



# Kuwait's Domestic Minimum Top-up Tax



**Tax  
Guidebook**

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# Foreword

It has been nearly seven months since Kuwait adopted the Domestic Minimum Top-up Tax (DMTT) Law, and in this short span, we've already witnessed significant shifts in how businesses operate across the region. The introduction of this legislation marks a pivotal moment in Kuwait's tax landscape, aligning the country with global tax reform efforts under the OECD's Pillar Two framework.

On 29 June 2025, the Ministry of Finance in Kuwait issued Ministerial Order No. 55 of 2025, enacting the Executive Bylaws under Decree Law No. 157 of 2024. These Bylaws establish the operational framework for the DMTT, broadly aligned with the OECD's GloBE Model Rules, while incorporating Kuwait-specific provisions.

In the subsequent pages, our team at KPMG in Kuwait has carefully reviewed the full text of the Executive Bylaws and translated them into an easy-to-understand resource. We've broken down the content into key focus areas such as taxability, permanent establishment (PE), covered taxes, corporate restructuring, safe harbours, transfer pricing, and the way forward—to help you navigate the complexities and assess the implications for your organization.

This guidebook is intended to support your understanding of the DMTT framework and its implications. As developments unfold, we remain committed to providing timely insights and technical clarity to help you navigate the changes with confidence.

We hope you enjoy reading this publication



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This document provides a summary of the Kuwait DMTT Bylaws highlighting key matters only. This document is for a general guidance of the readers and therefore should not be considered as tax advice or recommendation by KPMG Kuwait for your reliance purposes.

We strongly recommend to reach out to us for any specific query of your company or Group.

## Introduction

On 29 June 2025, Kuwait’s Ministry of Finance (“MOF”) issued Ministerial Order No. 55 of 2025, enacting the Executive Bylaws to Decree Law No. 157 of 2024 (the “DMTT Bylaws” or “Bylaws”).

This legislation provides the framework for implementing Kuwait’s Domestic Minimum Top-up Tax (“DMTT”), aligning broadly with the OECD’s Pillar Two Global Anti-Base Erosion (“GloBE”) Model Rules, albeit with jurisdiction-specific nuances.

The Kuwait Tax Authority (“KTA”) retains discretion to issue further binding guidance, executive instructions, and explanatory notes.

### Taxability

The taxpayers need to assess below basic tests to identify if they fall under DMTT from the perspective of 1) Revenue threshold and 2) if it is considered entity subject to tax under DMTT.

If considered not falling in scope of the DMTT Law, it should be confirmed that the entity will continue to fall under the legacy tax laws, i.e. the application of Law No.2 of 2008 (“CIT Law”), Law No. 46 of 2006 (“Zakat”) and Law No. 19 of 2000 (“NLST”), Law No. 23 of 1961 (“Partitioned Neutral Zone”).

### Revenue Threshold

The DMTT applies to multinational enterprise (“MNE”) groups with consolidated annual revenues of at least EUR 750 million in two or more of the four preceding tax periods.

Revenues are based on consolidated financial statements and include operational income, investment gains and minority interests excluding intra-group transactions.

In case where different types of revenue items are disclosed in the consolidated financial statements, these must be aggregated for the purpose of computing revenue threshold.

### Framework & Scope

Aligned broadly with OECD’s GloBE (Pillar Two) rules, with some local deviations.

Applies to multinational groups (Kuwaiti or foreign) with consolidated revenues greater than or equal to EUR 750 million in at least two of the four years preceding FY 2025.

Interpretation to follow OECD commentary and updates.

### Tax Retentions

No guidance provided; legacy corporate tax rules previously covered these provisions.

As DMTT entities are outside the scope of the legacy corporate tax laws, applicability of tax retentions remains unclear. MOF clarification is awaited on this matter.





Further, where consolidated financial statements have not been prepared, tax authority would apply a deemed consolidation approach. The Bylaws also provides rules for proportional adjustments to the revenue threshold for short or long tax periods and rules for the newly created groups.

## Entities Subject to Tax

Entities incorporated or effectively managed in Kuwait (except excluded entities) and forming part of a MNE group that meets the prescribed revenue threshold are subject to DMTT.

This includes minority-owned subgroups, joint ventures, and entities with no jurisdictional affiliation but conducting activities within Kuwait. In addition, it includes non-resident entities operating in Kuwait through a permanent establishment in Kuwait, forming part of the MNEs.

