



# Oman Budget 2026: Key Highlights



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## 01

## Snapshot of the Key Features

His Majesty Sultan Haitham bin Tarik issued a Royal Decree (“RD”) on 1 January 2026, published in the Official Gazette on 1 January 2026, promulgating the 2026 State Budget (RD 2/2026). In this News Alert, we set out the key features of the 2026 State Budget.

Indicator	FY2026 Budget	Movement vs FY2025 Actual
Projected Revenue	OMR 11,447 million	<span style="color: red;">●</span> -2.7%
Projected Expenditure	OMR 11,977 million	<span style="color: green;">●</span> -2.1%
Projected Deficit	OMR 530 million	<span style="color: red;">●</span> +10.4%
Projected Income from the Oman Investment Authority	OMR 800 million	<span style="color: green;">●</span> Increase
Projected Income from Taxes and Fees Revenue	OMR 2.14 billion	<span style="color: green;">●</span> Increase
Projected Average Oil Price Per Barrel	\$60	<span style="color: green;">●</span> lower vs FY2025*

### Fiscal Performance

Preliminary results for 2025 show public revenue rising by 5% and spending by 4%, with the deficit narrowing to RO 480 million—down 23% from the budgeted figure. This improvement is attributed to higher than budgeted oil prices and highly disciplined fiscal management. Oman’s credit rating was upgraded to investment grade by all major agencies, reflecting strengthened public finances and increased investor confidence.

### Global and Domestic Backdrop

The IMF’s World Economic Outlook Report projected global growth to slow to 3.1% in 2026 from 3.2% in 2025, with inflation easing to 3.7% in 2026 from 4.2% in 2025. Oil prices are expected to average US\$65.8 per barrel, which is slightly lower than the previous year average of US\$ 68.9 per barrel.

Domestically, Oman’s real GDP grew by 2.2% in 2025, driven by strong non-hydrocarbon activity, while the trade balance remained in surplus despite lower oil exports.

## 02

## Summary of the Budget Oman Budget 2026 at a Glance

Oman enters 2026 with a disciplined budget built on a US\$60 oil assumption, revenue of RO 11.45bn and spending of RO 11.98bn, prioritising social services (44% of outlays) and project delivery through RO 1.3bn in development and economic-transformation investments.

The resulting RO (530)m deficit - financed mainly by reserves and modest net borrowing - preserves fiscal flexibility while progressing Vision 2040 priorities across education, health, infrastructure and digital government.

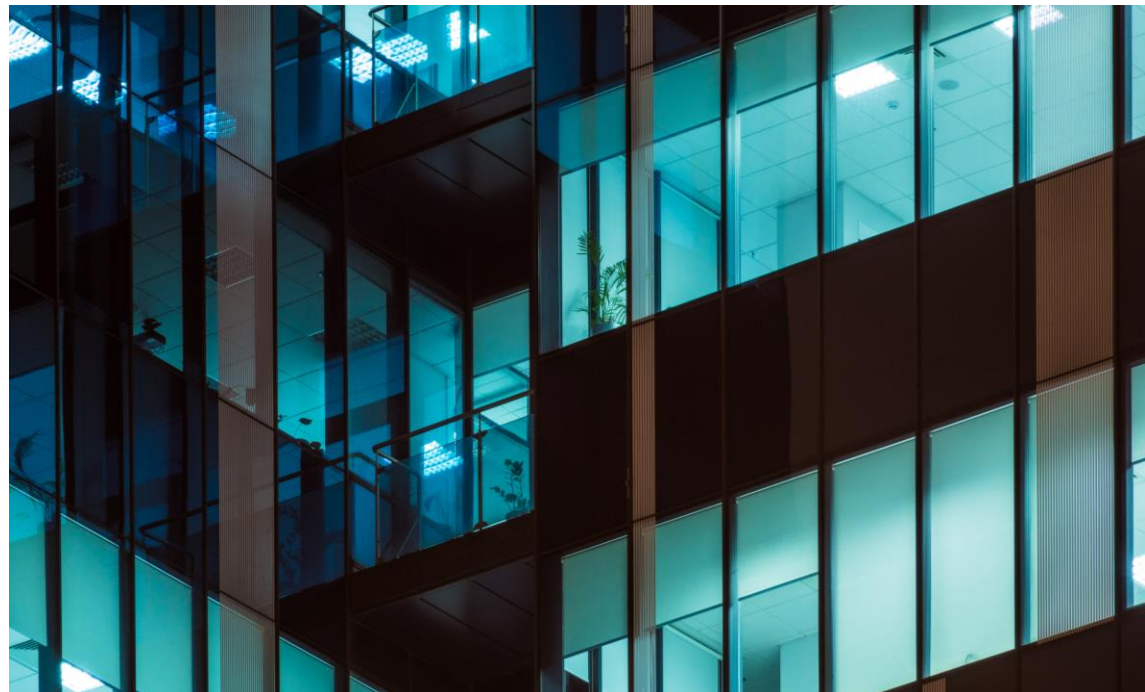
The 2026 budget anticipates a 4.5% increase in non-hydrocarbon revenue, driven mainly by gains in tax collection efficiency at the Tax Authority—supporting higher tax revenues and a narrowing tax gap—as well as increased fee income amid the economic recovery.



