Kuwait Tax Guide

Your comprehensive guide to the tax policies in Kuwait

November 2022

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Key messages

Area	Comments
Permanent establishment	The Kuwait Tax Law does not define a permanent establishment. Practically, even a single day presence of employees/representatives of a foreign company is considered to have created a taxable presence of the foreign company in Kuwait. Additionally, certain types of Kuwait source income (e.g., royalties, license fees, interest) creates a tax filing position of the foreign company irrespective of their physical presence in Kuwait.
Tax retention	There is no withholding tax (WHT) applicable in Kuwait. However, there is a tax retention regulation under which the contract owner/customer of a company is required to retain 5% on all payments to any beneficiary until a clearance letter is provided to release the retentions. Under the same regulations, the contract owner/customer is required to report the details of the contract to the Kuwait Tax Authority (KTA).
Tax compliance obligations	Compliance obligations for a foreign company would be determined depending on the nature of income from Kuwait or the physical presence of employees in Kuwait. Typically, there are 2 compliance routes: • Tax registration, tax declaration filing, settlement of taxes, completion of the mandatory audit, and settlement of any additional taxes as per the tax assessment; or • Approaching the KTA through a letter to determine if income is taxable, which is subject to KTA's review and approval. The KTA will issue a formal notification where any compliance obligations (as noted above) are required.
Tax treaty relief	As there is no WHT in Kuwait, treaty relief is not applied at source. Accordingly, a foreign company that considers treaty relief applicable is required to submit the tax declaration and claim the treaty relief through a tax declaration. The treaty relief is subject to review at the stage of the mandatory tax audit and an approval or rejection will be communicated through the tax assessment.

Common Kuwait tax aspects

Taxable presence and permanent establishment

The Kuwait Tax Law does not provide a definition of Permanent Establishment (‘PE’). In practice, the KTA considers a single day presence of employee/representative of a foreign company in Kuwait creates a taxable presence for the foreign company and the Kuwait-sourced income due to the presence of employees/representatives is subject to tax in Kuwait.

Kuwait has defined PE in tax treaties it has entered with other countries. Any relief sought under PE articles of tax treaties is required to be claimed by filing the tax declaration and is subject to the KTA’s review and approval.

In our experience, when the stay of a company’s representatives in Kuwait is less than the period specified in the relevant tax treaty for each fiscal period, but the duration of the contract is longer than the period specified in the relevant tax treaty, the KTA considers that a PE is created in Kuwait by virtue of the entire contract’s duration.

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Typically for service contracts, the KTA has for some time had the practice of looking at whether the duration of contracts deriving Kuwait sourced income exceed the period specified in tax treaties for determining a PE in Kuwait, rather than the physical presence of representatives of the taxpayer in Kuwait

The KTA applies this approach comprehensively across taxpayers to establish a deemed PE in Kuwait. Furthermore, the KTA attributes income to a PE in Kuwait such that all the Kuwait sourced income is typically considered connected to the Kuwait PE and exemptions from Kuwait tax are increasingly difficult to agree with the KTA.

Tax treaty relief

According to Article 13 of the Executive Bylaws of Law No. 2 of 2008, foreign companies which are subject to treaty exemptions/reliefs are still required to file their tax declaration to claim such exemptions. Therefore, even where the company may apply treaty benefits which results in no tax payable or a reduced tax amount, it would still be required to submit the tax declaration reporting all the income related to Kuwait agreements and claim an exemption/relief under the relevant tax treaty for the revenue which it believes is not taxable in Kuwait.

The revenue claimed as exempt under treaty benefits would be later substantiated by the KTA when it confirms that a company is eligible for such treaty benefits as claimed and is satisfied with the documents supporting the exemption of certain revenue from tax in Kuwait.

In our experience, the KTA is inconsistent in its application of tax treaties and its interpretation often differs from the international interpretation of these treaties. In practice, the KTA adopts an aggressive attitude in interpreting various Kuwait tax treaties and disputes with the KTA are common, particularly in terms of exemptions and reliefs claimed by taxpayers.