It is important to note that where an entity is taxable, the tax is imposed on the “entire taxable profit” irrespective of the controlling interest percentage held by the Ultimate Parent Entity (“UPE”) in that entity.

## Permanent Establishment (“PE”)

- The PE definitions are generally in line with the Model Rules. The Bylaws clarifies that in cases where an applicable tax treaty is in force between the Kuwait and the residence country, the PE definition provided by the tax treaty will apply.
- A PE encompasses any fixed place of business through which a non-resident entity carries out business in Kuwait, either wholly or in part. This includes offices, factories, warehouses, and resource extraction sites.
- Construction projects and service provision exceeding six months in Kuwait within any 12-month period, would also constitute a PE. For this purpose, the time spent by the non-resident and any closely related entities at the same site or project is aggregated, provided each contributes more than 30 days of activity. For the purposes of the service PE a virtual PE is deemed in Kuwait based on the duration of activity of the non-resident irrespective of physical presence.

## Other Notable Points

Additional definitions and clarifications on ownership thresholds.

Detailed rules on taxable income adjustments, effective tax rate, top-up tax, and substance-based exclusions.

Guidance on transition, safe harbour rules, mergers, and restructurings.

- The preparatory or auxiliary activities would not create a PE except where activities carried out by the non-resident (or closely related entities) when combined, they form a cohesive business operation.
- A person is considered as a dependent agent where the person acts “exclusively or almost exclusively” for the benefit of the nonresident or is not deemed independent based on the legal and economic circumstances.

The term almost exclusive is not clarified and hence foreign companies should review the terms of contract with Kuwaiti companies to check independent status.

## Excluded Entities

Entities such as government bodies, non-profit organisations, international institutions, pension and investment funds, and qualifying real estate vehicles are exempt. Certain entities may elect to be treated as taxable for a fixed five-year period. However, investment entities are not excluded from the DMTT Law.

## Sovereign Wealth Funds

Sovereign wealth funds are not treated as ultimate parent entities. Where such a fund exercises control, the controlled entity may be deemed the parent entity if it meets specific structural and operational criteria.

## Computation of Income Subject to Tax

## Financial Accounting

Taxable income is derived from IFRS-based financial statements audited by MOF’s-approved firm after making tax adjustments to the financial accounting net income or loss (“FANIL”).

Where unavailable, consolidated financials or other approved standards may be used based on the guidelines issued by the MOF.

## Permanent Establishment (“PE”)

Expanded PE definitions include Fixed Place, Construction, Service, Dependent Agent, and Virtual PEs.

Virtual PE arises if a non-resident provides services in Kuwait for over 6 months in any 12-month period, even without physical presence.



Tax Adjustments

Adjustments to net accounting income include tax expenses, dividends, foreign exchange movements, penalties, share-based compensation, intra-group financing, and other specified items which are broadly in line with the Model Rules and Administrative Guidance issued by the OECD. Special provisions apply to insurance and international shipping income.

The Bylaws also includes elections mentioned in the Model Rules and Administrative Guidance.

Covered Taxes

Covered taxes include those levied on income, profits, retained earnings and equity, taxes in lieu of income tax (withholding) excluding taxes under Qualified Income Inclusion Rule, Undertaxed Profits Rule, Qualified Domestic Minimum Top-up Tax, Non-qualified refundable attribution tax and certain local levies (including legacy Kuwait Corporate income tax, Zakat, NLST and taxes paid under Partitioned Neutral Zone).

Taxes related to hybrid entities and Controlled Foreign Corporation regimes are also excluded. The Bylaws also provides certain additions and deduction to the covered taxes.

Effective Tax Rate (ETR)

The ETR is calculated as the ratio of total adjusted covered taxes to net Pillar II income for all Kuwait-based constituent entities and PEs. ETR is expressed as a percentage rounded to four decimal places.

ETR =

Adjusted covered taxes for all constituent entities in Kuwait

Net Pillar 2 Income for all constituent entities in Kuwait

Separate calculations are required for investment entities, joint ventures, and minority-owned subgroups.

Substance-Based Income Exclusions (“SBIE”)

SBIE allows a reduction in taxable income based on qualifying payroll and tangible assets. Entities may opt out of this exclusion. Documentation must be retained and provided upon request.