All figures are in OMR (millions)

Statement	FY2025 Approved	FY2025 Actual / Preliminary	FY2026 Approved	FY25 vs FY26 Approved
Revenue	11,180	11,760	11,447	● 2.4%
Spending	11,800	12,240	11,977	● 1.5%
(Deficit) / Surplus	(620)	(480)	(530)	● -14.5%

The fiscal trajectory from 2025 to 2026 reflects a recalibration toward disciplined budgeting under more cautious assumptions. While the FY2025 budget initially projected a deficit of OMR 620 million, actual performance resulted in a narrower deficit of RO 480 million, supported by stronger-than-expected revenues despite higher spending. For FY2026, the government has budgeted a deficit of RO 530 million, which is wider than the FY2025 actual outcome but remains below the FY2025 budgeted level. This approach reflects prudent fiscal planning in the context of slightly lower revenue expectations and controlled expenditure growth, while maintaining a commitment to fiscal discipline and sustainability.



# 03

## Overview Oman Budget 2026

The Sultanate of Oman has released its State General Budget for the fiscal year 2026, marking the first year of the 11th Five-Year Development Plan (2026–2030). This budget reflects a continued commitment to fiscal sustainability, economic diversification, and the objectives of Oman Vision 2040. The Ministry of Finance, through Royal Decree No. 2/2026, has ratified the budget, setting the tone for a year of strategic investment and prudent financial management.

### Key Objectives of the 2026 Budget

Strengthen financial, economic, and social stability	Advance economic diversification	Empower governorates for local development
Sustain essential government subsidies	Continue employment initiatives in public and private sectors	Enhance education, health, and housing services
Drive digital transformation and innovation		

### Revenue

Hydrocarbon revenues remain dominant, with:

<b>Oil revenues: OMR 5.75 billion</b>	Combined oil and gas account for 67% of total revenues
<b>Gas revenues: OMR 1.96 billion</b>	

The estimated oil revenue marks a 1.3% decrease from the 2025 Budget, which can be attributed to the production costs associated with Energy Development Oman and other producers, which change annually based on existing contracts. The estimated gas revenue marks a 10.4% increase from the 2025 Budget, due to the signing of 17 new gas sale and purchase agreements, and an annual increase in the gas sale price.

