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An aerial photograph of a city skyline at sunset. The sky is filled with soft, orange and pink clouds. In the foreground, a large, modern skyscraper with a distinctive, curved, perforated facade is illuminated with blue lights. To its left, another tall building with a spire is visible. The city below is a dense collection of buildings, many of which are lit up, creating a vibrant urban scene. The overall atmosphere is one of modernity and progress.

Doing business in  
Kuwait 2015

Moore Stephens Kuwait

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# Introduction

Moore Stephens International is one of the world's major accounting and consulting networks. Our firm employs more than 27,081 people in 105 countries.

Moore Stephens is a member of the Forum of Firms. The objective of the Forum of Firms is to promote consistent and high quality standards of financial and auditing practices worldwide.

Moore Stephens - Al Bahar & Co., Kuwait is a Member Firm of Moore Stephens International. Our brand stands for investment in long-term relationships, focus on technical expertise and a commitment to professionalism and discretion.

Our Kuwait office offers a wide variety of professional services including Assurance, Transaction Advisory Services, Business Advisory services and Tax. Our professionals are available to serve clients anywhere in Kuwait working in both Arabic and English. We are fully integrated with Moore Stephens Middle East in terms of methodology, training and quality control.

This guide has been prepared by Moore Stephens, Kuwait and is intended to assist those interested in investing or doing business in Kuwait.

It is only a summary as of January 2014. In order to be aware of specific laws and regulations in more detail, it will be necessary to obtain appropriate accounting and legal advice.

Information contained in this guide may not be comprehensive and recipients should not act upon it without seeking professional advice. This guide is intended to provide an overview of the financial, commercial and legal infrastructure.

**December 2014**



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# 1. Foreign investment

## Exchange controls and dividend restrictions

### Exchange controls

There are no foreign-exchange controls in Kuwait, so that equity, loan capital, interest, dividends, branch profits, royalties, management and technical services fees, and personal savings are freely remittable.

### Dividend Restrictions

Shareholding or limited liability companies may distribute any amount of profit as dividends after transferring a sum equal to 10% of their annual profits to a statutory reserve, until the reserve reaches at least 50% of paid-up capital. Joint stock companies must also make contributions to the Kuwait Foundation for the Advancement of Sciences before distributing profits. Further Kuwaiti companies quoted at the Kuwait Stock Exchange (KSE) are required to pay 2.5% of their net profit as National Labour Support Tax (NLST).

## Restrictions of foreign investment

### General

Kuwait encourages foreign investment and, other than for a few exceptions, treats foreign investors in the same way as local investors. Exceptions include the taxation of profits and the requirement that Kuwaitis have a majority ownership in companies with foreign participation.

Current legislation authorizes foreign majority and fully owned foreign ownership in certain industries including: infrastructure projects, investment and exchange companies, insurance companies, information technology and software development, hospitals and pharmaceuticals, air, land and sea freight, tourism, hotels and entertainment, housing projects and urban development.

Kuwait grants certain privileges, including ownership of land and locally traded company shares, to nationals of other GCC countries.

## Offset programme

Kuwait has designed a trade offset programme to meet the objectives of its economic development plan. The offset programme has been established with the following objectives:

- Promoting sustainable economic development in Kuwait
- Supporting projects that generate high skilled jobs
- Attract foreign investment capital

The following are significant aspects of the programme:

- The contractors covered by the offset obligation are required to invest 35% of the value of the contract with Kuwait government bodies:
- Those subject to offset arrangements have the following options:
  - Implement investment projects suggested by the Offset Programme Management
  - Propose their own investment projects, and seek approval of the Offset Programme Management, or
  - Participate in any of the funds that the Offset Programme Management may establish
  - Purchase of commodities and services of Kuwaiti origin

### Investment committees

There are two entities namely Foreign Capital Investment Committee and Kuwait Foreign Investment Bureau (KFIB), which facilitate foreign investments in Kuwait:

#### The Foreign Capital Investment Committee

The responsibilities of the committee are to:

- Study applications for investment, and submit recommendations thereof
- Promote investment opportunities in Kuwait
- Grant privileges to encourage foreign as well as Kuwaiti private to invest with investors and the competent authorities,
- Facilitate the license and registration process
- Impose methods for monitoring, follow-up and assessing the performance of foreign investments,
- Investigate any complaints raised by foreign investors

#### Kuwait Foreign Investment Bureau

The responsibilities of the Bureau are:

- Inform international markets about the investment opportunities and highlight the benefits enjoyed by the foreign capital investors
- Provide information, and statistics needed by foreign investors
- Facilitate the establishing of licensed enterprises and help eliminate obstacles

### Free Zone

The government has established a free-trade zone at Shuwaikh Port, where businesses are exempt from taxes and foreign entities can own 100% of the shareholding.





### Privileges for Kuwaitis

The following privileges, however, are granted to Kuwaitis only:

- Participation in government contracts, other than those opened to international bidding
- Ownership of real estate, with some limited exemptions
- No income tax is imposed on limited liability companies wholly owned by Kuwaitis and registered in Kuwait

### Importing and exporting

#### Restrictions

An import license is required to import goods into Kuwait. Companies that import goods or act as commercial agencies can obtain such licenses if:

- They are registered in the commercial register of the Ministry of Commerce and Industry as well as with the Kuwait Chamber of Commerce and Industry; and
- Kuwaiti shareholders own at least 51% of the company

Certain classes of goods, such as firearms, explosives and drugs, require special import licenses.

With the exception of a few items, Kuwait does not restrict the export of any goods. Foreign contractors however must obtain no-objection certificates from the Director of Income Taxes to send plant and machinery out of Kuwait.

### Customs duties

The six member states of the Gulf Cooperation Council have entered into a GCC Customs Union. Under the terms of the Customs Union, member states have agreed to unify the regional customs tariffs at 5% on all taxable foreign imports.



## 2. Business structures

### Companies

#### Shareholding companies (KSC)

An Amiri Decree is required to incorporate a Kuwaiti shareholding (joint stock) company. However, except for companies set up in the free trade zone or projects approved under the Foreign Capital Investment Law, only 49% (40% for banks and insurance companies) of the capital can be held by non-Kuwaitis.

The approval of the Ministry of Commerce and industry must be obtained before registration procedures for a KSC in which foreigners will own shares. Shares are freely transferable, subject to the requirement of Kuwaiti ownership of at least 51%.

The company must notify the Kuwait Stock Exchange when the shareholding of any single shareholder reaches 5% of the total issued capital.

#### Closed shareholding companies (KSC[c])

Closed shareholding companies cannot issue their shares to the public. Except for companies set up in the free trade zone or projects approved under Decree Law No. 10 of 1999, at least 51% of the shares of the company must be owned by Kuwaitis. Shares of KSC(c)s are freely transferable, subject to the requirement of Kuwaiti ownership of at least 51%.

#### Limited liability companies (WLL)

Limited liability companies are the most common corporate entities in Kuwait.

The following are significant characteristics of WLLs:

- they cannot engage in banking, insurance or investment on behalf of others
- Except for companies set up in the free trade zone or projects approved under the Foreign Capital Investment Law, at least 51% of the capital must be owned by Kuwaitis

In general, shares of WLLs must be offered to the other partners before they can be transferred to outside parties.

### Partnerships

Both 'general' and 'limited' partnerships may be formed, but a company cannot be a partner.

A general partnership is an association of two or more persons who are jointly liable for partnership debts to the extent of their entire personal wealth.

A limited partnership has two types of partners – general partners, who have unlimited liability; and limited partners, who are liable for the debts of their partnership only to the extent of their investment in the partnership.

Although Kuwaitis, particularly family members, often use general and limited partnerships to engage in business, these entities are not appropriate for use by foreign investors because the liability of general partners is not limited.