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Therefore, treaty relief should not be assumed based on international interpretations and robust documentation is required to support any treaty relief claims.

Holding shares in listed Kuwaiti companies

Capital gains from mere trading of shares on the Kuwait Stock Exchange (KSE) is not subject to tax. In addition, since 10 November 2015, dividends received from listed Kuwaiti equities are exempt from 15% corporate tax, which was previously applicable on dividend payments. Accordingly, any dividend received from the equities listed on the KSE is not subject to tax.

However, the domestic tax law and the associated circulars do not provide clarity on the taxability of holding listed equities held as strategic investments. In practice, the KTA considers a transaction as a strategic investment if the name of investor entity appears in the incorporation documents/articles of association of Kuwaiti listed company. Strategic investment also implies a level of input, influence, or control over key business decisions. Where an investment is considered strategic in nature, the same tax compliance as set out below for foreign shareholders in unlisted Kuwaiti companies would apply (see below for further details).

Holding shares in unlisted Kuwaiti companies

The KTA considers that holding shares in an unlisted Kuwaiti company (companies incorporated in Kuwait) establishes a taxable presence for a foreign shareholder in Kuwait. Under the current practices of the KTA, the provisions of relevant tax treaties are not applicable to taxpayers reporting a share of profit from a Kuwaiti or a GCC entity (on the GCC entities income derived from Kuwait-based customers).

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In practice, foreign entities holding shares in a Kuwaiti entity are taxed under the domestic tax law of Kuwait. While there is a lack of clarity in the domestic tax law for this approach, this is a well-established practice of the KTA.

Accordingly, the foreign shareholder is required to fulfil the tax compliance obligations and will be filing its tax declaration on its economic shareholding in the local Kuwaiti company. Taxes will be imposed on the share of profits profit at a flat rate of 15%.

Royalty/Franchise arrangements

Royalty/License income earned from Kuwaiti customers is subject to tax in Kuwait. This is irrespective of any physical presence in Kuwait. The gross royalty amounts earned from Kuwaiti customers are subject to tax at 15%. The tax due may be reduced where the franchisor/licensor is a resident of a country which has a tax treaty with Kuwait. Any treaty relief is subject to the KTA's review and approval.

Distribution arrangements

When looking at distribution arrangements, the KTA considers the level of control exhibited by the foreign company on the local distributor Where the KTA considers that the foreign company is controlling the operations of the local distributor related to the products, it might consider that the foreign company is effectively conducting business in Kuwait through the local distributor and, therefore, consider the foreign company subject to tax in Kuwait on all Kuwait sourced income.

Typically, the KTA considers that foreign companies have an embedded royalty in the product supply charged to the local distributor and has, hence, imposed tax. This has been the case even where the

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distribution agreements have no explicit royalty clauses defining the basis of such deemed income. In the worst-case scenario, the KTA may subject the income from the supply of products to tax.

It is recommended that foreign companies entering arrangements with Kuwait distributors review their agreements from a Kuwait tax perspective and seek appropriate advice to establish a credible tax base to actively manage Kuwait tax exposures.

Lending arrangements

The Executive Bylaws of Law No. 2 of 2008 state that the income from lending money in Kuwait is considered a taxable activity. Therefore, the net interest earned from loans to Kuwaiti companies would be considered subject to tax in Kuwait at a flat rate of 15%.

Numerous foreign financial institutions are filing annual tax declarations to report income from Kuwait borrowers, including income from syndicated loans which have multiple banks as the lending parties. These agreements are also available with the KTA as part of the information that tax filers would supply to the KTA during the annual filing and tax audit (inspection) process. With more and more financial institutes complying, the KTA is closely monitoring the compliance of lenders that are mentioned in facility agreements. In practice, there is a high risk that the KTA may issue an arbitrary assessment based on the information available with them.

