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Tax News Flash
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Kuwait and Kingdom of Saudi Arabia ("KSA") have signed a tax treaty.

Media reports[1] indicate that the Saudi Arabian Council of Ministers has authorised the signing of an income tax treaty with Kuwait. This has now been confirmed, with both countries signing the tax treaty at the Zakat, Tax, and Customs Authority (ZATCA) Conference on 4 December 2024.

Further details on the tax treaty will be made available once the agreements have been reviewed and ratified by the respective authorities in Kuwait and Saudi Arabia. The effective date/period of the tax treaty will be disclosed following relevant approvals from the respective authorities.

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Whilst the expected date of ratification and entry into force of the treaty is awaited, the signing of the tax treaty between Kuwait and KSA hints at the expected implementation of corporate income tax (CIT) in Kuwait, which will impact both Saudi businesses operating in Kuwait and Kuwaiti businesses operating in KSA.

As noted in our earlier alerts, a potential two-phased approach to the introduction of CIT is expected in Kuwait. The first phase would target multinational companies with revenues over EUR 750 million (approx. KD 250 million), and the second phase will be applicable to all Kuwaiti companies. This is expected to include a wide range of operating structures, including corporate entities, partnerships, and other businesses with separate legal existence. However, individuals and small and medium-sized entities are initially expected to be exempt from the tax law.

Kuwait currently has a 15% CIT regime applicable to foreign (non-GCC) corporate entities. However, with the changes in the region, we expect that local legislation will be updated to align with the standards being followed across other GCC countries.

1 Link: https://www.orbitax.com/news/archive.php/Saudi-Council-of-Ministers-Aut-56287

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