

Tax Alert: DMTT Developments in Kuwait

The Ministry of Finance in Kuwait (MoF) published the “Executive Regulations” (ER) on 30 June 2025, for Domestic Minimum Top-Up Tax (DMTT) on Multinational Enterprises (MNEs) being **effective from 1 January 2025**, in line with GloBE Model Rules, refer Ministerial Resolution No. (55) of 2025 (DMTT Law)

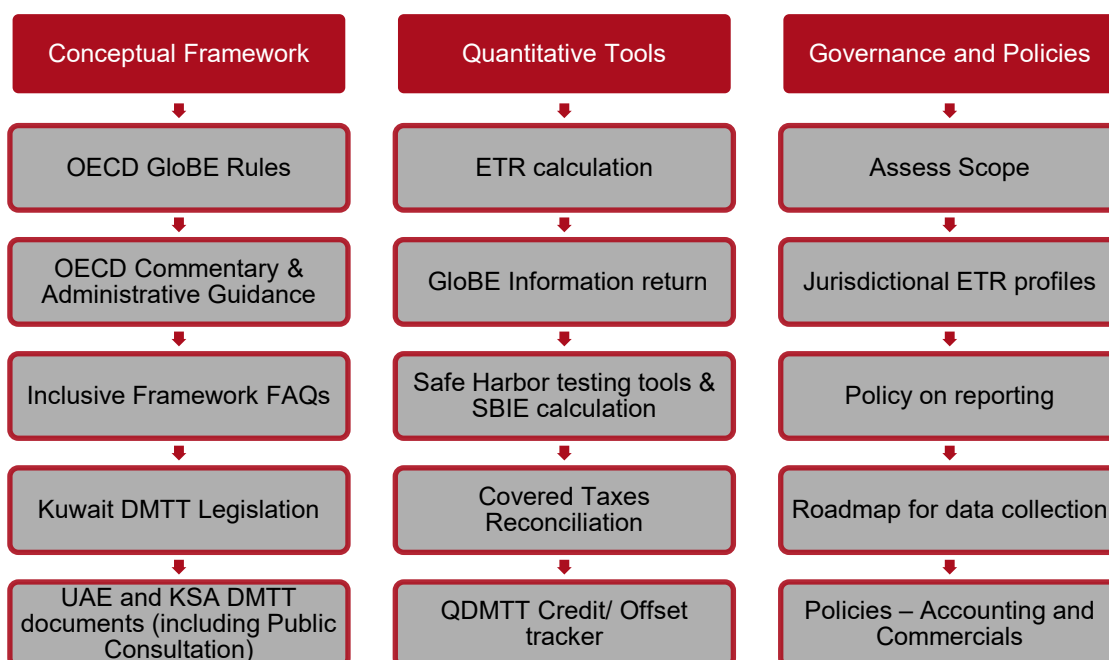
The DMTT Law applies a 15 percent on Kuwait profits of MNEs headquartered in Kuwait (including foreign MNEs with operations in Kuwait) with global consolidated revenues of at least EUR 750 million (i.e., approximately KWD 269 million, in two of the four preceding fiscal years)

We have summarized the key points from ERs, including a snapshot for conceptual framework, quantitative tools, governance & policies and the way forward for MNE Group’s consideration

