



Recent Pillar Two Developments in Kuwait

Middle East update | June 2025

In brief

On June 30, 2025, the Ministry of Finance (MoF) published the “Executive Regulations” for the Domestic Minimum Top-Up Tax (DMTT) for Multinational Enterprises (MNEs) under Ministerial Resolution No. (55) of 2025.

The Executive Regulations supplement the DMTT Law (Decree by Law No. 157) released on 30 December 2024. As a general overview, the DMTT Law applies a 15% to Kuwait profits of MNEs with global consolidated revenues of at least EUR 750 million in at least two of the previous four fiscal years. This includes MNEs headquartered in Kuwait as well as foreign MNEs with operations in Kuwait. However, the DMTT Law does not apply to local businesses with operations limited to Kuwait or that do not meet the revenue test. The DMTT Law is effective from 1 January 2025.

As anticipated, the Executive Regulations are largely in line with the GloBE Model Rules. For entities already in-scope, the DMTT Law requires that within a period of nine months from the law’s effective date (i.e. until 30 September 2025), in-scope entities must register with the tax administration without incurring administrative penalties. Further, for entities not in-scope on 1 January 2025, the DMTT Law alongside Article 75 of the Executive Regulations require such entities to register within 120 days from the date they become subject to tax (DMTT). It is therefore important to assess your group’s specific tax liability commencement date to ensure timely compliance, even if you qualify for any Safe Harbours or exclusions.

For further details on the immediate steps you need to take to meet your Kuwait DMTT compliance and registration obligations, see our section below titled [“Must-Do Immediate Next Steps”](#).

Key highlights

The Executive Regulations incorporate many of the definitions of the GloBE Model Rules and Commentary into the DMTT Law. Notably, this covers the definition of revenue, adjustments to the Constituent Entity income or loss, Covered Taxes, Substance-Based Income Exclusion and Safe Harbours. These are discussed in detail below.

PwC’s General Observations: *The combination of the DMTT Law and the Executive Regulations clearly shows an express intent of the Kuwait government and the MoF to implement a DMTT Law in accordance with the GloBE Model Rules. Helpfully, the rules incorporate the current elements of the Commentary and Administrative Guidance, whilst also providing mechanisms to update areas where further Administrative Guidance is issued. There are a few areas of additional detail that are included in the DMTT Law but not included in the GloBE Model Rules. However, these largely relate to the fact that the DMTT Law is the primary income tax regime in Kuwait. Therefore, such elements are necessary to ensure that the DMTT functions correctly.*

Revenue test

Under the Executive Regulations, revenue for DMTT purposes is determined based on the Consolidated Financial Statements (CFS) of the MNE Group. This is important for determining whether the MNE Group’s revenue exceeds EUR 750 million in two of the four preceding fiscal years to be in scope of the DMTT. The Executive Regulations provide that “revenue” includes economic benefits from ordinary activities such as the production or delivery of goods and services, calculated before deducting cost of sales or operating expenses. The definition also extends to net gains from investments (realised and unrealised), extraordinary or non-recurring income, and revenues from excluded entities—provided they are part of the MNE Group. Intra-group transactions are excluded, and revenues must not be reduced by amounts attributable to minority interest holders.

If different revenue types are presented separately in the CFS, they must be aggregated for the revenue threshold test. Where CFS are unavailable, a deemed consolidation approach applies. For newly established groups, the DMTT provisions apply from the third tax period with available CFS, assuming the EUR 750 million threshold is met in the two immediately preceding periods. If a tax period is shorter or longer than 12 months, the threshold is adjusted proportionally.

Definition of a Group, Entity and Constituent Entity

- **Group refers to:**
 - Entities connected through ownership or control, whose financials are consolidated by the Ultimate Parent Entity (UPE), including those excluded due to size, materiality, or being held for sale.
 - A single entity operating in one jurisdiction with one or more permanent establishments in other jurisdictions, provided it is not part of a consolidated group as defined above.
- **Entity includes:**
 - Companies.
 - Non-corporate arrangements where individuals are personally liable for obligations.
 - Public authorities, institutions, funds, or any legal persons.
- **Constituent Entity (CE) includes:**
 - Any entity that is part of a MNE Group, excluding those specifically exempt as Excluded Entities under the Executive Regulations.
 - Any Permanent Establishment of a Main Entity, which is treated as a separate entity from both the Main Entity and other permanent establishments.

