



TAX ALERT - Kuwait

Advance Tax Payment mechanism under Pillar Two (DMTT)

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INTRODUCTION

On 29 April 2026, Kuwait's **Ministry of Finance (MOF)** issued **Circular No. 1 of 2026**, introducing an **optional Advance Tax Payment Program** for entities within the scope of the **Domestic Minimum Top-up Tax (DMTT)** Law No. 157 of 2024, accelerating the shift toward real-time tax compliance for MNEs.

Kuwait introduced the **Domestic Minimum Top-up Tax (DMTT)** regime under Law No. 157 of 2024 as part of its implementation of the OECD Pillar Two framework, ensuring a minimum effective tax rate of **15%** on in-scope multinational enterprise (MNE) groups. The regime is supported by Executive Regulations issued in 2025, setting out the detailed computational and compliance requirements.

The program allows in-scope multinational enterprise (MNE) groups to:

- Submit a provisional DMTT statement
- Compute and declare estimated top-up tax liability
- Make an advance payment prior to the statutory filing deadline

While optional, this development represents a material evolution in tax administration, requiring taxpayers to accelerate Pillar Two computations and align financial and tax data significantly earlier in the compliance cycle.



SCOPE AND APPLICABILITY

The Circular applies to:

- Entities within scope of Kuwait's DMTT regime
- Tax periods ending on or **before 31 March 2026**

Participation is:

- **Optional** (no penalties for non-participation)
- Procedural in nature (does not amend filing obligations or deadlines), ie, participation does not replace the requirement to file the final DMTT return, which remains due within the standard timeframe (i.e. 15 months following the end of the relevant tax period).

KEY DEADLINES & Mechanics

Requirement	Deadline
Application to participate	May 31, 2026
Provisional DMTT statement filing	Jun 30, 2026
Advance tax payment	Jun 30, 2026

The advance payment is treated as a **credit against** the final DMTT liability.

To participate, taxpayers must:

- Submit an application to the **MOF by 31 May 2026**
- Prepare and file a provisional DMTT statement
- Pay the estimated tax liability in a single instalment by **30 June 2026**

The provisional statement must be prepared in good faith, based on the best available information, and does not replace the final tax declaration.

TECHNICAL FRAMEWORK – alignment with Pillar Two

The provisional tax mechanism is not a simplified estimate. Based on the prescribed templates issued by the MOF, taxpayers are required to perform full Pillar Two-style computations, **including:**

- Determination of financial accounting net income
- Adjustments to arrive at Pillar Two income
- Application of substance-based income exclusion (SBIE)
- Calculation of effective tax rate (ETR)
- Determination of top-up tax payable

The computation template explicitly requires calculation of:

- Adjusted covered taxes
- Jurisdictional ETR
- Top-up tax percentage
- Estimated top-up tax liability

ADMINISTRATIVE INCENTIVES

Participating taxpayers benefit from priority treatment in:

- Tax inspections and assessments
- Processing of tax refunds
- Review of objections and appeals
- Issuance and renewal of tax cards: It is important to note that as a per recent update Kuwait based MNEs registered under DMTT and holding a valid tax card are exempted from the 5% tax retention on government contract payments

While these incentives are administrative, they may provide practical value in managing tax controversy timelines and regulatory engagement.

EXAMPLE – Impact on an MNE group

Example 1: Early Pillar Two computation requirement

A multinational group with operations in Kuwait has:

- Financial accounting profit: **KWD 10 million**
- Adjusted covered taxes: **KWD 1 million**
- Resulting ETR: **10%**

Under Pillar Two rules:

- Minimum tax rate = **15%**
- Top-up tax rate = **5%**
- Estimated top-up tax liability = **KWD 0.5 million**

Under the new mechanism:

- The group must compute this liability by June 2026
- Pay **KWD 0.5 million** in advance
- Reconcile the final position upon filing

INSIGHT:

This requires full Pillar Two modelling significantly earlier than many groups' current readiness levels.

KEY IMPLICATIONS FOR MNEs

1. Acceleration of Pillar Two timelines

The program compresses the timeline between:

- Financial reporting
- Tax provisioning
- Regulatory compliance

This represents a fundamental shift in compliance expectations.

2. Increased importance of data readiness

Taxpayers must ensure:

- Availability of reliable jurisdictional data
- Alignment between financial accounting and tax adjustments
- Capability to compute ETR and top-up tax on an interim basis

3. Cash flow and treasury considerations

Participation results in:

- Earlier cash tax outflows
- Increased need for integration between tax and treasury functions

4. Risk management and audit position

Participation may:

- Signal proactive compliance posture
- Potentially reduce audit friction
- Improve speed of regulatory interactions

However, it also introduces:

- Risk of estimation inaccuracies- Currently no guidance available from MOF on treatment of discrepancies, if any in payment of advance tax and final tax liability
- Potential need for subsequent adjustments

STRATEGIC CONSIDERATIONS

MNEs should evaluate participation based on:

Consideration	Key question
Data readiness	Can reliable Pillar Two computations be prepared by June?
Cash impact	Can early tax payments be absorbed?
Risk appetite	Is there value in early engagement with the MOF?
Systems capability	Are interim reporting processes sufficiently robust?

OUR PERSPECTIVE

Kuwait's introduction of an advance tax payment mechanism is consistent with a broader global trend:

Tax authorities are increasingly moving toward real-time, data-driven compliance frameworks under Pillar Two, although optional, this mechanism effectively establishes a benchmark for expected taxpayer readiness, particularly for large MNE groups.

Over time, similar frameworks may:

- Become standard administrative practice
- Drive expectations for earlier and more accurate tax reporting
- Increase focus on data governance and tax technology



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