## Joint ventures

A joint venture has no legal existence and need not be recorded in the commercial register of the Ministry of Commerce and Industry. However the partners of joint ventures must be separately registered in their own names. Joint ventures are often used to carry out construction projects, such as the construction of power plants or roads, either at the contractor or consultant level.

If a joint venture involves a foreign partner, the entity conducts operations through the trade license of the Kuwaiti member of the joint venture.

## Other entities

### Branches

Except for businesses established in the free trade zone, Kuwait does not permit foreign companies to establish branch offices in Kuwait. Foreign companies that do not want to operate through a participation in a shareholding company or limited liability company can carry out business only through a Kuwaiti commercial agent, which may be either a natural person or a legal entity.

Although a branch operates in the legal form of an agency arrangement, the substance of the arrangement may be that of a branch. Consequently, in practice, for tax filling purposes and certain other purposes, the agency is treated as a branch.

### Agencies

The commercial agencies law regulates the following:

- Commercial agents, which undertake to promote a product for a principal, negotiate deals on behalf of this principal, and possibly conclude such deals and carry them out
- Distributors, which promote, import and distribute goods or services of the principal; and
- Service agents or sponsors, which must be appointed by foreign companies that want to engage in government contract work

Agency or sponsorship agreements between Kuwaiti and foreign companies must be registered with the Ministry of Commerce and Industry, which then issues a registration certificate.

Principals that terminate an agency agreement without cause must compensate the terminated agent for the damage suffered, which may entail incurring substantial costs.

### Consultants and other professionals

Most foreign professional firms are required by law to have a Kuwaiti partner.

To receive consideration for government-sponsored projects, consultants must register with the Consultants and Physical Planning Department of the Ministry of Planning and should regularly update their registrations. Although foreign consultants are not always legally required to form an association with a local consulting firm, the Kuwaiti government has shown an increasing tendency to favour joint venture consultancy bids.

## 3. Annual compliance requirements for companies

### New Companies Law

In December 2012, the new Companies Law replaced the Commercial Companies Law of 1960. Greater emphasis is placed on corporate governance and transparency and reduction in "red tape" for establishing new business.

### Key changes

- One- stop shop for incorporation and licensing of a company through a single department at the Ministry of Commerce and Industry
- Law requires a more stringent adherence to best practices of corporate governance
- Separation of the board of directors from the executive management
- Expansion of the powers of managers and directors
- Introduction of corporate regulations regarding sukuk, bonds and convertible bonds
- Elimination of minimum shareholding requirements and security shares for members of the board of directors of stock companies
- Adoption of the cumulative voting system for the election of board members

### CMA Compliance by 31st December 2014

The Capital Markets Authority (the "CMA") issued resolution no. 25 on 27th June 2013, covering Corporate Governance Rules for companies subject to the CMA.

These Rules have to be complied with no later than 31st December 2014.

Non-compliance of these Rules will expose the Companies to disciplinary accountability, in accordance with the CMA Law and its executive regulation which include but are not limited to penalties and suspension of license.

In summary the corporate governance rules that have to be complied by 31st December 2014 are as follows:

- Rule 1: Strengthen board competition
- Rule 2: Establish clear roles and responsibilities
- Rule 3: Recruiting highly qualified candidates for the board of directors and senior management
- Rule 4: Safeguarding integrity in financial reporting
- Rule 5: Robust systems of risk management and internal control
- Rule 6: Promote ethical standards and responsible conduct
- Rule 7: Ensure timely and high quality disclosure
- Rule 8: Respect the rights of shareholders
- Rule 9: Recognizing the legitimate interests of stakeholders
- Rule 10: Encourage enhanced performance
- Rule 11: Importance of social responsibility

### Audit requirements

Shareholding companies and WLLs are required to have an annual audit.