As part of our work with several foreign financial institutions, we have been successful in obtaining tax assessments for foreign financial institutions tax residents in various jurisdictions, including Japan, France, Belgium, and Germany whereby the KTA has accepted that financial institutions are not subject to income tax in line with the provisions of relevant tax treaties. Under Article 13 of the Executive Bylaws to Law No. 2 of 2008, to claim treaty benefits, annual tax filings in line with the normal compliance obligations for foreign entities are required.

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The above cases were where the financial institutions undertook only lending activities from offshore. While past assessments are no guarantee for future assessments, the recent trend in the market is encouraging compliance by foreign financial institutions with respect to lending transactions.

Subscription services

The Kuwait Tax Law does not have provisions that cover income from subscription services. Typically, the KTA takes a position on subscription services as being subject to tax irrespective of physical presence and treats them as royalty income or on a minimum 30% deemed profit margin. The net profit is subject to tax at 15%.

Leasing activities

Income from leasing activities is considered as taxable under the domestic tax law. The net profit from leasing activities is subject to tax at 15%. There are specific provisions in certain tax treaties, whereby lease of aircrafts are exempt from tax in Kuwait. However, this is currently being reviewed by the KTA on a case-by-case basis.

Tax audits

The KTA follows a universal tax audit approach, whereby every tax declaration submitted by taxpayers is subject to review. Due to this approach, there have been delays in the completion of the annual tax compliance cycle for taxpayers.

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Tax retentions

Currently, there is no WHT imposed in Kuwait. However, the Ministry of Finance enforces tax retention regulations. Articles 16, 37 and 39 of the Executive Bylaws of Law No. 2 of 2008 (the tax retention regulation) require contract owners to retain 5% from payments to contractors/subcontractors or any beneficiary and to release tax retention only on the provision of a Tax Clearance Certificate (TCC) or No Objection Letter (NOL) obtained by the beneficiary from KTA. Article No. 39 of the Executive Bylaw to Law No. 2 of 2008 states that the violating contract owner can be held responsible for paying taxes otherwise payable by the contractors/subcontractors or any beneficiary.

The tax retention regulations are brief and do not address specific transactions that are in or out of the scope of these provisions. Therefore, it is important to seek advice on whether tax retentions should apply on a case-by-case basis.

Where taxpayers are not complaint with their tax retention obligations on payments, the KTA disallows the entire related cost from deductible expenses in the respective tax assessment (effectively imposing 15% tax on the total value of payments to the vendor to which tax retentions were not applied).

Given the above, all the business entities operating in Kuwait should submit a Tax Retention Return (TRR) notifying the Ministry of Finance of companies they are doing business with, clearly stating their names and addresses, submit a copy of the related contract(s), and retain 5% from all payments to any kind of beneficiary,

The tax retention regulations are a mechanism used for discovering taxpayers doing business in Kuwait.

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Capital gains

Gains derived by a foreign company on the disposal of assets and shares are taxable as normal business profits at 15%. However, capital gains derived by a foreign company from mere trading of shares listed on the KSE (provided no other activity or presence in Kuwait) are exempt from tax.

Statute of limitation

Kuwait Income Tax Decree No.3 of 1955 did not provide for a statute of limitation. Law No. 2 of 2008 amending the original tax law provides for a statute of limitation of 5 years from the date the tax authorities become aware of the respective income.

In practice, the KTA does not consider the Statute of Limitations applicable where a taxpayer has not filed a tax declaration and, therefore, it can potentially seek tax from the commencement of arrangements with Kuwait entities.

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Ways of doing business in Kuwait

Generally, foreign ownership in Kuwaiti companies is restricted to a maximum of 49%. We understand that local regulations allow foreign shareholders to have economic interest which is greater than 49%. This aspect should be confirmed from a legal counsel in Kuwait.

The Foreign Direct Investment Law (Law No. 116 of 2013) allows foreign entities to own up to 100% of the shares in a Kuwaiti company provided that the foreign investor undertakes a permissible activity in a permissible sector. The Kuwait Direct Investment Promotion Authority (KDIPA) implements and administers the provisions of Law No. 116 of 2013.