Entities in scope and exclusions

- **Taxable entities:** All CEs in Kuwait and part of an in-scope MNE Group are subject to tax (DMTT), including minority-owned subgroups, Joint Ventures and stateless entities.
- **Excluded entities:** Government entities, Non-profits, International organizations, Pension funds, Investment Funds (if UPE), and Real Estate Investment Vehicles (if UPE), subject to conditions underlined in the Executive Regulations.

PwC Observations: Though the definitions differ in wording, the DMTT Rules are generally consistent with the GloBE Model Rules. In accordance with the options outlined in the Commentary to the GloBE Model Rules, Kuwait has chosen to apply the DMTT rules to Joint Ventures, meaning 100% of the Kuwaiti profits of Joint Ventures are subject to the DMTT, regardless of whether minority owners are subject to the DMTT. Further, unlike the UAE, Kuwait has chosen not to exempt Investment Entities from the DMTT.

Permanent Establishment (PE)

Kuwait's Executive Regulations outline guidelines on how a PE is triggered in Kuwait. Notably, a PE can be triggered in the following circumstances.

- **PE through fixed place of business and construction activities**

For tax purposes in Kuwait, a non-resident entity is considered to have a PE if it operates through a fixed place of business - such as a branch, office, factory, or resource site - or engages in construction, assembly, or installation activities in Kuwait for more than six months within any 12-month period. For this purpose, the time spent by the non-resident and any closely related entities at the same site or project is aggregated, provided each contributes more than 30 days of activity.

- **PE through services and dependent agency**

A non-resident entity is deemed to have a PE in Kuwait if it provides services in Kuwait for more than six months within any 12-month period, regardless of physical presence. A PE also arises where a person in Kuwait habitually concludes contracts or plays a principal role in their conclusion on behalf of the non-resident, provided the person is not an independent agent and acts exclusively or dependently on the non-resident.

- **PE where business activity in Kuwait is not subject to tax in the other jurisdiction**

A PE may arise even in cases where the non-resident entity operates in Kuwait through a place of business other than the traditional PE definitions of a place of business (e.g. branch, office, factory), provided that the non-resident entity conducts business activities through it within Kuwait, and the income derived from such activities is not subject to tax in the jurisdiction to which the non-resident entity belongs.

- **PE caused by fragmentation of activities**

To prevent the artificial avoidance of PE status, Kuwait also applies the anti-fragmentation rule. Under this rule, even if individual activities carried out by a non-resident (or closely related entities) are of a preparatory or auxiliary nature, they may still constitute a PE if, when combined, they form a cohesive business operation. This ensures that business structures are not fragmented across multiple entities or locations to circumvent tax obligations.

PwC Observations: Given the abolishment of corporate income tax (CIT) for Pillar Two groups and the difference in taxation under the Kuwait DMTT, non-resident entities with Kuwait operations or business interests will need to carefully consider whether they have a PE and potential DMTT liabilities. The additional "deemed" PE rule where activities in Kuwait are not subject to tax in another jurisdiction is a unique feature of the DMTT Law. Non-residents of jurisdictions with no tax or exempt PE income will need to carefully consider this rule in determining whether they are subject to Kuwait DMTT.

Adjustments to determine the CE's Pillar Two Income or Loss

The Executive Regulations clarify that the CE's Pillar Two Income or Loss is the financial accounting net income or loss, with the following adjustments, amongst others:

- Net taxes expenses
- Excluded dividend distributions
- Excluded equity gains and losses
- Included revaluation method gains or losses
- Gains or losses from the disposal of assets and liabilities
- Asymmetric foreign currency gains or losses
- Illicit expenditure, fines and penalties
- Prior period errors and changes in accounting principles
- Accrued pension expenses
- Debt forgiveness
- Share-based compensation
- Election to spread capital gains over five tax periods
- Intra-group financing arrangements
- Election to consolidate transactions of CEs located in Kuwait
- Transfer pricing adjustments (see the [“Transfer Pricing Considerations”](#) section)

PwC Observations: The Executive Regulations provide definitions and guidelines for each of these adjustments, which align with the GloBE Model Rules and Commentary. The Executive Regulations also provide key guidelines on the adjustments applicable to the CEs of insurance companies and the exclusion of international shipping income.

