In December 2013 we reported that the social insurance contributions payable by private sector employers and Omani employees towards old age, disability and non-occupational death were to increase from 1 July 2014.

The employer’s contribution will increase to 10.5% and the employee’s contribution will increase to 7% (an employer’s contribution towards insurance against work-related injuries and illness remains unchanged at 1% of the employee’s gross salary). As reported previously, as well as the employee’s basic salary, these contributions will now also be assessed taking into account the allowances paid to employees.

At the time that the increases were first announced, it was not clear whether all allowances would be included in the calculation, or whether this would be limited only to the statutory allowances. Finally, on 17 June 2014, the Public Authority for Social Insurance (PASI) issued Ministerial Decisions R/8/2014 and 9/2014 providing some clarity. These Ministerial Decisions confirm that the social insurance contributions will be assessed on an employee’s total gross salary, subject to a monthly gross salary cap of OMR 3,000.

The allowances will include all allowances in cash and in kind. Unfortunately, allowances “in kind” are not defined by the law but could include a company car, a mobile phone or company-provided accommodation. Therefore, employers would have to put a monetary value on such benefits.

What next?
Employers should prepare their payrolls on the basis of the increased contributions. We understand that PASI is in the process of writing to employers notifying them of the contributions payable, which will be due on 1 August 2014 for the month of July 2014.