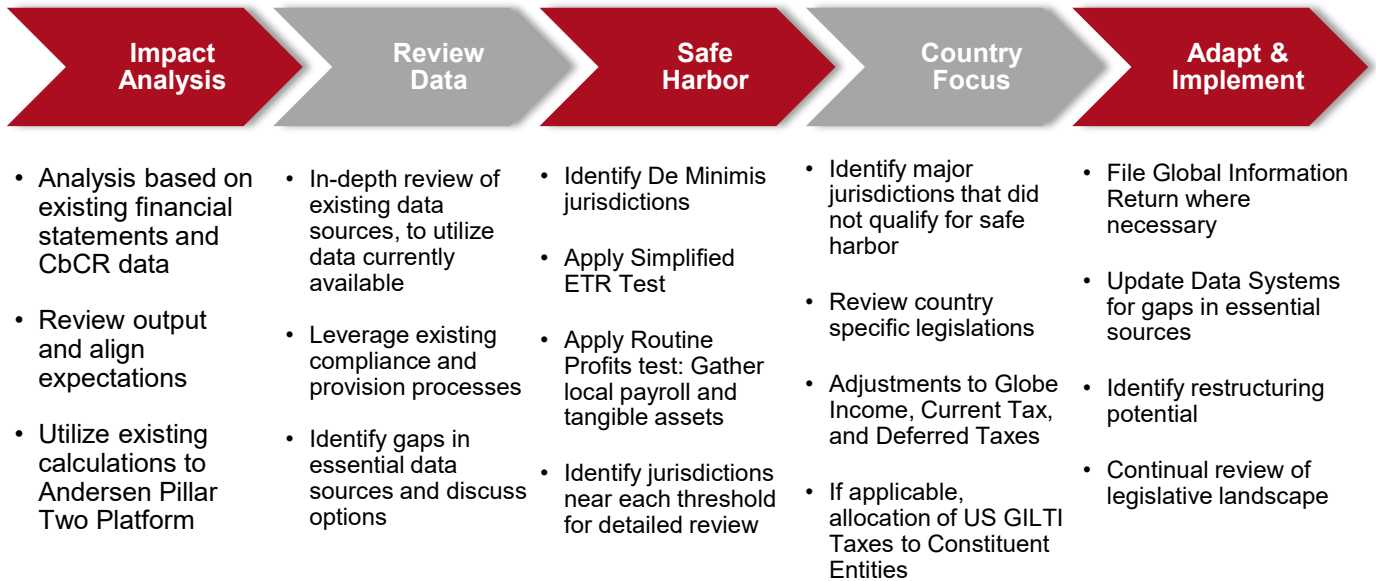
| Key points | Details |
|---|--|
| Group; or Entity; or Constituent Entity (CE) | <ul style="list-style-type: none"> Entities connected through ownership or control or economic interest or financials Entities include Companies, Non-corporate arrangements, Public authorities, Institutions, Funds or any Legal persons (including JVs) CE is any entity that is part of MNE Group that is within the scope of DMTT |
| Permanent Establishment (PE), including Deemed PE | <ul style="list-style-type: none"> Fragmentation of activities : Splitting operations or Functions across multiple entities, jurisdictions or structures Stateless income : Business activity in Kuwait, not subject to tax in another jurisdiction Fixed place or Construction : for more than 6 months within any 12-month period Services or Dependent : for more than 6 months within any 12-month period, regardless of physical presence |
| In-scope | <ul style="list-style-type: none"> In-scope entities must register with the tax administration by 30 September 2025, without any administrative penalties Entities not in scope as on 1 January 2025, shall register within 120 days from the date they become subject to tax (DMTT) |
| Revenue test | <ul style="list-style-type: none"> MNE Group’s revenue exceeds EUR 750 million (approximately KWD 269 million) in two of the four preceding fiscal years to be in scope of the DMTT |
| Excluded Activities and Entities | <ul style="list-style-type: none"> Local businesses with operations limited to Kuwait and do not meet the revenue test Ultimate Parent Investment Fund Entity, Ultimate Parent Real Estate Investment Vehicles, International organizations, Pension Funds, Entities for Non-profits, and Government Entities |
| Covered Taxes | <ul style="list-style-type: none"> Covered Taxes are the income tax actually paid or accrued by a CE |
| Adjustments | <ul style="list-style-type: none"> ER clarifies the adjustments to derive the CE’s Income or Loss for DMTT (e.g., gains or losses for disposal of assets, debt write-off, intra-group financing arrangements, etc) |
| Effective Tax Rate (ETR) | <u>Total adjusted Covered Taxes of all CEs in Kuwait</u> Net Pillar Two Income of all CEs in Kuwait |
| Net Pillar Two Income | <ul style="list-style-type: none"> Income minus losses of all CEs, under the Pillar Two regime |
| Top-up Tax rate | <ul style="list-style-type: none"> Difference between the 15 percent minimum rate and the ETR, calculations are in line with the GloBE Model Rules |

| Key points | Details |
|---|---|
| Substance based Income Exclusion (SBIE) | <ul style="list-style-type: none"> A portion of income to be excluded from top-up tax, based on the economic substance in a jurisdiction (e.g., extensive presence of employees and tangible assets in a jurisdiction) can support reducing or lowering the top-up tax |
| SAFE Harbor Rules | <ul style="list-style-type: none"> Top-up tax will be Zero for a 5-year transition period, after the MNE qualifies for in-scope: <ul style="list-style-type: none"> ✓ Operates in no more than 6 jurisdictions; ✓ Holds tangible assets less than Euro 50 million (approximately KWD 18 million) outside its reference jurisdiction; and ✓ No parent entity applies Income Inclusion Rules (IIR) to the Kuwaiti CE or JV |
| Transfer pricing considerations | <ul style="list-style-type: none"> Emphasize on transactions to be performed on arm's length principle Documentation : Three tier approach (i.e., Master File, Local File and Disclosure Forms) |
| Anti-tax avoidance | <ul style="list-style-type: none"> Tax authorities would have the right to "re-characterize transactions" if its artificial in nature, without adequate substance |
| Administration procedures | <ul style="list-style-type: none"> Registration : Penalty for non-registration may go up to KWD 3,000 Tax evasion : 1 percent penalty for each 30-day delay on tax due Designated CE : Shall be appointed and represent the MNE Group's for Tax Administration Tax return : Designated CE shall submit tax return within 15 months from fiscal year end Records retention : For a period of 10 years De-registration : Subject to satisfying conditions |

Snapshot of Conceptual Framework, Quantitative Tools, and Governance & Policies



Way forward : How we can support



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