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TAX & REGULATORY INSIGHTS

EXCISE TAX:



A New Chapter in Kuwait's Indirect Tax Landscape



Introduction of Excise Tax in Kuwait

Business implications I Regulatory readiness

Kuwait is progressing towards the implementation of an Excise Tax framework as part of its broader efforts to harmonies its indirect tax regime with the GCC Unified Excise Tax Agreement.

On 27 October 2026, the Cabinet approved a draft decree-law concerning the GCC Unified Excise Tax Agreement and its amendment, signaling a significant regulatory development for businesses operating in or supplying products to the Kuwaiti market.

Against this backdrop, businesses should begin evaluating the potential implications across their tax positions, product classifications, pricing models, distribution arrangements and compliance processes.

This newsletter provides an overview of the proposed framework and outlines the key areas requiring management attention, together with the potential considerations for businesses in preparing for the anticipated tax regime, including (areas of business impact, business sectors impacted, operational and regulatory impacts and key takeaways).

Under the proposed framework, Excise Tax is expected to apply to four principal categories of products. The reported rates are as follows:

Products affected	Proposed Excise Tax rate
Tobacco products and their derivatives	**100%**
Energy drinks	**100%**
Carbonated beverage	**50%**
Sweetened beverage	**Differentiated rates based on sugar content**

We have summarized the key business and/ or sectors that may be impacted, and with the relevant regulatory considerations. As the effective date and compliance requirements remain unconfirmed and will be addressed in more detail once further guidance becomes available.



Key Impacts	Areas To Be Considered
Areas of business impact	• **Product cost:** Businesses may need to increase selling prices or absorb the additional tax, which could affect profit margins and customer demand • **Selling prices:** Need to revise wholesale, retail and distribution prices • **Working Capital:** Additional cash requirements to fund excise tax payments and inventory • **Supply Chain:** Importers, manufacturers and distributors may need to review their purchasing, distribution and supply arrangements • **Accounting Systems:** Businesses may need to update their accounting systems to calculate, record and report Excise Tax • **Regulatory Compliance:** Existing accounting systems and internal procedures may need to be updated to accommodate the applicable tax calculations, reporting and compliance requirements
Business sectors impacted	• **Food and Beverage:** Businesses involved in the production, import and sale of carbonated drinks, energy drinks and other products subject to Excise Tax • **Tobacco:** Companies engaged in the manufacture, import and distribution of tobacco products • **Retail and Wholesale:** Stores and wholesalers that sell excisable products • **Import and Distribution:** Businesses responsible for bringing excisable goods into the local market and supplying them to retailers
Operational and regulatory impacts	• **Record-Keeping:** Maintaining proper records of purchases, sales, imports, stock movements and excise tax calculations • **Pricing and Costing:** Reviewing product prices and cost structures to account for the additional tax burden (as applicable) • **Import Procedures:** Ensuring that imported excisable goods are correctly declared and that the applicable tax requirements are met at the point of import • **Internal Compliance:** Reviewing existing accounting systems and internal procedures to ensure accurate tax calculations, reporting and compliance with regulatory requirements
Pending information	• Excise Tax effective date • Tax Compliance (e.g., implementation regulations) • Standard forms or applications for Registration, filing, payments, other requirements (as applicable)

Key Takeaways	Areas To be Considered
Key Takeaways	• **Audit your product inventory:** Map out your entire product catalog to verify exactly which manufactured, imported, or distributed items fit the new tax classifications • **Model financial and supply chain impacts:** Review how the added tax burden will affect your consumer pricing strategies, warehouse cash flow, vendor contracts, and vendor-customer relationships • **Test your IT system readiness:** Check whether your current accounting setups, data workflows, and compliance processes are robust enough to manage the required tax registration, reporting, and tracking rules

How we can support

- Assessing Excise Tax “impact assessment & diagnostic review
- Assessing in Product classification and tax determination
- Support in Financial modeling and pricing strategy
- Supply chain and business restructuring advisory
- Contractual and Commercial advisory
- ERP, accounting, tax and technology advisory
- Tax governance and risk management
- Management and board level advisory
- Transitional services

Be prepared and Stay Compliant

1. **Strategic Insights**
   Data-driven view of overall impact
2. **Action Plan**
   Tailored compliance and business actions
3. **Ongoing Monitoring**
   Track regulatory changes



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