Covered Taxes

Kuwait's Executive Regulations define “Covered Taxes” as those recorded in a CE's financial accounts related to income, profits, or ownership interests, including taxes imposed in lieu of corporate income tax (e.g. withholding taxes) and taxes on retained earnings or equity.

The Executive Regulations provide that Covered Taxes exclude the following:

- Taxes accrued under a Qualified Income Inclusion Rule (“Qualified IIR”) by a Parent Entity.
- Taxes accrued under a Qualified Domestic Minimum Top-Up (“QDMTT”) Tax by a CE.
- Taxes resulting from an adjustment made by a CE due to the application of a Qualified Undertaxed Profits Rule (“Qualified UTPR”).
- Taxes imposed on the MNE Group in accordance with the Law.
- Non-qualifying refundable attribution taxes.
- Taxes paid by an insurance company on returns to policyholders.
- Contributions paid to any entity that is not part of General Government.
- Tax imposed under the following laws:
 - (a) Decree No. 3 of 1955 regarding Kuwait Income Tax and its amendments.
 - (b) Kuwait Income Tax Law in the Designated Area (Law No. 23 of 1961).
 - (c) Law No. 19 of 2000 regarding the Support and Encouragement of National Labor in the private sector, as amended by Law No. 32 of 2003.
 - (d) Law No. 46 of 2006 regarding Zakat and the contribution of public and closed shareholding companies to the State budget.

PwC Observations: While the definition of Covered Taxes broadly aligns with the GloBE Model Rules, there are a number of notable exceptions. The exclusion of Kuwait CIT, NLST and Zakat, which are considered Covered Taxes under the GloBE Model Rules, may not have a meaningful impact on groups subject to the DMTT as those taxes are no longer applicable to DMTT taxpayers. However, the text excluding “contributions paid by an entity that is not part of General Government”, which is not contained in the GloBE Model Rules could be seen as foreshadowing a decision by the MoF on the contentious issue as to whether KFAS contributions will be included in Covered Taxes or not.

Effective Tax Rate (ETR) and Top-up Tax

Determination of the ETR

An MNE Group operating in Kuwait with Pillar Two income must calculate the ETR for the group for each tax period using the following formula, rounded to four decimal places:

ETR	=	Total Adjusted Covered Taxes of all Constituent Entities in Kuwait
		Net Pillar Two Income of all Constituent Entities in Kuwait

Whereby the Net Pillar Two income (if any) is calculated using the following formula:

Net Pillar Two Income = Pillar Two Income of all Constituent Entities – Pillar Two Losses of all Constituent Entities

The ETR must be calculated separately for each tax period for the following:

- Investment Entities and Insurance Investment Entities
- Minority-Owned Constituent Entities (MOCEs)
- Minority-Owned subgroups
- Joint Ventures and Joint Venture subsidiaries

PwC Observations: The DMTT rules follow the GloBE Model Rules in the sense that Joint Ventures (and their subsidiaries) as well as MOCEs (and their subsidiaries) must calculate Top-up Tax separately from CEs in Kuwait. MOCEs are entities that are consolidated but in which the UPE has an ownership interest of 30% or less.

Top-up Tax rate and tax calculation

The Top-up Tax rate is calculated as the difference between the 15% minimum rate and the ETR. Taxable income is the net Pillar Two income minus the Substance-Based Income Exclusion, considering only positive amounts. Tax due is computed by applying the Top-up Tax rate to the Taxable Income. The ETR and Top-up Tax calculations under the DMTT rules are in line with the GloBE Model Rules, as illustrated below:

Step 1: Calculate the Pillar Two Income and Adjusted Covered Taxes for each Kuwait CE and aggregate	(1) Aggregate Pillar Two = Sum of all adjusted income for all non-excluded entities in Kuwait	(2) Aggregate Adjusted Covered Taxes = Sum of all adjusted income for all non-excluded entities in Kuwait
Step 2: Calculate the ETR for Kuwait	(3) ETR = (2) / (1) x 100	
Step 3: Calculate the Top-up Tax rate for Kuwait	(4) Top-up Tax rate = 15% - (3)	
Step 4: Calculate the Substance-based Income Exclusion	(5) Substance-based Income Exclusion = 5% to 9.6% of the sum of eligible payroll costs for all entities in Kuwait + 5% to 7.6% of the sum of eligible tangible assets for all entities Kuwait	
Step 5: Calculate Top-up Tax	(6) Jurisdictional Top-up Tax = (4) X [(1) – (5)]	
Step 6: Determine Additional Current Tax / Permanent Difference Tax Liability	(7) Determine (if any) whether additional current tax and/or permanent difference tax liability arises due to certain criteria being met, e.g. restatement of financial statements or non-GloBE permanent differences	
Step 7: Determine the total DMTT liability	(8) Kuwait total DMTT liability = (6) + (7)	

