments in Oman Middle East

### Overview (continued)

#### Oman Budget 2025 (RD 1/2025)

The Sultanate also foresees a slight increase in non-oil revenue to around OMR 3.57 billion in 2025 from around OMR 3.52 billion in 2024 budget.

The budget included 4.85 percent higher revenues from local taxes & fees at OMR 2,072 million compared to the budgeted revenue for the FY 2024 (FY24 OMR 1,976 million). VAT and Excise Tax are expected to contribute OMR 580 million and OMR 100 million respectively and customs duty is expected to contribute OMR 232 million of these revenues.

The forecasted revenue from corporate tax is estimated at OMR 656 million (FY24 OMR 630 million) with an increase of 4% in comparison to taxes budgeted to be collected in year 2024.

Dividend from Oman Investment Authority (OIA) is another significant source of non oil revenue expected to be OMR 800 million.

One of the most important pillars of the Sultanate's general budget for 2025 is focusing on completion of tenth five year development plan and its financial framework, enhancing financial sustainability and advancing financial sector to ensure greater flexibility in the financial environment in alignment with growth and development needs. It aims to boost private sector and attract investments.

The Sultanate's general budget 2025 has budgeted expenditure of OMR 11.8 billion. Out of which OMR 8.5 billion of the total current spending on current expenditures which is distributed as under

- OMR 3.07 billion for defence and security
- OMR 4.57 billion for Civil Ministries
- OMR 0.915 billion for Public Debt services

Further, OMR 2.345 billion is allocated for contributions and other expenses including subsidies on basic utilities, social protections, subsidies in oil related products and foods.

Another OMR 900 million is allocated for developmental expenditure for civil ministries - which is same as the 2024 budget.

Notably, Government spending on servicing public debt has decreased from OMR 1,050 million to OMR 915 million representing a 12.9 percent decline.

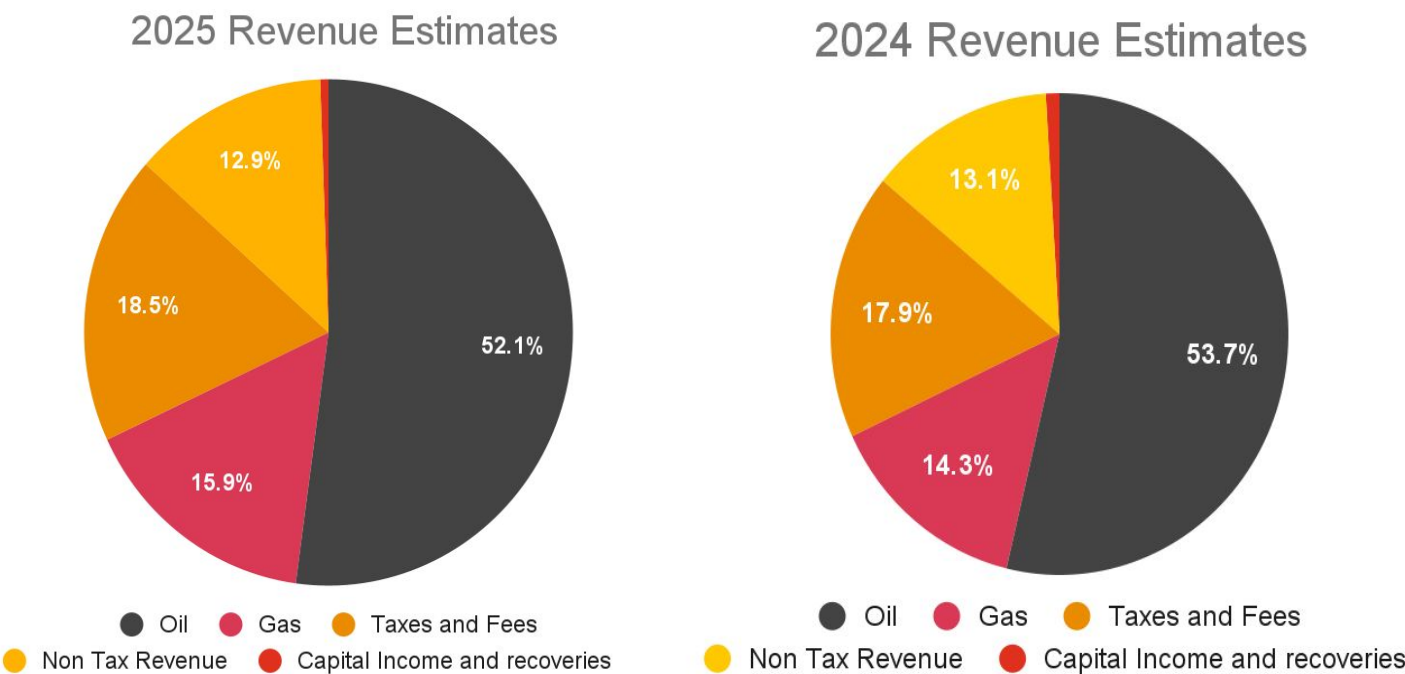
Further there is increase in budgeted expenditure on following

