

## Tax Alert: Kuwait Introduces Advance Tax Payment System under DMTT

The Kuwait Ministry of Finance (MOF) has introduced a new **Advance Tax Payment System** through Circular No. 1 of 2026, applicable to entities falling within the scope of the Domestic Minimum Top-Up Tax (DMTT) Law (i.e., Decree-Law No. 157 of 2024).

The Circular introduces an advance payment mechanism, enabling taxpayers to calculate and settle an estimated DMTT liability prior to the formal tax return filing deadline. While participation in the mechanism **remains optional**, the framework appears intended to enhance tax administration efficiency and accelerate the processing and closure of tax matters for participating entities. The proposed system may also assist taxpayers in improving cash flow visibility, reducing year-end compliance pressures, and proactively managing their Pillar Two compliance obligations in Kuwait.

Key points	Proposed system
<b>Applicability</b>	<ul style="list-style-type: none"> <li>Circular is applicable only to Multinational Entity (MNE's) falling under the DMTT regime</li> </ul>
<b>Effective Date</b>	<ul style="list-style-type: none"> <li>29 April 2026, from the date of Circular issuance</li> </ul>
<b>Concept &amp; Scope</b>	<ul style="list-style-type: none"> <li>Allows MNEs to submit a preliminary tax statement and make an advance payment on estimated tax due for the tax period</li> <li>Optional for MNEs</li> <li>Applies to tax periods ending on or before 31 March 2026</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>An application will need to be submitted with MOF to join the system, no later than 31 May 2026</li> <li>Compute the provisional tax and submit the provisional tax statement, no later than 30 June 2026</li> <li>Amounts paid under this system are treated as advance payments, and credited/ set-off against the final DMTT liability, upon submission of the tax return</li> </ul>
<b>Privilege</b>	<ul style="list-style-type: none"> <li>Priority treatment for completing tax inspections, issuing tax assessments, refunds, and dispute resolution processes relating to periods covered</li> <li>Priority processing for tax card issuance and renewals</li> </ul>
<b>Penalties</b>	<ul style="list-style-type: none"> <li>Currently, the proposed system is not mandatory and hence, it does not trigger any penalties for non-compliance</li> </ul>



## Our Observations

This circular reflects a practical step by the Tax Authority to encourage early engagement and voluntary compliance under the DMTT framework. Following are our observations:

- Amounts remitted as advance payment are expected to be credited or set off against the final DMTT liability determined upon submission of the annual tax return
- The mechanism aligns conceptually with international advance tax and provisional tax systems commonly adopted across OECD and GCC jurisdictions, where prepayments are utilized to improve tax collection efficiency and reduce year-end settlement risks
- The proposed system mitigates the MNE's potential late payment exposures and streamlined reconciliation of DMTT liabilities, including efficient cash flow forecasting

## How we can support

- Support with filing the applications & submission process including coordination with the Ministry of Finance
- Analyzing the DMTT exposure assessment
- Preparing estimated DMTT liability for advance payment purposes (including developing forecasting models aligned with Pillar Two calculations, reconciling accounting profit vs. GloBE income adjustments and scenario analysis - base, best, and stress case tax positions)
- Support in reviewing and validating provisional tax calculations
- Support in reconciling advance payments with the final tax due, ensuring that amounts paid are properly reflected and adjusted upon formal filing of tax return
- Support in handling follow-ups with the Kuwait Tax Authority, including practical assistance in responding to queries, clarifications, or documentation requests



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