



Introduction

This document is an English version of Kuwait Excise Tax Law Draft published as at 23 April 2017. The Excise Tax Law is subject to change.

The English text in this document is not an official translation and is provided for information purposes only. While every care has been taken to ensure accuracy, Deloitte does not guarantee that the translation is free from error or omission. Use of the English text is at the user's own risk.

You cannot rely on this document to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication.

The Kuwait Excise Tax Law Draft

Article 1:

- 1- The following words and phrases, wherever mentioned in the Law shall have the meanings ascribed thereto hereunder unless the context indicates otherwise:

Agreement: The Gulf Cooperation Council Unified Excise Tax Agreement.

Law: Excise goods Tax Law.

Production of Excise goods: Any act involving manufacturing in Kuwait or cultivating of the Excise goods, or changing the composition of the Excise goods insofar as this is relevant for levying of Excise Tax.

Tax period: The period of time for which the Tax Due is calculated.

Regulations: Implementation regulations to the Law

- 2- Except stated in paragraph 1 of this Article, the words and expressions mentioned within the Law shall have the meanings set out for the same in the agreement.

Article 2:

Tax shall be imposed on the Excise goods, according to the provisions stated in the Agreement.

The Excise Tax shall be imposed, at determined rate on selective goods that are harmful, and luxurious.

Covered goods: tobacco products and energy drinks at a rate of 100%. Soft drinks at a rate of 50% on the retail price, that is the final sale price of the Excise goods to the customer according to the determined and declared form, or labeled on the goods by the importer, manufacturer, or the taxpayer, or the standard retail price of Excise goods.

Chapter 2: Imposing Tax, Tax Dues and Tax Suspension

Article 3:

The release of Excise goods for consumption shall be in accordance with the procedures that will be prescribed in the Regulations.

Article 4:

Movement of Excise goods under Tax suspension arrangement within Kuwait shall be in accordance with the procedures that will be prescribed in the Regulations.

Article 5:

The Regulations shall determine the procedural rules for dealing with the Tax in the Free Zones and Duty-free shops.

Chapter 3: Excise Tax Registration

Article 6:

Any person, who is intending practice any of the following activities, is required to file a registration application for tax purposes with the Authority:

- 1- Importing Excise goods
- 2- Producing Excise goods
- 3- Holding Excise goods under Tax suspension arrangement.

Article 7:

The registrant shall¹ by means of a written notification, of any cases which are set in the Regulations that could impact his registration.

Article 8:

- 1- A deregistration shall take place, at any of the following two cases:
 - a- Upon a written request from the registrant
 - b- If the registrant did not practice the activity subject to the registration purposes for the period that is set in the Regulations.
- 2- The Authority shall notify the registrant by means of a written notification, if it deregisters him.

¹ The sentence "notify the Authority" seems to be missing here

Article 9:

In addition to the other obligations and responsibilities of registrant – as specified in the Agreement, the registrant is considered responsible for the following:

- 1- The safety and security of the Excise goods
- 2- Ensuring that the Authority is able to carry out its supervisions roles.
- 3- Any other responsibility determined by the Regulations.

Chapter 4: Tax Warehousing Licensing Provisions

Article 10:

- 1- In order to obtain a license a Tax Warehouse License, the applicant for the License must be registered. In addition to fulfill all rules and procedures and requirements that are set in the Regulations.
- 2- The Regulations shall set the required terms, which should be fulfilled, for the Management purposes of the Tax warehouse that performs any of the licensed activities.

Article 11:

The Authority may amend the license, if it receives a written request from the Licensee.

Article 12:

The Regulations shall determine the duration of the license, in addition to the conditions and procedures for the renewal.

Article 13:

- 1- The License shall be cancelled in any of the following cases:
 - a- Upon a written request by the Licensee to cancel the license.
 - b- If the Licensee did not use the license to practice the licensed activities for the period specified in the Regulations.
 - c- If the licensed entity dissolved.
- 2- In the event of a Licensee death or if he lost his eligibility, the license is transferred to his successors. The license shall remain valid for three months, and if the successor intends to continue the licensed activities, he has to submit a new application for a Tax Warehouse license to the Authority. If no new application has been submitted, the transferred license shall be cancelled at the end of the three months.
- 3- The Licensee or his successors shall be notified with a written notification, if his License has been cancelled or if it expired.
- 4- The Regulations shall determine the procedures with respect to the treatment of the Excise goods that are stored in the Tax Warehouse after the cancellation, expiration, or any other related procedure, and the licensee or his successors shall bear all the financial costs related to that treatment.

