



# Tax Alert

June 2020



## Summary

The Kuwait Ministry of Finance ("MOF") has issued Ministerial Order No. 21 of 2020 ("MO") in the official gazette ("Kuwait Al-Youm") on 16 June 2020 providing an extension of deadlines with respect to filing of returns, settlements, objections and appeals which were disrupted due to the closure of the public sector in Kuwait based on instructions by the Kuwait Government to combat Covid-19.

The MO covers businesses that are subject to obligations under the following laws:

- Kuwait Income Tax Decree No.3 of 1955 as amended by Law No.2 of 2008 and its executive regulations ("Corporate Income Tax Law");
- Kuwait Income Tax Law No. 23 of 1961 in the designated area ("Partitioned Neutral Zone Tax Law");
- Law No. 46 of 2006 and its executive regulations ("Zakat Law"); and
- Law No. 19 of 2000 and its Resolution of the Council of ministers No. 185 of 2001 ("National Labour Support Tax Law").

## Filing Deadlines

Filing deadlines for returns under the respective laws are extended by the following:

- 60 days from the date the MOF resumes operations where the fiscal year end of a company is either 31 December 2019 or 31 January 2020; and
- 30 days from the date the MOF resumes operations where the fiscal year end of a company is before 31 December 2019.

## Settlement of Amounts Due

Corporate income tax, Zakat and National Labour Support Tax due as stated on the respective returns should be settled on or before the extended deadlines set out above.

Where companies are settling the taxes in instalments, all instalments due up to the date of settlement should be paid in lump sum. No special instalment provisions have been approved for Zakat and NLST and amounts remain to be settled as lump sum.

Due date for settlement of taxes stated on any assessment letters issued prior to the closure of the MOF are extended by the same numbers of days as the period of closure of the MOF from 12 March 2020 and when the MOF resumes operations.



## Objections and Appeals

Deadlines for contesting an assessment through an objection or appeal are extended by the same numbers of days as the period of closure of the MOF from 12 March 2020 and when the MOF resumes operations.

Similarly, the time period for the MOF to respond to an objection is extended by the same numbers of days as the period of closure of the MOF from 12 March 2020 and when the MOF resumes operations.

## Discussions with the Kuwait Tax Authority (“KTA”)

In addition to the above, based on our discussions with senior officials at the KTA, the following has been communicated:

- Face to face meetings with the KTA officials would be restricted to critical issues only and are subject to certain pre-approvals within the MOF;
- Tax inspectors are expected to start remote working, where possible, from the week commencing 21 June 2020 on case by case basis;
- Tax inspections for companies in the following circumstances to be prioritised:
  - unassessed years approaching the statute of limitation (i.e. 5 years from the date of submission of the returns);
  - tax inspection had commenced prior to closure of the KTA on 12 March 2020 but the tax assessment was not issued; and
  - companies that have completed their Kuwait operations.
- All correspondence with the KTA will be through a dedicated email that are being

set up with approved tax advisor firms.

This is expected to include submission of the tax declarations, objections and appeals. It is expected that tax assessments would be received from the KTA through this process;

- The KTA will not accept payments through certified cheques. All payments should be transferred to the MOF account at the Central Bank of Kuwait; and
- Companies with a fiscal year end of 29 February 2020 or 31 March 2020, whose tax returns were due for filing on 15 June 2020 and 15 July 2020 respectively are not covered in MO and therefore should submit a request for an extension to the filing deadline, irrespective of the basis of filing. Typically the KTA would not provide extension to companies filing on a deemed profit basis, however the KTA has indicated they will review the matter given these exceptional circumstances caused by Covid-19.

**A circular is expected to be issued by the KTA providing further guidance on this matter.**

# Contacts



**Zubair Patel**  
Partner and Head of Tax

KPMG in Kuwait  
[zpatel@kpmg.com](mailto:zpatel@kpmg.com)



**Fahim Bashir**  
Partner – Tax and Corporate  
Services

KPMG in Kuwait  
[fbashir@kpmg.com](mailto:fbashir@kpmg.com)



[kpmg.com/socialmedia](https://kpmg.com/socialmedia)

[kpmg.com/app](https://kpmg.com/app)

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