- Electric subsidies
- Expenses of civil ministries and government units
- Allocation for Social Protection Scheme (SPS)
- Other subsidies

Further insights Oman Budget 2025

Revenue

Oman’s 2025 budget estimates total revenues at OMR 11.18 billion which is 1.5% more compared to the budgeted revenues in 2024. Oil and gas revenues comprise 68% of this figure at OMR 7.607 billion, and the remaining OMR 3.573 billion is estimated from non-oil and gas revenues.



Revenue estimates are based on the following considerations:

- Oil price assumed at \$60 per barrel.
- Revenue generated from the estimated sale of gas as per consumption expected for the year 2025.

Actual revenue in 2024

The actual revenue realised in 2024 was OMR 12.674 billion, which represents a 15.1% increase (OMR 1.664 billion) compared to the 2024 budget estimates of OMR 11.01 billion. This revenue increase can mainly be attributed to the following factors:

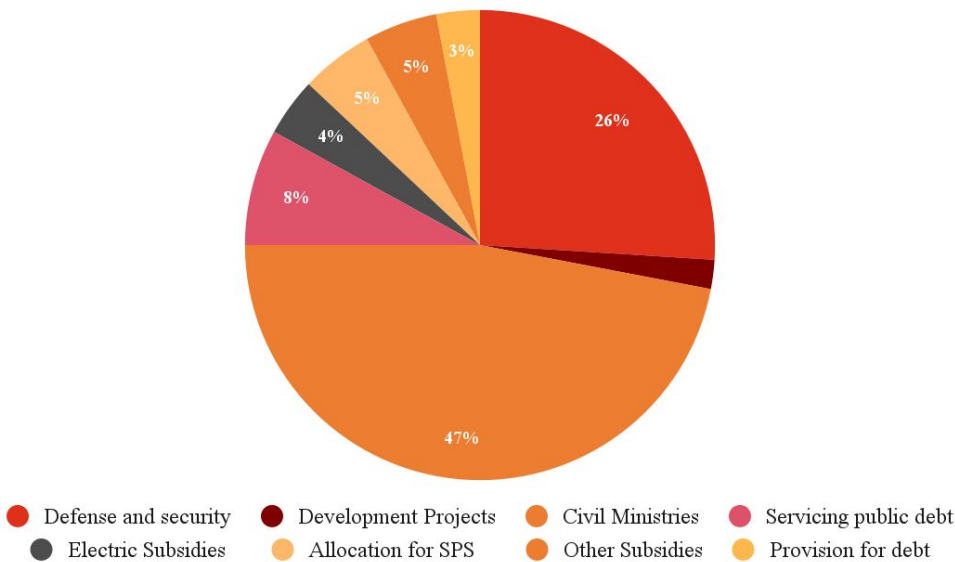
- **Oil Revenues:** The significant increase in oil revenues as a result of higher oil prices where oil prices averages \$82 per barrel against an assumed price of \$60 per barrel.
- **Gas Revenues:** An increase in gas revenues to 0.225 billion up by 14.2% from the 2024 budget of projected OMR 1.575 billion.