This is an initiative by the Kuwait Government to attract foreign investment in almost all the sectors of the economy with only limited exclusions. It offers up to 100% of foreign ownership, tax credits, and custom duty exemption for foreign companies intending to set-up business presence in Kuwait.

The Foreign Direct Investment Law allows the following options to foreign companies setting up operations in Kuwait:

- Kuwaiti company with up to 100% foreign ownership
- Commercial branch of a foreign company

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- Representative office without engaging in commercial activities.

Foreign companies that do not want to incorporate an entity in Kuwait have an option to conduct their operations under the umbrella of a Kuwaiti agent or sponsor. In practice under agency arrangements, foreign companies operate in Kuwait as an extension of their head office.

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Advance tax rulings

The Kuwait Tax Law does not include any provisions for obtaining advance rulings or advance pricing mechanisms for proposed agreements/transactions. However, in relation to signed agreements, a foreign company may file a letter with the KTA to obtain an advance NOL, authorizing the contract owner to release or not to retain 5% tax on the payment in relation to the contract which, in principle, confirms that the company is not liable to tax for the contract in Kuwait. In this case, full tax registration and annual filings would not be required.

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Corporate income tax in Kuwait

Income tax compliance is governed by Amiri Decree No. 3 of 1955 and the Law No. 2 of 2008 along with its Executive Bylaws and circulars (collectively the income tax law).

The income tax law is applied only to foreign entities carrying on trade or business in Kuwait and is not applied, in practice, to Kuwaiti entities or the Gulf Cooperation Council (GCC) countries. The tax liability of foreign companies investing in Kuwait for the fiscal years commencing after 3 February 2008 shall be calculated at a flat 15% tax rate on the net taxable profit.

The income tax law does not define a PE for companies operating in Kuwait. Accordingly, foreign companies earning Kuwait sourced income are considered as subject to tax in Kuwait by the KTA.

Under current practices of the KTA, even a single day's visit of a company's official to Kuwait creates a taxable presence for a foreign company in Kuwait.

In cases where a contract provides for services in Kuwait, the entire contract, including income from supply of material/equipment to Kuwait and services provided outside Kuwait, would be considered as subject to tax in Kuwait.

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Irrespective of the physical presence of a foreign company, the following streams of income under the domestic tax law are taxable:

- Royalties/License fees earned from Kuwait
- Management fees
- Commission income
- Interest earned from Kuwait
- Rental/Lease earned from Kuwait.

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Tax compliance obligations

Registration with the Ministry of Finance in Kuwait

According to the income tax law, every foreign body corporate is required to be registered at the tax administration and apply for a tax card within 30 days from the starting date of the activity or the contract signing date. The registration process is relatively simple and requires you to fill 4 forms that provide the following company details:

- Name and address of the incorporated body inside and outside Kuwait
- The starting date of the activity or contract
- The agent's name, address, and the agency agreement (where applicable)
- Name of the customer in Kuwait and a copy of the contract
- Selection of fiscal period: The KTA allows the first fiscal period for tax filing purposes to be between 7 to 18 months from the starting date of the activities, and then annually thereafter.

You could also choose the first fiscal period in Kuwait in alignment with your global accounting year end. The following documents are also required to be submitted to the KTA together with the registration form:

- Articles of Association

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- Copy of the contract
- Copy of the agreement with the local sponsor, if applicable
- Authorization of signatories
- Letter of appointment for local tax advisors.