Substance-Based Income Exclusion (SBIE)

Net Pillar Two income may be reduced by the amount of SBIE to determine Taxable Income and compute the tax. The SBIE is calculated based on two components:

- **Eligible payroll costs** for employees performing activities for the CE in Kuwait, with varying percentages set for each fiscal year starting at 9.6% for 2025, decreasing progressively to 5% from 2033 onwards.
- **Eligible tangible assets** located in Kuwait, with percentages starting at 7.6% for 2025, decreasing progressively to 5% from 2033 onwards.

The Executive Regulations define "eligible payroll costs" as employee compensation (salaries, benefits, etc.), excluding capitalised costs or those related to excluded income (like international shipping income). Eligible employees are those working full or part-time or independent contractors under the control of the MNE. The payroll cost allocation is also dependent on the time spent by the employees in Kuwait and the corresponding calculations as stated in the Executive Regulations.

"Qualified tangible assets" include property, plant, equipment, natural resources, and a lessee's rights of use over tangible assets located in Kuwait. Additionally, licenses or similar rights granted by the government to use immovable property or exploit natural resources in Kuwait are considered qualified tangible assets, provided they require substantial investment in tangible assets.

Exclusions apply to the book value of property, including land or buildings, held for sale, lease, or investment purposes, as well as tangible assets used to generate international shipping income or qualified ancillary international shipping income. However, tangible assets attributable to income exceeding the cap on qualified ancillary international shipping income is included in the qualified tangible asset calculation.

The book value of qualified tangible assets is calculated as the average of the beginning and ending values for the tax period, as reported in the consolidated financial statements of the UPE, net of accumulated depreciation, amortization, or depletion, and inclusive of any capitalised payroll costs.

If a qualified tangible asset is located in Kuwait for 50% or less of the tax period, its value for the CE is calculated using the following formula:

Proportional Book Value of Tangible Asset = (Total days in the tax period / Total days the asset was located in Kuwait during the tax period) × Average book value of the asset

If the tangible asset is located in Kuwait for more than 50% of the tax period, its full average book value is considered a qualified tangible asset for that period. The Executive Regulations also outline special rules for lease of tangible assets.

PwC Observations: The SBIE in the DMTT rules follow the GloBE Model Rules. As this exclusion can offer substantial reductions in DMTT (potentially to nil) for asset and people intensive operations in Kuwait, it is important that specific assessments and calculations are undertaken and well-documented. Further, the value of the substance-based income exclusion, like for the GloBE Model Rules, reduces over time, from 7.6% for assets and 9.6% for employees in FY25 to 5% by FY33. Long-term modelling of the benefit should be undertaken by groups looking to fully understand their long-term obligations and potential liabilities under the DMTT.

Safe Harbours

For fiscal years beginning on or before 31 December 2026 and excluding fiscal years ending after 30 June 2028, the DMTT Law includes the transitional Country-by-Country Reporting (CbCR) Safe Harbour, where tax due may be considered "nil" if any of the simplified tests are met, i.e. De Minimis Test, ETR Test, or Routine Profit Test. The Executive Regulations emphasize that only a "Qualified" CbCR is eligible for this Transitional Safe Harbour. To be considered qualified, the CbCR must be based on "Qualified" Financial Statements. The Executive Regulations provide specific guidelines that are aligned with the GloBE Model Rules.

The DMTT Law also provides for a Simplified Computation Safe Harbour. The Executive Regulations specify that detailed rules and conditions for applying this Safe Harbour will be issued in due course.

Kuwait's Executive Regulations also mention that a taxpayer's Top-up Tax is zero during the initial phase of international activity if the MNE Group operates in no more than six jurisdictions (including Kuwait), holds less than EUR 50 million in net tangible assets across all but the highest-asset jurisdiction, and is not owned by an UPE subject to the income inclusion rule; the provision excludes certain entities and assets, applies specific allocation rules for permanent establishments and stateless entities, and is limited to the first five tax periods of Pillar Two applicability.