Economic developments in Oman  
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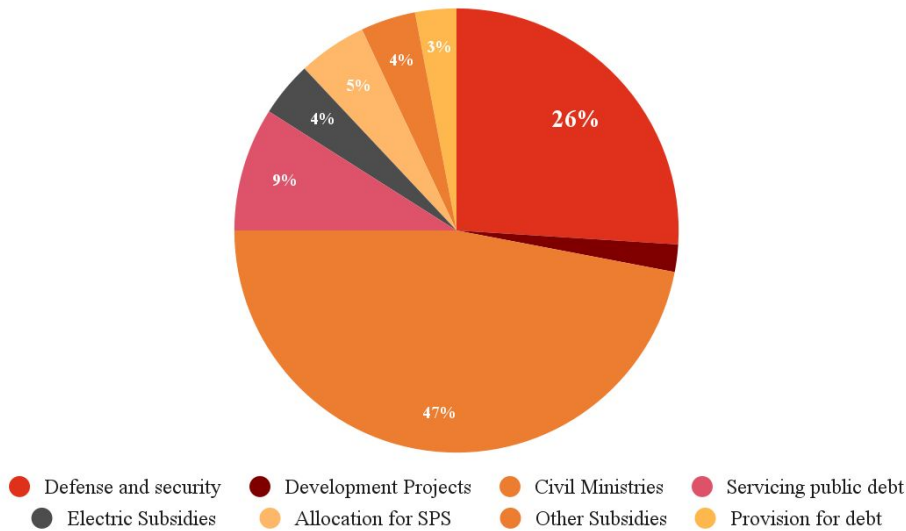
Expenditure

Total expenditure in FY25 is estimated at OMR 11.8 billion, a increase of OMR 0.15 billion (1% more) as compared to total expenditure projected in the 2024 budget. This budgeted expenditure remains consistent with the budget for FY 2024.

2025 Expenditures



2024 Expenditures



Actual expenditure in 2024

The actual expenditure in FY 2024 was OMR 12.134 billion, a 4.1% increase compared to the 2024 projection. This increase can mainly be attributed to the following:

- An increase in total contributions and other expenses by 12.4 percent reaching OMR 2.447 billion compared to 2.177 billion

# Economic developments in Oman Middle East

## Deficit

The 2025 budget estimates the deficit at OMR 0.620 billion. The table below illustrates the results of Oman's efforts to gradually decrease its deficit since the 2016 peak.

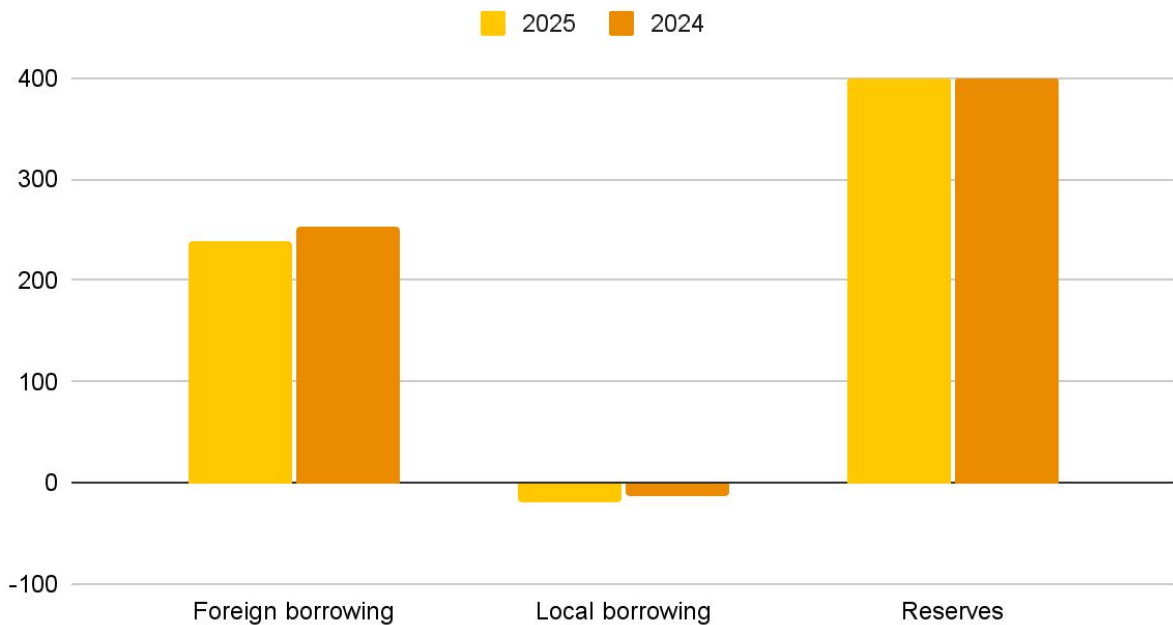
All amounts in OMR (millions)

