

KUWAIT MINISTRY OF FINANCE EXTENDS TAX FILING AND TAX PAYMENT DEADLINES

Due to COVID-19 pandemic, the Ministry of Finance issued a resolution granting generous extensions to tax filing and payment deadlines

Summary

On 16 June 2020 the Ministry of Finance ("MOF") issued resolution No.21 of 2020 ("the Resolution") to extend the local tax filing and tax payment deadlines for income tax, Zakat, and National Labor Support Tax ("NLST"). Depending on the year end of the taxpayer, the extension period varies from 30 to 60 days from the date the MOF officially resumes work ("MOF Reopening Date"). The resolution also extended the deadlines for tax objection, appeals, related MOF responses and payment of tax due per assessments issued prior to the MOF closure as explained later in this alert.

By way of background, the MOF as well as most ministries and private companies in Kuwait were requested to be closed from 12 March 2020 by the Kuwait Government as part of COVID-19 precautionary measures. It is not clear at this stage when ministries including the MOF will be permitted to officially reopen. This will be decided by the Kuwait Council of Ministers depending on the progress made locally on COVID-19 health issues.

The extension period granted by the MOF starts from the MOF Reopening Date. Please contact the BDO Kuwait tax team to receive regular updates on the likely reopening date of Kuwait MOF or if you require any assistance or clarification with respect to the Resolution or Kuwait tax in general.



In detail

INCOME TAX - extended filing deadlines

As per the Resolution, the deadline for filing income tax declarations for the year ended 31 December 2019 and the year ended 31 January 2020 has been extended by **60 days** from the MOF Reopening Date.

In respect of deadlines for filing income tax declarations for the year ended 30 November 2019 or prior for which the tax filing deadlines fell during the MOF closure period, the MOF granted an extension of **30 days** from the MOF Reopening Date. Accordingly, the revised filing deadlines are summarized below.

Year End	Original tax filing deadline	Extended tax filing deadlines
30 November 2019	15 March 2020	30th day from MOF Reopening Date. For example, if the MOF reopens on 28 June 2020, the tax declaration must be filed by 27 July 2020.
31 December 2019	15 April 2020	60th day from MOF Reopening Date. For example, if the MOF reopens on 28 June 2020, the tax declaration must be filed by 26 August 2020.
31 January 2020	15 May 2020	60th day from MOF Reopening Date. For example, if the MOF reopens on 28 June 2020, the tax declaration must be filed by 26 August 2020.

Taxpayers, with a financial year ended on 30 October 2019, that applied for and were previously granted an extension to file their tax declaration by 15 March 2020, will be required to file their tax declarations by the 30th day from MOF Reopening Date.

Instances of taxpayers with a year-end of 28 February 2020, the tax declaration filing deadline of which would normally fall on 15 June 2020, were not covered by the Resolution. Based on our recent interaction with the MOF, the MOF encourages such taxpayers to apply for an extension and the MOF is willing to cooperate and grant a 60-day extension. BDO tax team will be able to assist taxpayers with this process and obtain a quick and favorable response.

INCOME TAX - extended tax payment deadlines

As per the Resolution, income tax installments due should be paid in accordance with deadlines mentioned in the tax law, on the same date of filing the tax declaration. We understand that tax installments that were due during the MOF closure period should be paid on the date of filing the tax declarations. Accordingly, the tax payment deadlines will be as follows, assuming that the MOF will reopen by 28 June 2020:

Year end	1st tax installment original deadline	2nd tax installment original deadline	Extended deadline for 1st & 2nd tax installments
30 November 2019	15 March 2020	15 May 2020	Such installment must be paid on the same date of filing the tax declaration as per extended deadlines above.
31 December 2019	15 April 2020	15 June 2020	
31 January 2020	14 May 2020	15 July 2020	1st installment - same as above. For 2nd installment, no change if the MOF is officially open, otherwise to be paid on the date of filing the tax declaration.

We understand that the remaining 3rd and 4th installments that are due during periods when the MOF is open should be paid as per original deadlines i.e. on the 15th day of the 9th and 12th month from the year-end date of the taxpayer, as per the provisions of Kuwait income tax law.

As the extended payment deadlines are linked to the tax filing date, it is important to ensure that the tax payments reach the MOF's account on or before the date of filing the tax declaration, otherwise there may be a risk of late payment penalties being levied. As per our recent discussion with the MOF, in case a taxpayer makes the payment after the above extended deadline, the MOF has the right to apply late payment penalty from the original due date of the tax installment (e.g. from 15 April 2020 for a 31-December year-end taxpayer). Further, the MOF recently informed us that they will only accept electronic tax payments - no cheques or cash will be accepted as a result of COVID-19 measures.

Zakat & NLST - extended filing deadlines

The same extensions to income tax filing deadlines have been offered to Zakat & NLST declarations. The extended deadlines for Zakat & NLST are now as follows:

Year End	Original filing deadlines	Extended filing deadlines
30 November 2019	15 March 2020	30 th day from MOF Reopening Date. For example, if the MOF reopens on 28 June 2020, the tax declaration must be filed by 27 July 2020.
31 December 2019	15 April 2020	60 th day from MOF Reopening Date. For example, if the MOF reopens on 28 June 2020, the tax declaration must be filed by 26 August 2020.
31 January 2020	15 May 2020	60 th day from MOF Reopening Date. For example, if the MOF reopen on 28 June 2020, the tax declaration must be filed by 26 August 2020.

Zakat & NLST - extended payment deadlines

As per the Resolution, Zakat & NLST due shall be paid in one lump-sum **payment on the same date of filing** the NLST and Zakat declarations. Therefore, if the Zakat or the NLST declaration for the year ended 31 December 2019 is filed on 26th August 2020, the payment should be made on or before such date. If, however, the declaration is filed voluntarily filed on an earlier date e.g. 30 June 2020, the Zakat or the NLST should be made on or before such date.

Tax objections, appeals and tax payments due as per assessments

For the purpose of computing deadlines for the following income tax, Zakat and NLST obligations, the MOF will not take into consideration the period of MOF closure (which started on 12 March 2020):

- Tax objection filing (normally due in 60 days from date of assessment)
- Tax appeal filing (normally due in 30 days from explicit or implied rejection of objection)
- MOF response to tax objection (normally due in 90 days from filing the objection)
- MOF response to tax appeal (normally due in 90 days from filing the appeal, unless extended)
- Settlement of taxes due as per assessments (normally due in 30 days from date of tax assessment)

For instance, if a tax objection was due to be filed within 30 days from 10 March 2020, the objection will now be required to be filed within 28 days from the MOF Reopening Date. This is because the MOF was closed from 12 March 2020 and the taxpayer was not entitled to the full 30 day period permitted under the Kuwait tax regulations to file an objection.

Further, the Resolution states that in case the period remaining to meet the above deadlines after the MOF Reopening Date is less than 5 days, the MOF and the taxpayers will be granted a period of 5 days to meet the intended deadline.

Penalties

As per the Resolution, the MOF reassured taxpayers that no penalties will be levied on taxpayers that could not settle their taxes that fell due during the period of MOF closure.

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