Non-hydrocarbon revenues include the following:

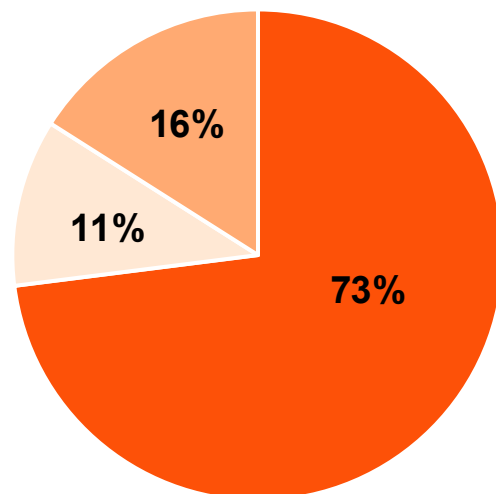
Tax and Fees Revenue	<b>OMR 2.14 billion</b>	Non-Tax Revenue	<b>OMR 1.4 billion</b>
Allocated Reserve	<b>OMR 0.05 billion</b>		

# 04

## Further Insights into the Oman Budget 2026

Oman's FY2026 budget allocates OMR 11,977 million in public expenditure, structured to balance service delivery with long-term development. The largest share, OMR 8,771 million (73%), is dedicated to current expenditure, sustaining essential government functions across civil ministries, defense and security, and debt servicing. Alongside this, the government has committed OMR 1,300 million (11%) toward investment spending, funding development projects and economic-transformation initiatives that advance infrastructure, industrial growth, logistics capacity, and digital government. A further OMR 1,906 million (16%) is directed to contributions and other expenses, which include substantial social protection allocations and targeted subsidies for electricity, water, wastewater, transportation, waste management, food items, and oil products. Collectively, this expenditure structure reflects a deliberate balance between operational stability, citizen support, and strategic investment in Oman's economic future.

### Expenses



- Current Expenditure
- Investment Spending
- Contributions and other expenses

**Deficit**

The 2026 fiscal year estimates a deficit of RO 530 million. The table below illustrates the results of Oman’s efforts to gradually decrease its deficit since the 2016 peak.

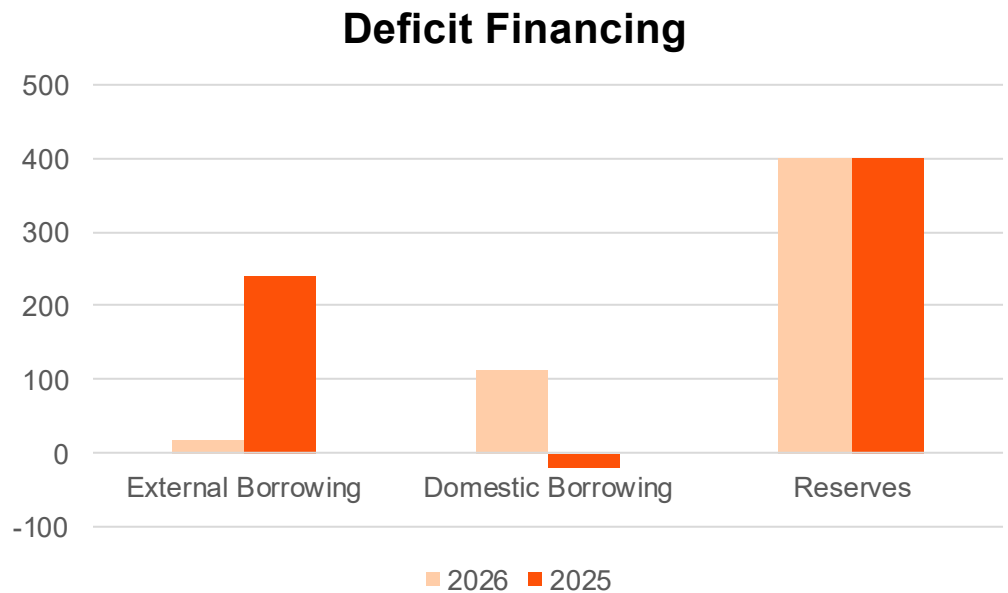
**All amounts in OMR (millions)**

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
<b>Revenue</b>	7,600	8,500	10,900	11,100	8,464	10,944	14,234	12,213	12,674	11,760	11,447
<b>Expenditure</b>	12,900	12,300	13,600	13,700	12,660	12,167	13,088	11,282	12,134	12,240	11,977
<b>Deficit</b>	(5,300)	(3,800)	(2,700)	(2,600)	(4,196)	(1,223)	1,146	931	540	(480)	(530)