Tax card

Further to Article 12 of the Executive Bylaws of Law No. 2 of 2008, companies must also apply to the KTA for a tax card. All government authorities and public/private institutions will be prohibited from dealing with companies that do not hold a tax card. Tax cards will be issued to every taxpayer following the application procedure and should be renewed annually. On 1 January 2017, the KTA amended Executive Rule No. 3 relating to Law No. 2 of 2008 about the issuance of tax cards for foreign companies that are subject to corporate income tax in Kuwait. Based on the changes:

- tax cards will be issued annually and are valid until 31 December.
- tax cards will be renewed each year through the submission of a relevant application issued by the KTA for this purpose.
- temporary concession is provided to the companies that are starting their business in Kuwait and are in the process of registration and obtaining their tax cards.
- tax card holders are required to return their tax cards to the KTA in the event their activities cease in Kuwait; and
- the tax card shall not be considered as an approval for release of tax retention amounts or evidence for clearance of tax liabilities.

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Submission of the tax declaration

According to Article 13 of the Executive Bylaws of Law No.2 of 2008, each foreign body corporate liable to tax is required to submit a tax declaration on or before the fifteenth day of the fourth month (approximately 105 days) following the end of the taxable period of the incorporated body.

As mentioned earlier, according to Article 13 of the Executive Bylaws of Law No. 2 of 2008, foreign companies which are subject to treaty exemption are still required to file their tax declaration to claim such exemptions. Therefore, even where the company may apply for treaty benefits, it would be required to submit the tax declaration and claim treaty benefits which would be later substantiated by the KTA when it confirms that a company is eligible to such treaty benefits as claimed.

The due tax can be settled along with the tax declaration or in 4 installments on the 15th day of the fourth, sixth, ninth, and twelfth month following the end of the tax year.

Electronic correspondence

Previously, the KTA would require in-person hard copy submission of documents at the KTA premises.

As a result of the restriction on visiting the KTA imposed due to the COVID-19 pandemic, the KTA has established an online portal for all submissions. This includes submission of registration requests, tax declarations, objections, appeals and requested for NOLs for the release of tax retentions.

Tax advisors now have a specific registered e-mail ID with the Ministry of Finance to which system-generated e-mail acknowledgement of submissions are sent. Any correspondence issued by the KTA is

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now sent to the taxpayer's tax advisor through e-mail. This includes tax assessments and NOLs addressed to contract owners for release of tax retentions.

Mandatory tax audit/inspection

Following the filing of the tax declaration, it is a normal practice for the KTA to carry out an audit/inspection of relevant books and records to verify the underlying supporting documents of the income and expenses reported in the tax declaration. Based on the findings from the tax audit/inspection, adjustments are normally made to the taxable profit.

Following the tax audit/inspection, an assessment letter is issued. If additional taxes are assessed, the foreign body corporate has the option to pay the additional taxes and obtain a TCC from the MOF, or to submit an objection within 60 days from the date of the tax assessment letter. If the tax objection is not satisfactorily resolved within 90 days of submitting the objection letter, the body corporate has the right to have its case heard by an Appeal Committee.

The tax appeal must be filed within 30 days from the date of issue of the tax department's letter in response to the tax objection. In case there is no response from the tax department, the tax appeal must be filed within 30 days after the end of the 90-day period from the date the objection letter was filed. If the body corporate is not satisfied with the outcome of the Appeal Committee's decision, it has the option to refer the case to the civil courts.

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Delay penalties

In the event of failure to file a tax declaration by the due date, a penalty equaling 1% of the assessed tax for each period of 30 days or fraction thereof for which the failure continues is imposed. In addition, in the event of failure to pay tax by the due date, a penalty, equaling 1% of the tax payment for each period of 30 days or fraction thereof from the due date to the date of settlement of the tax due is imposed.

Penalty for unreported income

In line with Executive Rule 52, the KTA would impose a penalty of 1% on the final tax liability for each period of 30 days or a portion thereof for the income that is not reported/declared. The penalty is computed from the due date of submission of the tax declaration to the date the tax assessment is issued. Previously, this was only applied when the KTA became aware of the revenue that was not reported in the tax declaration

However, currently the KTA is imposing the penalty on companies where revenue has been reported in the tax declaration but claimed as exempt from tax in Kuwait under provisions of relevant tax treaties. The KTA appears to be equating non-disclosure of income with revenue reported in the tax declaration but not offered for tax in Kuwait based on treaty exemptions.