	2016 (actual)	2017 (actual)	2018 (actual)	2019 (actual)	2020 (actual)	2021 (actual)	2022 (actual)	2023 (actual)	2024 (actual)	2025 (budget)
Revenue	7,600	8,500	10,900	11,100	8,464	10,944	14,234	12,213	12,674	11,180
Expenditure	12,900	12,300	13,600	13,700	12,660	12,167	13,088	11,282	12,134	11,800
Deficit	(5,300)	(3,800)	(2,700)	(2,600)	(4,196)	(1,223)	1,146	931	540	(620)

## Deficit financing

35% of the 2025 budget deficit is expected to be covered by external and domestic borrowing while the remaining 65% will be covered by drawing on the reserves. The government does not intend to borrow to finance the 2025 budgeted deficit in the scenario of an increase in public revenue, resulting in a fiscal surplus. Nevertheless, the Government may borrow to replace high-cost loans with lower-cost loans.

### Deficit Financing





# Economic developments in Oman Middle East

## Credit Rating

In 2024, the key credit ratings agencies upgraded Oman’s credit rating and revised its outlook upward as a result of decrease in public debt as a percentage of GDP, increase in non hydrocarbon revenue, and increase in foreign currency reserves. Fitch revised its outlook for Oman from Stable to Positive affirming its credit rating of BB+ while Moody’s revised Oman’s outlook from “stable” to “positive” and affirmed its rating at BA1.

Standard and Poor’s upgraded Oman’s credit rating from BB+ to BBB- with a stable outlook.

It is expected that Oman will be able to improve its credit rating further through implementation of its fiscal consolidation plan.

The following statement shows the development of the credit rating of the Sultanate issued by international rating agencies from 2014 to 2024:

Credit Agency	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Moody’s	A1	A1	BAA1	BAA2	BAA3	BA1	BA3	BA3	BA3	BA1	BA1
S&P	A	BBB+	BBB-	BB	BB	BB	B+	B+	BB	BB+	BBB-
Fitch	-	-	-	BBB-	BB+	BB+	BB-	BB-	BB	BB+	BB+

### Factors that prompted credit rating agencies to positively adjust their outlook for the rating of the Sultanate of Oman:

- Improvement in the financial position
- Decrease in public debt risks
- Reduction in external maturities as part of Oman’s liability management
- Oil price hike
- Expectations of a non-oil sectors growth
- Decrease in the public debt-to-GDP ratio

## Economic developments in Oman Middle East

### **Investments in 2025**

The market capitalization of Muscat Stock Exchange has reached OMR 27.4 billion. As a part of efforts to promote economic diversification and attract investors, several government companies were listed on Muscat Stock Exchange in 2024. The initiative aligns with the Oman Investment Authority's (OIA) plan to divest government assets.

### **Oman Investment Authority**

The investment spending financed by Oman Investment Authority and its subsidiaries for 2025 is estimated at OMR 1.8 billion reflecting 44 percent increase from OMR 1.24 billion approved in 2024

### **Energy Development Oman**

EDO's contribution to oil and gas production investment projects is estimated at OMR 1.5 billion

## Economic developments in Oman Middle East

### Key developments during FY 2024

The financial data of state's Budget during the fiscal year 2024 has shown a notable improvement in Oman's fiscal performance, attributable to government's effort to control public spending, enhance non hydrocarbon revenue and improve oil prices.

Below is a summary of the key economic, tax and other development that unfolded during the year.