PwC Observations: *The DMTT Safe Harbours and exclusions are broadly in line with GloBE Model Rules. For many Kuwaiti groups, the 'initial phase of international activity' exclusion will be welcomed where they have limited international presence. That said, groups that meet the requirements of these Safe Harbours and exclusions will still need to register for DMTT and meet the required compliance requirements, notwithstanding their DMTT liability is deemed to be nil. The Safe Harbours and exclusions must be tested on a yearly basis. Importantly, the transitional CbCR Safe Harbour requires Qualified CbCR to be eligible. For most groups, their current CbCR practices will be insufficient to meet the "Qualified" requirements and will require significant modification to their current processes to be eligible to access the transitional CbCR Safe Harbour.*

Other key areas to note

Administrative procedures

The Executive Regulations outline the guidelines for DMTT registration, filing tax returns, and other compliance requirements. Below are the key areas to note:

- **Registration when an MNE Group becomes subject to tax:** The Filing CE/Designated CE must apply for registration with the MoF within 120 days from the date it becomes subject to tax. **Penalties for non-compliance are up to KWD 3,000 as per the DMTT Law.** The DMTT registration requires submission of details on the MNE Group, including ownership structure, fiscal year, financial data, and consent from relevant entities regarding the designation of the appointed CE. The MoF will issue a registration certificate once accepted. **For MNE Groups that were in-scope of the DMTT on 1 January 2025, they are required to register by 30 September 2025.**
- **Appointment of the Designated CE:** Under Article 80 of Kuwait's Executive Regulations, in-scope entities of an MNE Group operating in Kuwait must designate one appointed CE to represent the group before the Tax Administration. This entity is responsible for filing tax returns, maintaining documentation, and managing all tax-related matters on behalf of the group, though each member remains liable for its own obligations. If the UPE is located in Kuwait, it must serve as the appointed entity; where there are multiple UPEs, one must be designated. If the Filing CE ceases operations in Kuwait or leaves the MNE Group, a new Filing CE must be appointed within 30 days from the date of the occurrence of any of these cases.

- **Deregistration:** The Designated CE may de-register under specific conditions (e.g. failure to meet the Revenue Test, liquidation of CEs) and must apply for a deregistration request applied within 120 days of the relevant deregistration event - except in cases of revenue threshold failure, where the deadline starts from the notification date in the fifth tax period.
- **Tax return:** The Designated CE must submit a tax return within 15 months of the fiscal year's end, including financial details and supporting documents. Tax returns must be audited by an audit firm approved by the MoF.
- **Administrative penalties and tax evasion:** Kuwait's Executive Regulations impose a 1% penalty for each 30-day delay in tax payment or fraction thereof, penalise unauthorized disclosure of taxpayer information with a KWD 5,000 fine, and outline procedures for investigating and settling tax evasion cases. Further, when the tax administration suspects a tax evasion crime, it may refer the case to the Public Prosecution with ministerial approval. However, a settlement may be reached if the taxpayer pays all due taxes and penalties, along with a fine equal to the evaded tax—doubled in repeat cases.
- **Records retention:** It is also important to note that affected MNE Groups are required to keep and maintain certain accounting records, accounting books, financial statements as well as the relevant supporting documentation for a period of ten years from the end of the fiscal year to which they relate.

PwC Observations: Groups will need to consider how the allocation of DMTT liability and payment by the Designated CE affects their commercial arrangements, especially where minority investors are involved. Groups may need to consider putting in place tax-sharing / funding agreements to ensure any economic burden of the DMTT liability sits with the “right” entities within the Kuwait DMTT group. In addition to meeting the formal requirements under Article 80, MNE Groups should take a strategic approach when selecting the Designated CE. The appointed entity should have the operational capability, access to group-level data, and internal governance support to manage complex compliance obligations under the DMTT. Proactive planning, clear documentation, and robust internal protocols are key to mitigating these risks.