### Filing of financial statements

KSCs and KSC(c)s must file audited financial statements with the Ministry of Commerce and Industry within three months of the financial year end. There is no right of public access to these filings. Quoted companies must also file annual and quarterly financial statements with the Kuwait Stock Exchange (copies of these can be obtained from the Stock Exchange for a small fee). Banks and investment companies must obtain CBK approval of their audited accounts before filling the same with Ministry of Commerce and Kuwait Stock Exchange.

The statutory requirement for WLLs to file audited financial statements with the Ministry of Commerce and Industry is not, as a rule, complied with by WLL companies and is not enforced by the authorities. Audited financial statements must, however, be provided to certain government departments when applying for or renewing commercial licenses etc. There is no right of public access to these documents.

### Annual shareholders' meetings

Shareholding companies must hold annual general meetings of shareholders. A representative of the Ministry of Commerce and Industry must be present at the annual general meeting. The Commercial Companies Law also requires WLLs to conduct such meetings, but this requirement is not enforced in practice and such meetings are uncommon.



## 4. Labour laws

### General

#### Working week

The law defines a working week as six days with a maximum of 8 hours a day or 48 hours per week, and one rest day with pay per week. The current practice in Government entities, banks and the majority of the companies is one day off and one rest per week (Friday and Saturday).

#### Overtime

Overtime is payable at a rate of 125% of normal pay, except on Fridays (Off), when the rate is 150%, and on public holidays, when the rate is 200%.

#### Remuneration

Remuneration includes basic salary, housing allowance, transport allowance, car allowance, incentives, commission, obligatory bonuses, gratuities from third parties and other allowances. Salary payments must be through bank transfer to the employee bank account in Kuwait.

#### Leave

The annual minimum paid leave is 30 days.

Maternity leave is 70 days, (30 before delivery and 40 days after delivery).

Sick leave is 15 days with full pay, 10 days with 75% pay, 10 days with 50% pay and 10 days with 25% pay. 30 days without pay.

#### Holidays

The labour Law recognizes 13 days of Public Holidays per year including the Liberation Day.

#### Termination of employment

Maximum probation period is 100 days, during which time employment may be terminated without notice.

For indefinite employment contracts either party may terminate the contract by giving a notice period of three months.

For fixed term contracts, the party who breaks the contract, (if this is not due to a cause recognized by the labour law), shall indemnify the other party to a maximum of the remaining period of the contract.

#### Termination benefits

The terminal benefit payments are calculated as 15 days' wage per year for the first five years of service and one month's wage per year thereafter, unless a higher rate is provided in the employment contract. The calculation is based on the latest salary. The total amount paid cannot exceed one and one-half years' remuneration based on final gross salary.

The worker shall be entitled to half of the "EOSB" End Of Service Benefits in the event where he/she terminates the contract which has an indefinite term and period of service reaches not less than 3 years and not more than 5 years. In the event the period of service reaches 5 years and less than 10 years, the worker will be entitled to two third of the benefit. If the period of service exceeds 10 years the worker will be entitled to entire benefits.

#### Social security

Employers and Kuwait employees are required to make monthly social security contributions, based on monthly salaries. The employer's contribution is 11% and the employee's is 7.5% on the gross salary. Social security contributions are not required for expatriate workers in Kuwait.

#### Payroll taxes

There is no payroll tax.



## 5. Taxation

### Introduction

Corporate income tax is levied only on income of foreign companies operating in Kuwait. Kuwaiti owned companies and companies that are wholly owned by GCC citizens are not subject to income tax.

No personal income tax is levied in Kuwait either on salaries or on income from commercial activities.

KSCs and KSC(c)s are required to make annual contributions to the Kuwait Foundation for the Advancement of Sciences. In addition, Kuwaiti companies quoted on the Kuwait Stock Exchange are required to contribute 2.5% of their net profit as National Labour Support Tax. KSCs are also required to contribute 1% if their net profits towards Zakat.