#### Reforms aimed at improving the business environment and investment climate

##### Introduction of Capital Market Incentive Programme

On August 11, 2024, the Oman Financial Services Authority has announced a new Capital Market Incentives Program (CMIP) aimed at "enhancing financing options for companies in Oman". CMIP, in line with Oman Vision 2040, designed to strengthen the economy by attracting local and foreign investments. It should also improve the sustainability and governance of private sector institutions, empowering them to play a larger role in economic growth of the country.

The CMIP is designed to introduce significant benefits to enhance Oman's attractiveness as a capital market. Detailed clarifications, procedures and conditions for participating should be announced shortly, including guidelines for applying incentives. It is expected that the detailed regulations and procedures will be issued before the end of this year. In the meantime if you need more information or would like to discuss how your business ecosystem could benefit, please contact us at PwC Oman.

Please refer to below link for our detailed news alert in this regard.

<https://www.pwc.com/m1/en/services/tax/me-tax-le-gal-news/2024/oman-capital-market-incentives-program.html>

##### Issuance of new top-up tax law for multinational enterprises

On 31st December 2024, Oman announced the implementation of minimum Top-up tax of 15 percent on Multinational Groups (MNEs) in line with global rules to combat base erosion and profit shifting. This step is taken as a commitment to the Pillar 2 which aims to ensure an appropriate level of tax is paid by MNEs through a series of measures aimed at modernising the international tax system.

Please refer to below link for our detailed news alert in this regard.

<http://dpe-preview.pwcinternal.com/content/dam/pwc/m1/en/tax/documents/2025/oman-implements-pillar-two.pdf>

##### Oman Tax initiative to improve its tax framework

Oman and Ireland's Ratification of the Double Tax Avoidance Agreement with Ireland (DTAA) - A Royal Decree (RD 60/2024) was issued in November 2024 by His Majesty the Sultan of Oman, ratifying the DTT between Oman and Ireland. The DTT was ratified in Ireland in September 2024

On 8 June 2023, Oman and Russia ("the contracting states") signed a Double Tax Treaty ("DTT"), A Royal Decree (RD 89/2023) was issued on 27 December 2023 by His Majesty the Sultan of Oman, ratifying the DTT which was published in the Official Gazette on 31 December 2023. Given that Oman and Russia have both ratified and formally notified each other of the completion of the ratification procedures, the DTT is effective from 1 January 2024.

## Economic developments in Oman Middle East

### The takeaway

Over the past few years, the national economy passed through a succession of financial hurdles such as the recession of international oil prices due to the decline of global demand, the rise of general debt to record levels, and the hike in the cost of borrowing which all caused a collective negative impact on the Sultanate of Oman's creditworthiness. Despite this, Oman's economic good-news stories throughout 2024 demonstrate that the country is on track to achieving the 10th FDP deficit reduction objective. The 10th FDP's budget objective is to achieve a budget surplus by 2025. As it stands, the preliminary results of 2024 budget have come in ahead of the 10th FDP budget projection and show a surplus of OMR 0.540 billion against a deficit of 0.640 billion budgeted in the plan. This is the third consecutive surplus the country has witnessed in a decade as a result of continued fiscal consolidation and higher oil prices.

Given that the 2025 General Budget was drafted with the 10th FDP and Oman Vision 2040 in mind, we can expect to see Government spending and fiscal policy that consistently align with the objectives of the two medium and long-term plans. Maintaining spending on basic services like education, health, and social welfare figure high on the agenda of Budget 2025, noting that, in case oil prices rise higher than the endorsed rate, priority will be given to the use of financial returns to cut down the deficit and repay loans.

In addition, enhancing the contribution of recently introduced taxes will also be an area of focus for the Government, as implementation of these have created several tangible non-oil revenue streams.

Lastly, we also expect to see a lot of movement in the public sector and amongst SMEs, as the Government has published a number of national projects it intends to undertake during the year as part of its economic diversification plan, digital transformation programmes, fiscal performance improvement measures and the development program for investments and exports.

# Let's talk

For a deeper discussion of how the 2025 Oman budget might affect your business, please contact:

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