**Deficit Financing**

Approximately 25% of the 2026 budget deficit is expected to be covered by external and domestic borrowing, while the remaining 75% will be covered by drawing on reserves. This is closely aligned with the approach followed in 2025, wherein 35% of the deficit was covered by borrowing and the remaining 65% was covered by utilizing reserves.

**All amounts in OMR (millions)**



### Credit Rating

In 2025, the three major rating agencies upgraded Oman’s credit rating to investment-grade status.


<p><b>Fitch</b> revised its outlook for Oman from “BB+” to investment grade at “BBB-”, with a stable outlook</p>	<p><b>Standard &amp; Poor’s</b> affirmed Oman’s sovereign credit rating at “BBB-” with a stable outlook</p>	<p><b>Moody’s</b> raised Oman’s credit rating from “Ba1” to “Baa3,” upgrading it to investment grade with a stable outlook</p>
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The following statement illustrates the development of Oman’s credit rating issued by international rating agencies during the period from 2020 to 2025:

Rating Agency	2020	2021	2022	2023	2024	2025
Moody's	Ba3	Ba3	Ba3	Ba1	Ba1	Baa3
S&P Global	B+	B+	BB	BB+	BBB-	BBB-
Fitch	BB-	BB-	BB	BB+	BB+	BBB-

The rating agencies cited the below as potential factors that could lead to further improvement of Oman’s credit rating:

- 

**Enhance public finances**
- 

**Develop domestic capital markets**
- 

**Enhance resilience against oil price fluctuations**
- 

**Accelerate economic diversification to diversify revenue**
- 

**Reduce the non-hydrocarbon primary deficit**

## 05

# 10th and 11th Five-Year Development Plans

## Oman Budget 2026

### 10th Five-Year Development Plan (2021 – 2025)

The 10th Five-Year Development Plan was marked by significant economic challenges, including low oil prices, COVID-19 impact, and rising public debt. However, in 2022, Oman achieved its first budget surplus since 2013, followed by continued surpluses in 2023 and 2024, which can be attributed to economic diversification, increased non-hydrocarbon revenue, improved SOEs governance, higher investment returns, and active private-sector engagement, which helped the Sultanate regain investment-grade credit ratings from all major agencies.

### 10th FDP (2021-2025) with actual fiscal performance:

All figures are in OMR (millions)

	2021		2022		2023		2024		2025	
	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Actual	Planned	Preliminary Results
<b>Revenue</b>	8,640	11,195	9,490	14,473	10,815	12,542	11,315	12,781	11,500	11,760
<b>Spending</b>	10,880	12,418	11,150	13,329	11,420	11,606	11,480	12,241	11,435	12,240
<b>(Deficit) / Surplus</b>	(2,240)	(1,223)	(1,660)	1,144	(605)	936	(165)	540	65	(480)

### Major achievements of the 10th Five-Year Development Plan

Achieving Fiscal Balance	Rationalizing Public Spending	Enhancing Non-Hydrocarbon Revenue
Improving Public Financial Management Efficiency	Enhancing Governorate Decentralization & Development	Enhancing the Social Protection System
Supporting Economic Growth	Improving the Credit Rating	Developing the Financial Sector

### 11th Five-Year Development Plan (2026 – 2030)

The 11th Five-Year Development Plan (2026–2030) aligns with Oman Vision 2040 by driving a more diversified, sustainable, and low-carbon economy, strengthening environmental preservation, enhancing governorate-level economic decentralization, improving labor-market efficiency and employment, and advancing governance and institutional performance.