Rules on computation and payment currency

- Euro references in the Executive Regulations:
 - For regulatory references to the Euro, amounts in other currencies must be converted using the average exchange rate published by the Central Bank of Kuwait (CBK) for December of the preceding calendar year.
- Tax calculation currency:
 - If all local CEs use the Kuwaiti Dinar (KWD) as the functional currency of their financial statements, tax must be calculated in KWD.
 - If different functional currencies are used, the Designated CE must elect to calculate tax using either the UPE's presentation currency or KWD. This election is binding for five tax periods.
 - Where tax is calculated in a currency other than KWD, the amount must be converted using the CBK's average annual exchange rate and paid in KWD.
 - Tax amounts may also be converted to the UPE's presentation currency in accordance with the foreign currency translation principles of approved accounting standards.
 - If the CBK does not publish a rate for a specific currency, the central bank rate of the UPE's jurisdiction may be used, subject to prior approval from the tax administration.

Transfer pricing considerations

- The Executive Regulations establish that related persons - defined by ownership, control, or significant influence - must conduct transactions at arm's length. Control is broadly defined, including voting rights, board appointments, profit entitlements, and financial influence. To assess comparability of related-party transactions, factors such as contractual terms, economic conditions, and business strategies are considered.
- Taxpayers must apply the most appropriate transfer pricing method (e.g. Comparable Uncontrolled Price method, Resale Price method, Cost Plus method, Transactional Net Margin method, and Profit Split method) and justify their choice. They are also required to maintain a master file, local file, and submit a disclosure form audited by an approved firm, detailing transaction values, pricing methods, and other relevant information. The tax administration may adjust prices if the arm's length principle is not followed.

PwC Observations: *The inclusion of transfer pricing considerations in the Executive Regulations introduces the need for Groups to assess their related-party transactions for Kuwait for the first time. MNE Groups will need to reassess their current global and domestic transfer pricing policies in light of these changes. This requirement and the associated documentation requirements will need to be incorporated into their global transfer pricing compliance strategy. Importantly, for DMTT purposes, Groups will also potentially need to consider the transfer pricing implications of domestic transactions, where those transactions are members of the Group that have separate ETR calculations (e.g. MOCEs).*

Anti-tax avoidance

Kuwait's Executive Regulations empower the tax administration to disregard the tax effects of any agreements or transactions primarily aimed at reducing, deferring, or avoiding tax. To assess whether such arrangements serve a genuine commercial or economic purpose, the administration may examine how the transactions were executed, their underlying rationale, any inconsistencies between form and substance, and other relevant factors that reveal their true intent.

PwC Observations: *The insertion of the anti-tax avoidance provisions into the DMTT Law is not mandatory under the GloBE Model Rules or its Commentary, but it does have precedent in other jurisdictions. MNE Groups will need to take into account these new requirements as part of their future planning and contemporaneously document the commercial reasoning of any undertaking where the outcome may directly or indirectly reduce potential Top-up Tax liabilities under the DMTT.*

Other points from the Executive Regulations

Additionally, the following items were clarified in the Executive Regulations:

Subject	Comment
Application of DMTT based on ownership vs 100%	In line with the GloBE Model Rules, the DMTT should apply on 100% of the jurisdictional Top-up Tax, regardless of the MNE Group's ownership interest in the CEs, MOCEs and Joint Ventures. That is, even where a Group only owns 51% of a Joint Venture, 100% of the Joint Venture's excess profit is subject Top-up Tax.
Definition of different forms of Entities	The Executive Regulations clearly define the different forms of Entities outlined in the DMTT Law, specifying the criteria and conditions for their provisions which are largely in line with the GloBE Model Rules.
Sovereign Wealth Fund	Sovereign wealth funds (which meet certain conditions) are not considered UPEs or MNE Group members, and their revenues are excluded from threshold calculations. However, if a sovereign wealth fund directly holds a controlling interest in an entity, that entity will be treated as the UPE of an MNE Group if it either controls another entity directly or indirectly, or is a main entity with at least one permanent establishment in another jurisdiction and is not part of another group.
Tax Audit Assessment	The Executive Regulations provide detailed guidelines pertaining to the tax administrative procedures for tax audits and issuance of tax assessments by the tax administration.
Objections, Complaints, and Appeals	The Executive Regulations provide detailed guidelines pertaining to the tax administrative procedures for tax objections and appeals submitted by taxpayers.
Executive Rules and Guidelines	The tax administration may issue binding executive rules, instructions, and explanatory guidelines regarding the implementation of the provisions of the law and its Executive Regulations.