It is, therefore, possible that where income is considered taxable under the domestic law, the KTA may also impose penalties at 1% of the tax arising on revenue exempted from tax in Kuwait from the date of submission of tax declaration of the company to the issuance of the tax assessment based on the above.

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Key adjustments

Currently, there are no transfer pricing regulations in Kuwait. However, through Executive Rules, the KTA expects a minimum amount of profit on material imported and design and consulting services executed from outside Kuwait. The percentages are set out below:

Category	Materials	Design	Consulting
Head office	15%	25%	30%
Related parties	10%	20%	25%
Third parties	5%	15%	20%

For subcontracting arrangements, the KTA's position is that compliance with tax retention regulations is required. The subcontract arrangements should be connected to the prime contract of the taxpayer. In addition, under the KTA's current practices, losses incurred on subcontract arrangements are extensively challenged, whereby any losses incurred are typically not accepted.

Interest paid to the head office/related is not allowed as a deductible expense for tax purposes. Typically, provisions are not allowed as a deductible expense for tax purposes. However, actual payments incurred where an expense was previously provided for would typically be allowed based on the review of documents supporting payments.

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Partitioned Neutral Zone

The Partitioned Neutral Zone (PNZ) governed by Law No.23 of 1961 is an area between the border of Saudi Arabia and Kuwait which was undefined when the border was originally established. When oil was discovered in the PNZ, negotiations commenced, and an agreement was ratified in 1970 which partitioned the area. In practice, foreign company operation in the PNZ is taxable according to Law No. 23 of 1961 whereby the tax liability is computed as follows:

Taxable profit range	Applicable tax rate
0–KD 500,000	20%
Over KD 500,000	57%

In practice, as the offshore area in the PNZ has now been formally divided between Saudi Arabia and Kuwait, activity in the PNZ should only be subject to tax in the territory where the work is implemented. However, in practice, the KTA computes tax on the total income of the taxpayer and expects that 50% of such tax should be settled in Kuwait as such contracts are handled by the KTA in Kuwait on a case-by-case basis.

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Indirect taxes

VAT

Currently, VAT is not applicable in Kuwait. While Kuwait is a signatory to the GCC VAT Framework Agreement, there has been no official guidance issued by the Ministry of Finance in Kuwait or the KTA on the expected date and draft of the VAT law. Based on our discussions with the officials at the KTA, we understand that VAT was expected to be implemented during 2021. However, given the economic challenges caused due to the COVID-19 pandemic and subsequent inflationary pressure, it is expected that there will be further delay in the implementation of VAT. Potentially, the VAT law for Kuwait will be in line with the GCC VAT Framework Agreement. We await further formal guidance from the Kuwait Government.

Custom duties

Custom duty is imposed at 5% of the value of the products being imported. However, as the Customs Authority in Kuwait has inconsistent practices, it is recommended that a formal opinion is obtained from a customs expert in Kuwait on this matter.

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Personal taxes

The income earned by individuals is currently not subject to income tax provided that the individual is not a nominee of a foreign company as a shareholder in a local company. Therefore, income earned by employees is not taxable in Kuwait.

Social security

No social security is required to be paid for expat workers in Kuwait.

Employers and Kuwaiti national employees are required to make monthly social security contributions. The employer's contribution is 11.5% and the employee's contribution is 10.5% of the monthly salary up to a ceiling of KD 2,750 per month.

The employee contribution is deducted from the salary payable to the Kuwaiti employees.

Social security contributions are not administered by the Kuwait Ministry of Finance. Where assistance is required on this aspect, we recommend that a formal opinion on social security is obtained from a lawyer/law firm practicing in Kuwait.