Qualified Payroll Costs and Tangible Assets

Payroll costs include salaries, insurance, and pensions, excluding capitalised costs and those related to shipping income. The percentages are set for each fiscal year starting at 9.6% for 2025, decreasing progressively by 0.2% limiting to 5% from 2033 onwards.

Tangible assets include property, equipment, and licences, valued at average book value adjusted for depreciation with percentages starting at 7.6% for 2025, decreasing progressively by 0.2% limiting to 5% from 2033 onward

Taxable Income

Taxable income is calculated by excluding Substance-Based Income Exclusion (SBIE) from net Pillar Two income.

Tax Rate

The tax rate is determined by subtracting the ETR from a minimum tax rate of 15%.

DMTT payable

(Tax rate x Taxable Income) + Additional Current Tax



Corporate Restructuring

Revenue Thresholds for Mergers and Spin-offs

The EUR 750 million threshold applies to merged or separated groups within the prior four tax periods. Revenue must reflect post-restructuring financial periods.

Joining or Leaving MNE Groups

Entities entering or exiting a group must consolidate financials with the parent entity. Historical values and deferred tax liabilities are adjusted accordingly.

Asset and Liability Transfers

Gains or losses from transfers are included unless part of a qualifying reorganisation. Book values are used with necessary adjustments.

Joint Ventures and Multiple Parent Entities

Joint ventures are treated as independent MNE groups for tax purposes. Groups with multiple parent entities are treated as a single entity, with consolidated financials and tax returns reflecting all constituent entities.

Safe Harbours

Simplified Calculation Method

A zero tax rate may apply if one of the following is satisfied:

- Routine Profits Test
- De Minimis Test (revenue is less than EUR 10 million, income is less than EUR 1 million)
- ETR Test (rate ≥ 15%)



## Non-Material Participating Entities

Entities not consolidated due to size may use simplified calculations if audited and compliant with accepted standards.

## Transitional Safe Harbour

For fiscal years beginning on or before 31 December 2026 however excluding fiscal years ending after 30 June 2028, groups submitting qualified country-by-country reports, may claim tax due as “nil” if any of the simplified tests are met, i.e. De Minimis Test, ETR Test, or Routine Profit Test.

## Initial Stage of International Activity

A zero tax rate applies for five periods if the group operates in no more than six jurisdictions and tangible assets do not exceed EUR 50 million, and is not owned by an UPE subject to the income inclusion rule (excluding the highest asset location).

## Application and Verification

The tax authority may review and challenge safe harbour claims within 36 months. Entities must respond within six months to maintain eligibility.

The groups that meet the requirements of these Safe Harbours and exclusions will still need to register for DMTT and meet the required compliance requirements, even where the DMTT liability is deemed to be nil.

## Transfer Pricing

### Related Parties and Control

The related parties must conduct transactions at arm’s length. Individuals and Entities are related if an entity owns greater than or equal to 50% of another or entities are under common control.

### Transfer Pricing (“TP”)

Arm’s length principle mandated for related-party transactions.

Master and Local files required in line with international TP standards.

### Registration & Filing

Mandatory registration by 30 September 2025

Tax returns (in English or Arabic) and IFRS-based audited financials due within 15 months of year-end, even if no tax is payable.

A designated group entity may handle compliance.

No advance tax or instalments—single payment with return.

Returns must be signed by a Ministry of Finance approved tax advisor

Control includes voting rights, profit entitlement, board appointments, or financial influence.

## Comparable Transactions and Pricing Methods

Transactions are assessed based on contractual terms, characteristics, and economic context. Pricing must follow the arm’s length principle using methods such as CUP, Resale Price, Cost Plus, Transactional Net Margin Method, or Profit Split. Alternatives may be used with justification.

## Documentation

Entities must maintain master and local files and submit them within 30 days upon request. A transfer pricing disclosure form containing details of related party transactions and the transfer pricing method applied should be filed with the tax return, the form should be audited by an approved tax advisor.

## Tax Periods

### Tax Period and Fiscal Year

The tax period must span 12 months and align with the parent entity’s fiscal year. Defaults to the calendar year if unspecified.

## Changes and Notifications

Changes to the fiscal year must be reported in advance. Revenue threshold notifications must be submitted within 12 months.

## Compliance Obligations

### Registration and Cancellation

Entities must register within 120 days of becoming liable. MOF may register entities mandatorily.



Cancellation requests must be submitted within 120 days of cessation or threshold failure.