The 11th FDP will be delivered through two main work programs; covering 2026 to 2027, followed by 2028 to 2029, after which a supplementary phase will take place in 2030. The 11th FDP focuses on maintaining fiscal sustainability through moderate debt levels, expanding non-hydrocarbon revenues, and ensuring efficient public spending while continuing to finance priority development projects and uphold subsidies and social protection measures.

The 11th FDP assumes an average oil price of US\$ 60 per barrel.

### Key indicators of the 11th FDP:



Increasing the contribution of non-hydrocarbon revenue to 37.4% of total public revenue by the end of the FDP



Estimating current expenditure to average RO 8,985 million over the plan



Allocating RO 1,300 million annually for development expenditure and to support projects aimed at economic transformation over the plan



Estimating annual average allocations for the social protection system at RO 668 million over the plan

### Financial framework of the 11th FDP:

All figures are in OMR (millions)

Statement	2026	2027	2028	2029	2030
Average Oil Price (US\$ per barrel)	60	60	60	60	60
Total Public Revenue	11,447	11,345	11,540	11,731	11,717
Total Public Spending	11,977	12,105	12,190	12,351	12,487
(Deficit) / Surplus	(530)	(760)	(650)	(620)	(770)

# 06

## Key Developments During FY25

**Building on these fiscal and structural shifts, Oman is accelerating reforms to create a more transparent, competitive, and global investor-friendly landscape. The focus remains on aligning policies with Vision 2040, fostering private-sector participation, and strengthening regulatory frameworks to support sustainable growth and resilience.**

Below is a summary of the key economic, tax and other developments that unfolded during the year in improving the business environment and fostering investor climate.

**01**

### **Introduction of Personal Income Tax: A Regional First**

**Oman became the first GCC country to legislate a personal income tax, with Royal Decree No. 56/2025 promulgated in June.** The law, effective from 1 January 2028, introduces a 5% tax on annual incomes above OMR 42,000 for residents and certain non-residents, with progressive deductions and targeted exemptions to support social and economic objectives. This landmark move signals Oman's commitment to diversifying revenue sources and enhancing long-term fiscal sustainability.

**02**

### **E-Invoicing Rollout: Digitalising Compliance and Transparency**

**The Oman Tax Authority (OTA) accelerated the rollout of its e-Invoicing** programme, "Fawtara," targeting the Top 150 businesses in the first phase. The initiative adopts the advanced Five-Corner Model, requiring electronic invoices to be validated and exchanged via accredited service providers. The phased implementation, running through 2028, aims to streamline compliance, improve data quality, and foster a more transparent tax environment. The OTA's collaborative approach includes readiness surveys, technical workshops, and ongoing industry consultation, ensuring businesses are equipped for the transition.

**03**

### **International Tax Cooperation: Expanding Treaty Networks**

**Oman strengthened its global tax framework by signing new Double Taxation Avoidance Agreements (DTAAs) with Cyprus, Tanzania, Bahrain, Kazakhstan, Iraq, and amending the existing treaty with India.** These agreements, incorporating OECD and UN Model provisions, reduce withholding tax rates, clarify permanent establishment rules, and facilitate cross-border trade and investment. The Oman-India protocol, for example, lowers withholding tax on royalties and technical fees from 15% to 10%, and enhances information exchange and dispute resolution mechanisms.

**04****Pillar Two Implementation Global Minimum Tax for Multinationals With Royal Decree 70/2024, Oman introduced the Top-up Tax**

(Income Inclusion Rule, IIR) effective 1 January 2025, targeting multinational enterprise (MNE) groups with global revenues above EUR 750 million. The Top-up Tax takes the form of an Income Inclusion Rule (“IIR”), and will apply to MNEs that are in scope of Pillar Two. The IIR is effective from 1 January 2025. There is no indication on whether Oman will also introduce a Domestic Top-up Tax.