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Other taxes/levies

Zakat

According to Law No. 46 of 2006, Kuwaiti shareholding companies are required to pay Zakat at 1% of the net profits. The KTA, by reference to Ministerial Order (MO) No. 3 of 1989 concerning equality between citizens of Kuwait and the GCC in terms of tax matters, requires non-Kuwaiti GCC companies (similar in nature to Kuwaiti shareholding companies) with activities in Kuwait to register for Zakat and file annual Zakat declarations. The KTA has become very active in this respect and has issued official letters to such entities.

In the past, KTA had accepted exemptions related to the share of profits attributable to partial Kuwait Government share ownership when computing Zakat. However, under current practices, the KTA levies Zakat on the entire income, i.e., including the share of profits attributable to the Kuwait Government.

However, wholly owned entities of the Kuwait Government are exempt from Zakat.

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National Labor Support Tax (NLST)

According to Law No. 19 of 2000, all public Kuwaiti shareholding companies listed on the KSE are subject to NLST at 2.5% of their annual net profit, excluding the share of profits attributable to a foreign body corporate and after certain allowable deductions.

Kuwait Foundation for Advancement of Sciences (KFAS)

The KFAS levy is imposed on closed and listed shareholding companies in Kuwait. The levy is computed at 1% of the profits after transfer to the statutory reserve and offsetting of any losses carried forward.

The KFAS is not administered by the KTA. We recommend that a formal opinion on the KFAS is obtained from a lawyer/law firm practicing in Kuwait, or the KFAS is approached directly for clarifications regarding uncertain positions.

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Global Reporting

Country-by-Country (CbC) reporting status update

Country-by-Country (CbC) reporting is part of Action 13 of the Base Erosion and Profit Shifting (BEPS) initiative led by the Organization for Economic Co-operation and Development (OECD) and the Group of Twenty (G20) industrialized nations.

BEPS Action 13 requires large Multinational Groups of Entities (MNEs) to file a CbC Report that should provide a breakdown of the Multinational Group's global revenue, profit before tax, income tax accrued and some other indicators of economic activities for each jurisdiction in which the MNE operates.

Kuwait has not signed the BEPS Inclusive Framework (minimum standards); however, Kuwait has signed the Multilateral Convention on Mutual Administrative Assistance in Tax Matters on 5 May 2017. While the signing of the convention does not mandate CbC reporting in Kuwait, however, it could be considered as a step toward agreement of the Multilateral Competent Authority Agreements on the Exchange of CbC reports and the potential introduction of CbC reporting.

It is pertinent to note that while there are no local CbC reporting requirements, the Kuwaiti MNEs are still required to review their CbC reporting obligations based on their consolidated revenue and the CbC reporting requirement of jurisdictions they are operating.

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BEPS 2.0 – Global Minimum Tax on MNEs

BEPS 2.0 consists of two pillars; Pillar 1 seeks to reallocate profits to market jurisdictions as it only affects multinational enterprises (MNEs) that have consolidated revenues more than Euros 20Bn) and Pillar 2 seeks to apply a global minimum rate of tax of 15% (applies to MNEs that have consolidated revenues more than Euros 750M).

The UAE, together with Egypt, Saudi Arabia, Jordan, Oman, Qatar, and Bahrain are among the 137 countries that support the concept of a global minimum tax rate of 15% for large multinationals. Kuwait is yet to publicly endorse the proposals.

As a result, it is expected that the UAE and Bahrain may incorporate the Pillar Two principles and/or a domestic corporate income tax (CIT). The introduction of Pillar Two and a domestic CIT will require several filings and elections to be made by MNEs which will significantly add to the compliance burden. These rules are designed to ensure large MNEs pay a minimum level of tax on the income arising in each jurisdiction where they operate.

During December 20, 2021, OECD released GloBE (Global Anti Base Erosion) Model Rules release, which represents significant progress in implementing Pillar Two by the intended date of 1 January 2023. However, based on recent developments with regard to the implementation of Pillar Two by various jurisdictions, we may see Pillar Two implementations most likely in 2024

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While the BEPS proposal is yet to be introduced in Kuwait, since the Kuwaiti MNEs are operating in various countries, they should consider evaluating tax impact of the Pillar two proposal at their head office / Group level.

