Corporate Tax

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Overview

The government of Kuwait has imposed corporate tax under Kuwait Decree No. 3/1955 on Kuwait Income Tax, as amended by Kuwait Law No. 2/2008, at a flat rate of 15%. Kuwait Decree No. 3/1955 provides for some amended provisions making any foreign entity carrying on trade or business in Kuwait, except the ones already registered in any other part of GCC, obliged to pay such corporate tax in the prescribed manner.

Definitions

- *GCC:* Gulf Cooperation Council.
- *DIT:* Department of Income Tax.

Practical Guidance

In general, there is no personal income tax or wealth tax in Kuwait. To the extent applicable, income tax is applied only to corporate entities in Kuwait. The calculation of corporate income is based on the net profit earned from a trade or business in Kuwait at a 15% flat tax rate per Kuwait Decree No. 3/1955. Some provisions of Kuwait Decree No. 3/1955 have been amended through the issuance of Kuwait Law No. 2/2008, which applies to all fiscal periods commencing after 3 February 2008. Kuwait Law No. 2/2008 applies only to foreign entities carrying on trade or business in Kuwait, except entities registered in GCC countries comprising Kuwait, Saudi Arabia, Bahrain, United Arab Emirates, Oman and Qatar and wholly owned by Kuwaiti /GCC citizens.

Foreign corporate bodies are required to register with the DIT within 30 days of commencing their activities or signing the contract. As part of the registration process, they are required to select a financial year from the commencement date of their operations. Any year-end comprising 12 consecutive Gregorian months is considered valid. For tax declarations covering the initial operation period in Kuwait, it is possible to obtain initial tax approval for a period of up to maximum of 18 months.

A tax declaration must be filed within three and a half months from the end of the declared taxable period. The DIT has started accepting all submissions through a new online portal instead of hard copy submissions. This change in the process was the outcome of the challenges faced by the DIT during lock-down and curfews implemented due to COVID-19 outbreak.

The taxable period is on a calendar-year basis but can be changed once DIT has approved any request. However, the requested period cannot exceed 18 months from the beginning of the incorporation period or from the date the company becomes a shareholder in a Kuwaiti company. Tax declarations must be submitted within three and a half months from the end of the taxable period or after taking due approval, an extended period.

The tax due can be paid in full at the time of filing the tax declaration, or it can be settled in four equal instalments which will be due on the 15th day of the fourth, sixth, ninth and 12th month from the end of the taxable period. The DIT shall now accept all tax related settlements via online payments and wire transfers.

Tax declarations should be submitted in Arabic to the DIT in a specified format. It must be accompanied by an approved report from an auditor registered at the Ministry of Commerce and Industry, and further approved by the Ministry of Finance. Corporate bodies exempted from tax are not exempted from submitting a tax declaration.

If there is a delay in submitting tax deceleration, a request for an extension accompanied by a valid reason should be submitted to the DIT by the 15th day of the second month after the fiscal year ends.

The approval or denial of the request is at the discretion of the DIT, which may allow for an extension of up to two months provided the tax declaration is prepared in accordance with the accounting rules and regulations, and the accounting protocols and materials provided are compliant with DIT guidelines.

Kuwait Decree No. 3/1955 provides for guidelines under which the fines or even penalties in certain cases are imposed along with their . According to Kuwait Decree No. 3/1955, a taxpayer in Kuwait is required to maintain the following books and records with respect to their operations. These records may be in English and are subject to inspection by Tax Department officials:

- general journal;
- stock list;
- general ledger book;
- expenses analysis book; and
- material/inventory record with details of the amounts received or released, and the authority or project for which the materials are released.

Related Content

- Kuwait Decree No. 3/1955 On Kuwait Income Tax
- Kuwait Law No. 2/2008 amending some provisions of Kuwait Decree No. 3/1955

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Biography

Bader is licensed by the Kuwait Bar Association, and regulated by the Solicitors Regulation Authority. He is entitled to practice in England & Wales.