### Taxes on corporate income

#### Corporate Income Tax

The main provisions of the income tax law are as follows:

1. A tax rate of a flat 15%
2. The profits earned by body corporate from trading in securities listed on the Kuwait Stock Exchange (either directly or through mutual funds) is not taxable
3. Losses can be carried forward for a maximum period of three years
4. There is a Statute of Limitation period of 5 years
5. A foreign principal carrying on business in Kuwait through an agent (as defined) shall be considered subject to tax

Foreign companies carrying on a trade or business in the offshore area of the partitioned neutral zone under the control and administration of Saudi Arabia are subject to tax in Kuwait on 50% of the taxable profit.

The method of calculating tax is the same for companies operating through an agent as for minority shareholders. For foreign minority shareholders, tax is levied on the company's share of the profits (whether or not distributed) plus any amounts receivable for any other income, (for example, interest, royalties, technical services and management fees).

### Territoriality

Tax is imposed on Kuwaiti-source income only. The source of income is considered to be in Kuwait if the place of performance of the services is within Kuwait. This includes work carried out outside Kuwait (offshore activity) under a contract that also involves activity in Kuwait (onshore activity). For example, in supply and installation contracts, the taxpayer is required to account to the Kuwait tax authorities for the full amount received under the contract, including the offshore supply element.

### Income subject to tax

Tax liability is generally computed on the basis of profits disclosed in audited financial statements, adjusted for tax depreciation, provisions and any other items disallowed by the tax inspector on review.

### Definition of income

Gross income includes income from a trade or business, dividends, interest, discounts, rents, royalties and premiums, as well as any other gains or profits of an income or of a capital nature.

Profits on income from royalties and license fees are generally considered to be 98.5% of the gross receipts, after deducting a head office overhead allowance.

For contract work, tax is assessed on progress billings (excluding advances) for work performed during an accounting period, less the cost of work incurred. The completed contract or percentage-of-completion methods of accounting is not accepted.



## Capital gains

Capital gains on the sale of assets and shares by a foreign shareholder are treated as normal business profits and are subject to tax at the normal rates.

## Trading in securities listed in Kuwait Stock Exchange

The law provides for a tax exemption of profits generated from dealing in securities on the Kuwait Stock Exchange (KSE), whether directly or through investment portfolios. No further clarification has however been provided with regards to the definition of “profits” or “dealing”.

## Tax Administration

### Income tax filling

Foreign companies must file tax declarations on or before the fifteenth day of the fourth month following the end of the tax year. Shareholding companies are not required to file their annual financial statements with the tax authorities. However, a foreign entity holding an interest in a Kuwait company must file the company's statements in support of its tax declaration.

### Registration

Every corporate body should register with the DIT within 30 days of commencing its activities or signing the contract in Kuwait.

The registration requires the taxpayer to state the fiscal year selected for tax fillings and the taxpayer can select any year-end comprising consecutive 12 Gregorian months. For tax declarations covering the first and last periods in Kuwait, it is possible to obtain approval for a period shorter or longer than 12 months up to a maximum of 12 months.

Accounting records should be kept in Kuwait, and it is normal practice for the tax authorities to insist on inspecting the books of account (which may be in English) and supporting documentation before agreeing to the tax liability.

### Tax Cards

A system of tax cards has been introduced and all tax payers would be issued with tax cards which are renewed annually. All Government Authorities are prohibited from dealing with companies that do not hold an active tax card.

### Tax filling

A tax declaration must be filed on or before the fifteenth day of the fourth month following the end of the taxable period. Tax is payable in four equal instalments on the fifteenth day of the fourth, sixth, ninth and twelfth months following the end of the taxable period.

### Extension in time for filling tax declarations

A request for extension in time for filling the tax declaration should be submitted to the DIT by the 15th day of the second month (previously the third month) after the fiscal year end. The maximum extension in time to be granted will be 60 days. If such an extension is granted, no tax payment is necessary until the tax declaration is filed, and payment must then be in one lump sum and not in instalments.

