THE TAX POINT.

Transfer Pricing Country Profile KUWAIT

A decision-oriented overview of KUWAIT Transfer Pricing - implications, risks, and strategic considerations

1 KUWAIT's Transfer Pricing Framework

Kuwait introduced transfer pricing provisions through the Executive Regulations under the Domestic Minimum Top-Up Tax (DMTT) regime in 2025, incorporating concepts aligned with the OECD Transfer Pricing Guidelines.
. Application of the arm's-length principle to transactions between related parties.
. Alignment with OECD transfer pricing methods and documentation approaches.
. Documentation requirements including Master File, Local File and TP Disclosure Form.
These rules apply primarily to multinational enterprise (MNE) groups meeting the Pillar Two revenue threshold (EUR 750 million) operating in Kuwait.

Definition of Related Parties

Related parties are defined broadly under the Executive Regulations (Articles 69–70). Entities or persons are considered related where relationships involve ownership, control, or significant influence, including situations where:

. A person directly or indirectly owns 50% or more of an entity's ownership interest.
. One entity directly or indirectly owns 50% or more of another entity.
. Two entities are under common control of a person or group owning 50% or more.
. A person has the ability to influence business decisions through voting rights, board appointments, management control, financing arrangements, or guarantees.

2 Transfer Pricing Methods

- Comparable Uncontrolled Price (CUP)
- Resale Price Method (RPM)
- Cost Plus Method (CPM)
- Transactional Net Margin Method (TNMM)
- Profit Split Method (PSM)

3 Transfer Pricing Documentation

Master & Local File

. Threshold: Mandatory for MNE groups with global consolidated revenues of EUR 750 million or more in at least two of the previous four fiscal years.
. Requirement: In-scope entities must prepare a Master File (group-level) and Local File (entity-level).
. Submission: Must be submitted to the Ministry of Finance (MoF) within 30 days upon request.

TP Disclosure Forms

. Threshold: All Constituent Entities of MNEs subject to the DMTT Law.
. Requirement: A TP Disclosure form detailing related-party transactions and the pricing method used.
. Submission: Must be filed with the annual tax return.
. Audit Requirement: The form must be audited by a Ministry-approved audit firm.

Country by Country Reporting

. Threshold: MNE Groups with annual consolidated revenue equal to or exceeding EUR 750 million in the preceding fiscal year.
. Requirement: Mandatory filing of CbCR if the ultimate parent entity is in Kuwait, or via local filing/surrogate filing if the parent is foreign.

4 Key Areas of Focus

The Kuwaiti tax administration is expected to focus on the following areas during TP reviews:
. Pillar two compliance
. Financing arrangements and intra-group loans
. Transactions involving intellectual property
. Arm's length principle &amp & TP documentation

Outlook

Kuwait's transfer pricing framework is relatively new and expected to evolve further. Future developments may include:

- More detailed TP documentation guidance
- Alignment with global OECD BEPS standards
- Enhanced enforcement and compliance procedures
- The introduction of TP rules under the Domestic Minimum Top-Up Tax regime represents a significant step toward greater tax transparency for multinational groups operating in Kuwait.

5 Compliance, Disputes & Outlook

Compliance

- Applying the arm's-length principle to related-party transactions
- Maintaining Master File and Local File documentation
- Filing the Transfer Pricing Disclosure Form with the annual tax return
- Maintaining supporting records and documentation
- Companies must generally retain supporting documentation for up to 10 years in line with tax administration practices.

Audit & Penalties

- The tax authority may review related-party transactions during tax audits and adjust transfer prices where transactions are not conducted at arm's length.
- Corporate income tax returns in Kuwait are routinely audited, and related-party transactions are commonly reviewed as part of these audits.

HOW CAN WE HELP?

TP Governance and Strategy

Designing robust frameworks and strategic advisory

·Economic Substance & TP Policy Design
·TP Policy, Restructuring & Planning
·Value Chain Analysis
and TP / Tax Optimization
·Intangible Property Structuring

TP Reporting and Compliance

Ensuring compliance with evolving regulations

·TP Documentation (Local File, Master File, TP Disclosure Form)
·Benchmarking Analyses
·Country by Country Reporting
·Permanent Establishment (and profit attribution)

TP litigation and Controversy

Protecting your position across the audit lifecycle

·Mock Tax Audits & Pre-audit Strategy
·Defense File Preparation
·Tax Rulings & Advance Pricing Agreements (APA)
·Mutual Agreement Procedure (MAP)
·Post-audit Assessment & Implementation Support

GET IN TOUCH

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At The Tax Point, we support groups operating in the UAE where transfer pricing is not a compliance checkbox, but a strategic control tool.