Chapter 5: Reporting and Payment of the Tax

Article 14:

- 1- The registrant must file a tax return, and the Regulations shall determine the tax period for such return.
- 2- The Authority is entitled to allow exceptions for Importers from filing Tax Returns, in accordance with the conditions and procedures set in the Regulations.

Article 15:

The Regulations shall determine the procedures for collecting the Tax.

Chapter 6: Tax Refunds

Article 16:

The Regulations shall determine the terms and procedures with respect to the Tax refund, and who has the right for the refund.

Article 17:

When a Tax amount is totally refunded or exempted, to a person in an incorrect manner, the person who received the refund or is exempted from it must, on his own and as soon as he knows, pay an amount equal to that amount refunded incorrectly to the Authority.

Chapter 7: Control and Inspection

Article 18:

Employees, nominated by a decision from the Board of Directors, shall act in inspecting, controlling, and detecting the violations of the Law, and they have the power of entering Tax warehouses, or retail markets or other powers to enable them to do their required tasks, and they are considered under the responsibility and supervision of the Authority, the Regulations shall specify the required procedures to accomplish their tasks.

Chapter 8: Tax Evasion and Penalties

Article 19:

In addition to the cases of tax evasion defined in the Agreement, the exercise of any of the activities stipulated in article 6 of the Law without registration, shall be considered a tax evasion.

Article 20:

Any cases of Tax Evasion shall be penalized by a penalty not less than the value of the Tax due, and not more than three times the value of the Excise goods place of evasion.

Article 21:

Every person who violates the provision of paragraph (1) of article 4⁴ of the Law, shall be penalized with a fine not less than (50%)⁵ and not exceeding (25%) of the value of the Tax that should have been reported.

Article 22:

Every person who fails to pay the Tax due within the period prescribed in the Regulations, shall be penalized with a fine equivalent to (50%) of the unpaid Tax value for every month or part thereof for which the Tax is unpaid.

Article 23:

Each of the following shall be penalized with a fine not exceeding (4,000 KD):

- 1- Obstructing the Officers of the Authority from performing their tasks.
- 2- Not complying with the Authority request for information.
- 3- Violated any other provision of the Law or the Regulations.

Article 24:

The Penalties imposed shall in no case replace or be offset against the tax due.

Article 25:

If the violation is repeated within three years from the date of the decision of the Authority certified the violation, the fine maybe doubled, or the License be suspended for a period not exceeding six months.

Chapter 9: Tax Disputes and Imposition of the Penalties

Article 26:

The resolution issued sentence may state that such decision be published in a local newspaper at the expense of the perpetrator of the violation, or it could be published by any other means of media, this should be in accordance with the gravity of the violation and the impact thereof, following the decision be final.

Article 27:

Objection against decisions issued by the Authority may be with the competent Judicial during a period of 30 days from the date being informed of the decision, otherwise, the decision shall be final.

Chapter 10: Final Provisions

Article 28:

Financial rewards can be awarded to everyone who contributes in the detection of violations in the Law and the Regulations. The Regulations shall determine the amount of such rewards and the terms and conditions of the granted rewards.

⁴ It is likely (article 14)

⁵ The rate seems inaccurate, as a penalty not less than 50% not more than 25% is scientifically not applicable

Article 29:

The Board of Directors shall issue the Regulations, and shall effective, within 15 days from the Law issuance date, in addition to issuing the decisions and instructions necessary for the implementation of the provisions of the Law and the Regulations.

Article 30:

The Law shall become effective after 15 days following the date of publication in the Official Gazette.



This publication has been written in general terms and therefore cannot be relied on to cover specific situations; application of the principles set out will depend upon the particular circumstances involved and we recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Deloitte & Touche (M.E.) would be pleased to advise readers on how to apply the principles set out in this publication to their specific circumstances. Deloitte & Touche (M.E.) accepts no duty of care or liability for any loss occasioned to any person acting or refraining from action as a result of any material in this publication.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about for a more detailed description of DTTL and its member firms.

Deloitte provides audit, consulting, financial advisory, risk management, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 225,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

Deloitte & Touche (M.E.) is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926.

Deloitte provides audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with more than 3,300 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region since 2010 (according to the International Tax Review World Tax Rankings). It has also received numerous awards in the last few years which include best employer in the Middle East, best consulting firm, the Middle East Training & Development Excellence Award by the Institute of Chartered Accountants in England and Wales (ICAEW), as well as the best CSR integrated organization.