### Penalties

In the event of a failure to file a tax declaration by the due date, a penalty is payable equal to 1% of the tax for each 30 days during which the failure continues. In addition, in the event of a failure to pay tax by the due date, a penalty of 1% of the tax payment for each period of 30 days from the due dates to the settlement of the tax due.

The tax payer is required to settle agreed amount of tax within 30 days of the date of the assessment.

### Objections and appeals

The tax payer has the right to file an objection against the tax assessment within sixty days from the date of the tax assessment. The time limit for resolution of the objection is ninety days from the date of filling the objection. A revised tax assessment is issued by the DIT after resolution of the objection. Tax payable per the revised assessment is then required to be settled within thirty days of issue of the revised assessment.

The tax payer has also a right of appeal against the revised tax assessment to the Tax Appeal Committee. The appeal should be filed with the TAC within thirty days of issue of the revised assessment. The matter is resolved through appeal hearings and the final revised assessment issued, based on the decision of the TAC. Tax payable per the revised assessment is to be settled within thirty days of issue of the revised assessment.

In cases of dispute with the DIT regarding the final tax assessment, the company might resort to administrative court in an attempt to protect itself from the DIT. The company can then even escalate this matter to the civil courts, or reach a settlement under a Ministerial Resolution, under which the Under-secretary of the Ministry of Finance, may reconsider the assessment.

### Determination of trading income

#### General

Tax liabilities are generally computed on the basis of profits disclosed in audited financial statements, adjusted for tax depreciation and any items disallowed by the tax inspector on review.

The tax declaration, supporting schedules and financial statements, all of which must be in Arabic, are to be certified by an accountant in practice in Kuwait who is registered with the Ministry of Commerce and Industry.

#### Design expenses

The following percentages of design revenues are acceptable as costs for design work carried out outside Kuwait:

- If from the head office, 75% to 80% of the design revenue
- If from an associated company, 80% to 85% of the design revenue will
- If from a third party, 85% to 90% of the design revenue

#### Interest paid to banks

Interest paid to local banks relating to amounts borrowed for operations (working capital) in Kuwait may normally be deducted. Interest paid to banks or financial institutions outside Kuwait is disallowed unless it is proven that the funds were specifically borrowed to finance the working capital needs of operations in Kuwait. In practice, it is difficult to claim deductions for interest expenses incurred outside Kuwait. Interest paid to the head office or an associated company is disallowed.

#### Sponsor or Agents' fees

The tax deduction for amounts paid to a local agent is limited to 2% of revenue.

#### Head office overhead

Head office expenses shall be allowed on the foreign Company's parties of as follows:

1. Companies operating through an agent: 1.5% revenue
2. Companies participating with Kuwaiti companies: 1% of the revenue
3. Insurance companies: 1.5% of the revenue

### Tax depreciation

Tax depreciation is calculated using the straight-line method. The following are some of the permissible annual depreciation rates: buildings, 4%, furniture and office tools, 15%, Drilling equipment, 25%; computer equipment and its accessories, 33.3%; vehicles, 20%; Software, 25%; and electrical equipment and electronics, 15%.

### Aggregation of income

If a foreign company has more than one activity in Kuwait, one tax declaration is required, aggregating the income from all activities.

Furthermore, the DIT believes that the Kuwait Tax Law allows it to aggregate taxable results of all the entities commonly owned and engaged in similar activities or on the same contract in Kuwait. Accordingly, if it comes to DIT's knowledge that entities are related, the DIT might issue a combined tax assessment on an aggregated basis for all related entities.

### Imported materials

The Kuwaiti tax authorities deem the following profit margins for imported materials and equipment:

- Imports from head office: 10% to 15% of related revenue
- Imports from related parties: 6.5% to 10% of related revenue; and
- Imports from third parties: 3.5% to 6.5% of related revenue

### Tax retention

All government departments and privately owned and government-owned companies are required to retain 5% from each payment to any foreign incorporated body until such entities present a tax clearance from the DIT.