Must-do immediate next steps

To comply with the DMTT Law and its Executive Regulations, an MNE Group needs to take several immediate steps to assess whether it is in scope, register if needed, complete the required disclosures for the financial year 2025, and plan for both interim and year-end compliance requirements. This also includes reviewing transfer pricing policies and ensuring timely compliance throughout the year. Further, affected MNE Groups should stay alert for ongoing updates, as the MoF may release explanatory guides, clarifications, and illustrative examples necessary for implementing the DMTT Law and Executive Regulations, aligned with the GloBE Model Rules, Administrative Guidance, and Commentary.

We have outlined some of the immediate steps that must be taken to ensure compliance with the DMTT Law and its Executive Regulations.

- **Assessment:** Determine whether the MNE Group is in scope of DMTT including undertaking an impact assessment and, if required, a data gap assessment, to understand if you need to register and, if relevant, the steps you need to undertake to be able to meet your DMTT compliance, reporting, and payment obligations, as well as any related financial statement disclosures. This will involve engaging with the broader business functions (finance, legal, tax, investment teams, etc.) within the group to ensure they understand the impact of the DMTT, and the need for internal stakeholder buy-in and attention to tackle it.
- **DMTT registration:** If you are in scope of the DMTT, you must complete the registration with the MoF within the prescribed deadline. For most MNE Groups, this could be no later than 30 September 2025. Penalties may be imposed for failure to register in a timely manner.
- **Use assessment for compliance planning and execution:** Based on your impact assessment and data and systems gap assessment, plan for:
 - Interim financial reporting: Interim financial statement disclosures and/or provisions, if required, for 2025.
 - Year-end roadmap: Create a roadmap to ensure end-of-year compliance for tax and financial statement purposes.
 - This will include not only determining the year-end DMTT tax liability and DMTT filing requirements, but also determining the timing of the DMTT filing, especially in situations where the MNE Group may be in a refund position.
 - In addition, MNE Groups will need to consider the required processes to be able to determine and provision for DMTT liabilities to ensure compliance with their statutory financial reporting obligations.
- **Qualified CbCR:** Ensure that CbCR meets the ‘qualified’ requirements in order to be eligible for the reliefs under the transitional CbCR Safe Harbour.
- **Transfer pricing policies:** Map your group’s intercompany transactions, review and update transfer pricing policies to ensure compliance with the arm’s length principle. Groups will need to potentially consider their transfer pricing compliance obligations, including the potential for CbCR Reporting becoming mandatory as part of the forthcoming Executive Regulations.
- **Execute year-end compliance:** Complete year-end filings and payments on time, and plan for any refunds if applicable and future tax audit.

Contact us

MNE Groups operating in Kuwait should plan ahead and prepare for the upcoming compliance requirements. Our team is working on impact assessments, readiness, and implementation and compliance support, such as systems and process updates for a variety of businesses in the region, including Kuwait, in the context of the Pillar Two rules including DMTTs, and will be happy to support you. Please contact us for further assistance at mer_pillartwo@pwc.com.



Jochem Rossel
Middle East Tax and Legal
Services Leader

Jochem.rossel@pwc.com



Sherif Shawki
Egypt and Kuwait Tax Leader

Sherif.shawki@pwc.com



Hanan Abboud
Middle East Pillar Two Leader

Hanan.abboud@pwc.com



Hossam Afify
Kuwait Tax Partner

Hossam.afify@pwc.com



Mostafa Salem
Kuwait Tax Partner

Mostafa.salem@pwc.com



Waleed Abdulfadeel
Kuwait Tax Partner

Waleed.abdulfadeel@pwc.com



Jonathan Fraser
Middle East Director – Pillar Two

Jonathan.f.fraser@pwc.com



**Mohammed Waseem
Khan**
Kuwait Tax Director

Mohammed.w.khan@pwc.com



Roy Kantari
Middle East Senior Manager –
Pillar Two

Roy.kantari@pwc.com



Lamiya Baz
Kuwait Tax Senior Manager

Lamiya.baz@pwc.com



Thank you

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 151 countries with nearly 364,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com.

Established in the Middle East for over 40 years, PwC Middle East has 30 offices across 12 countries in the region with around 12,000 people. (www.pwc.com/me).

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

© 2025 PwC. All rights reserved