However, for the first year of application (i.e., 2025), the due date is extended to register on or before 30 September 2025.

One of the CEs must be designated to represent the MNE Group. Where UPE of the MNE group is located in Kuwait, it must be the designated CE. It is relevant to note that all CEs, PEs and JVs of the MNE Group should register with the tax administration.

Tax Returns and Amendments

Returns must be filed within 15 months of the tax period’s end, even if no tax is due. Amendments are permitted within five years if no final assessment has been issued.

Currency used for tax calculation

If all local CEs use the Kuwaiti Dinar as the functional currency of their financial statements, tax should be calculated in Kuwaiti Dinar.

However, where different functional currencies are used, the Designated CE should calculate tax using either the UPE’s presentation currency or Kuwaiti Dinar, however once elected would be binding for five tax periods.

In case where tax is calculated in a currency other than Kuwaiti Dinar, the amount must be converted using the CBK’s average annual exchange rate and paid in Kuwaiti Dinar.

If the CBK does not publish a rate for a specific currency, the central bank rate of the UPE’s jurisdiction may be used, subject to prior approval from the tax administration.

Record-Keeping and Language

Records must be retained for 10 years in Arabic or English. Translations must be provided upon request.

Inspections and Assessments

MOF may conduct inspections and audits. Returns constitute assessments unless amended. Estimated assessments may be issued where necessary.

Dispute Resolution

Objections must be filed within 60 days. KTA must respond within 90 days.

Tax grievance must be filed to the Tax Grievance Committee within 60 days of receiving the response to the tax objection.

Further, a tax appeal must be filed against the Tax Grievance Committee’s decision by the tax administration or by the taxpayer within 60 days before the competent court.

Penalties and Enforcement

Late payments incur a 1% penalty per 30 days or less. Breaches of confidentiality are subject to fines. Tax evasion cases may be referred for prosecution.

Anti-tax avoidance

The tax implications of any agreements or transactions are not recognized if the primary purpose or one of the main purposes is to reduce, defer, or exempt taxes.

The tax administration may consider certain factors to determine whether the agreements and transactions, or parts thereof, serve a genuine commercial or economic purpose.



Way Forward

All the entities Kuwaiti and foreign doing business in Kuwait or from Kuwait should assess the following:

- Assess if the entity falls within the scope of the DMTT or would continue to be fall under legacy corporate income tax law, Zakat NLST etc.
- Assess if the Safe Harbours can be claimed
- In scope groups may review which entity should be appointed as designated entity
- For tax compliance: commence the DMTT registration process (due date 30 September 2025) which would register all entities /PE, JVs etc. in the Group in Kuwait, review of the tax provisioning quarterly and yearly
- Review of Group transfer pricing policy, Align master file with Kuwait and preparation of the local file
- Preparation of books for Kuwait operations and adaption to the IFRS framework from tax basis books
- Assess the requirements of the tax technology.
- Given that DMTT is a new tax regime in Kuwait and is complex law requiring a careful tax analysis and planning, where required, our team with the local and international Pillar two experts will be pleased to assist you with the DMTT compliance and advisory.



# How we can help?

## 20 years of excellence

KPMG has been operating in Kuwait for more than two decades through its member firms KPMG Al-Qenae & Partners and KPMG Advisory W.L.L., providing Audit, Tax and Advisory services.

By enhancing agility, strengthening connectivity and investing in key talent and technology, we are building a future-focused organization that can help tackle critical challenges through trusted insight, advice and analysis.

## Local expertise backed by global pedigree

With ~250 employees and 9 partners based in Kuwait, KPMG Kuwait is part of and draws insight from a larger network of KPMG member firms operating in 142 countries and territories — ready to help clients navigate complexities that transcend borders.

## Our expertise in Tax

KPMG Kuwait's multi-disciplinary team possesses in-depth expertise in tax, audit and advisory services. Our experienced experts are networked worldwide and have access to industrial services know-how. Together, we benefit from the transfer of knowledge from projects with similar requirements.

- BEPS Pillar 2 - Identification of gaps, design and implementation of Pillar 2 calculation with automated data collection and custom data gathering and reporting templates and risk assessment analytics.
- Transfer pricing solutions
- Country-by-Country Reporting (CbCR) including alignment with regulatory requirements on (Public) CbCR. Qualified CbCR for Pillar 2
- Tax compliance and tax inspection (audit) services





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