**05****Special Economic Zones and Free Zones Law**

Codified in April 2025, this law streamlines the regulatory environment for operators and investors, offering tax exemptions, customs facilitation, and a “one-stop shop” for business setup.

**06****VAT and Excise Tax Updates**

The OTA issued new VAT refund procedures for the armed and security forces, and advanced the Digital Tax Stamps scheme for excisable goods. The authority is also considering new taxes on plastics and sugary products, and has shifted to taxpayer-derived retail sales prices for excise tax purposes.

**07****Oman-India Comprehensive Economic Partnership Agreement (CEPA) Signed in December 2025, the CEPA with India is Oman’s first comprehensive trade agreement, covering goods, services, investment, and movement of professionals.**

The deal eliminates or reduces tariffs on the vast majority of traded goods, opens new sectors for investment, and streamlines customs and regulatory procedures. It is expected to significantly boost bilateral trade, which reached USD 10.61 billion in FY2024–2025, and deepen economic integration with one of Oman’s largest trading partners.

**08****Establishment of the International Financial Centre of Oman (IFCO)**

Through Royal Decree 8/2026, Oman has launched the International Financial Centre of Oman (IFCO), a landmark initiative positioned in Madinat Al-Irfan and designed to function as a globally competitive financial jurisdiction with its own legal, regulatory, and judicial ecosystem. The Centre enjoys full legal personality and administrative and financial independence, operating under the oversight of the Deputy Prime Minister for Economic Affairs. IFCO introduces a specialised regulatory authority and an autonomous dispute-resolution tribunal, offering modern commercial courts and arbitration frameworks modeled on leading international financial centers. The new law provides a comprehensive governance structure, streamlined licensing for financial and ancillary services, and long-term tax incentives of up to 50 years for qualifying activities while safeguarding compliance with national security, AML/CFT requirements, and core Omani tax laws. With dedicated infrastructure, residency facilitation for talent, and the strategic aim of attracting global capital, IFCO is set to position Oman as a regional hub for high-value financial service.

# 07 Key takeaways

FY2025 was a year of bold policy action and regulatory innovation for Oman. The introduction of personal income tax, digitalisation of tax compliance, expansion of treaty networks, and the landmark CEPA with India collectively signal a new era of openness, competitiveness, and fiscal sustainability. These developments not only enhance Oman's attractiveness as an investment destination but also lay a resilient foundation for long-term economic resilience and alignment with Vision 2040.

The guide to Oman's State General Budget for Fiscal Year 2026 highlights a period of continued reform and resilience. Global economic growth is projected to remain moderate, with advanced economies expanding by 1.7% and emerging markets by 4.1%. Global inflation eased further, declining from 5.8% in 2024 to 5.2% in 2025.

Oman's GDP growth is estimated at 1.5%, reflecting a cautious but steady trajectory. The trade balance remains positive, supported by robust hydrocarbon exports, while inflation in Oman is projected to remain subdued at around 1%. The Muscat Stock Exchange's market capitalisation continues to demonstrate stability, reaching RO 24.1 billion.

Fiscal year 2025 closed with a deficit of RO 480 million, as higher-than-expected spending offset revenue gains. Public revenue for 2026 is projected at RO 11,447 million, with public spending set at RO 11,977 million, resulting in a planned deficit of RO 530 million, representing 4.6% of total revenue and 1.1% of GDP. The government intends to finance this deficit through a mix of internal and external borrowing, as well as prudent use of reserves.

The 2026 budget is anchored in fiscal discipline, revenue diversification, and careful expenditure management, all while supporting Oman Vision 2040 objectives. The government remains committed to managing the deficit without excessive borrowing, leveraging favourable market conditions to refinance existing debt where possible. The strategy continues to prioritise economic and social stability, even as global oil prices and geopolitical dynamics remain uncertain.

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