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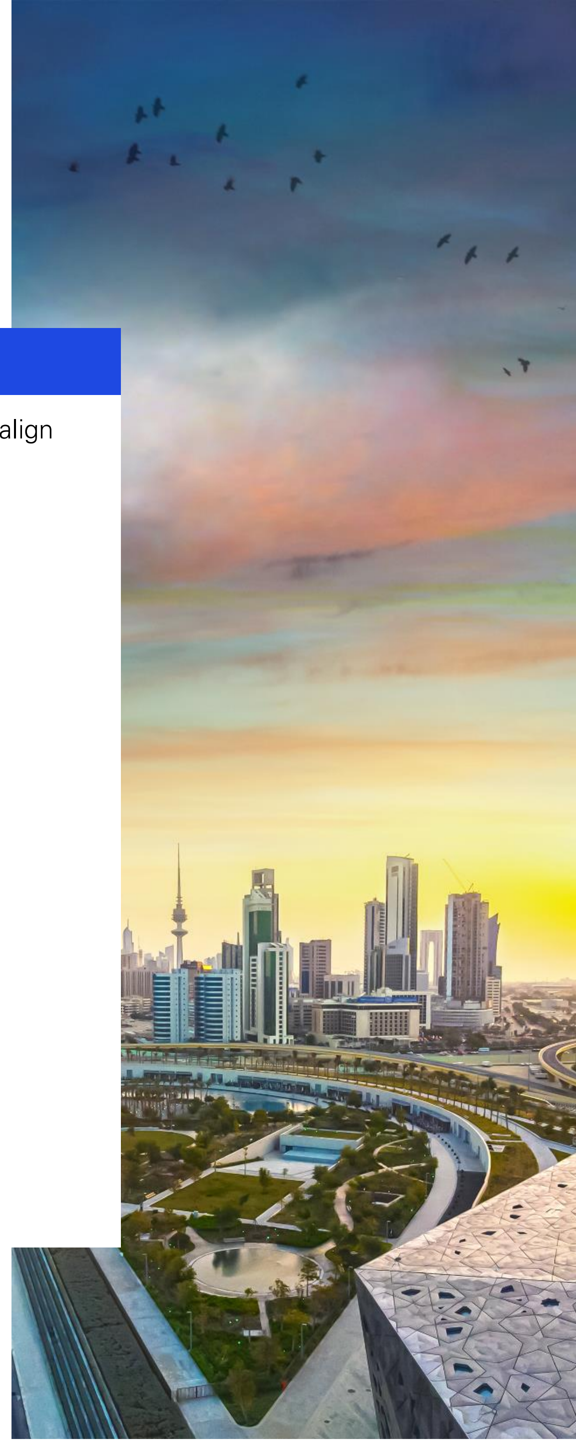
Tax Function at KPMG Kuwait

Who are we	Services

The issues surrounding tax are constantly evolving, both locally and globally. Changes in law, practice, or in the approach of tax authorities, can have major ramifications. A business's approach to tax can be subject to public scrutiny and is now a major driver of reputation.
 	
We provide expert advice on domestic and international corporate tax issues with the objective of sharing our experience and industry knowledge to help make your business tax efficient and compliant.
	We address a variety of business Needs and help organizations align their businesses in a more Tax efficient manner.
	• **Corporate tax**
	    • Tax compliance and inspection services
	    • Tax retention compliance
	    • Applying for advance No Objection Letter (NOL)
	• **Indirect Tax**
	    • Value Added Tax
	    • Excise Tax
	• Corporate services
	• FATCA and CRS advisory and AEOI Reporting Solutions
	• Transfer pricing solutions
	• Zakat tax compliance services
	• International tax services including support on BEPS initiatives
	• Chinese Business Desk
	• Korea Business Desk



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