In addition local and foreign establishments, authorities and companies carrying on a trade or business in Kuwait are required to give the DIT details of the companies with they are doing business as contractors, subcontractors or in any other form. Information to be provided should include the name and address of the company together with a photocopy of the contract.

When inspecting the tax declaration filed, the DIT may disallow all payments made to subcontractors if the rules described above are not observed.

The Ministry of Finance may demand payment of the 5% retained amount, referred to above, from the entities holding the amounts, if the concerned contractors or subcontractors fail to settle their taxes due in Kuwait.

### Salaries paid to expatriates

The Ministry of Social Affairs imposes stiff penalties if companies fail to comply with the requirement to pay salaries to employees in their local bank accounts in Kuwait. These penalties are applicable from 1 October 2003. The DIT also seeks to disallow payroll costs if salaries to the employees are not paid by transfer to the employee's bank accounts in Kuwait.

### **Withholding taxes**

No withholding taxes are imposed in Kuwait.

### **Zakat**

The Government of Kuwait passed law no 46 of 2006, for the imposition of Zakat in Kuwait, effective from 10 December 2007. The salient features of the proposed Zakat law are:

- Kuwaiti Shareholding Companies (KSC) both public and closed will be liable to pay the Zakat computed at 1% of their annual net profit
- Every KSC will be required to submit a Zakat declaration annually
- Non payment of Zakat incurs penalties up to KD 5,000 and/or imprisonment for a term not exceeding 3 years in addition to payment of Zakat due

## 6. Investment incentives

Kuwait offers the following investment incentives.

### Industry Law

To encourage investments in local industrial undertakings, the following incentives are offered:

- Reduced or exemption from import duties on equipment and raw materials
- Protective tariffs against competing imported goods
- Low-interest loans from local banks
- Export assistance; and
- Preferential treatment on government supply contracts

### Direct Foreign Capital Investment law

The Direct Foreign Capital Investment Law provides the following benefits to new and existing foreign capital investment projects:

- Opportunity for investment in excess of 50% (up to 100%) in Kuwaiti companies by non-Kuwaitis
- Full or partial exemption from customs duties on certain imports and other government charges for approved projects
- A tax holiday of up to 10 years with respect to non-Kuwaiti shareholders' shares of the profits from qualifying projects. An additional tax holiday for a similar period is granted for further investment in an already approved project
- A guarantee of repatriation of profits and capital invested in the project
- Benefit of double tax treaties and investment promotion and protection agreements
- Long-term leases of land in industrial estates at low rents
- Employment of required foreign manpower without being subject to the restriction contained in Law No. 19 of 2000 concerning employment of Kuwaiti manpower



## 7. Accounting and audit

### Statutory requirements

#### Books and records

All business enterprises must maintain adequate financial records in Arabic.

The books of accounts of a taxpayer, or those of a Kuwaiti-registered company in which the taxpayer is a minority shareholder, are subject to a tax audit by the Department of Income Taxes before a tax assessment is finalized.

#### Method of accounting

Although the accrual method of accounting is required for financial accounting purposes provisions are not allowed for tax purposes.

### Accounting standards

KSCs, KSC(c)s and WLLs must comply with International Financial Reporting Standards (IFRS) in the preparation of the financial statements in accordance with Ministerial Resolution No. 110 of 1991.

### Financial reporting

KSCs and KSC(c)s must submit audited financial statements within three months of the company's year – end to the Ministry of commerce and industry and the general meeting of shareholders. A representative of the ministry of commerce and industry is required to be present at the annual general meeting.

Publicly traded companies must also submit audited financial statements to the Kuwait stock Exchange within three months of the company's year-end. They are also required to submit quarterly financial statements to the Kuwait stock exchange within 45 days from the date of the quarterly financial statements.

The financial statements, which must be in Arabic, must comply with the standards promulgated by the international accounting standards board.

The names of the directors and auditors and auditors of KSCs must be published in the official gazette. WLLs must submit their audited financial statements to the Ministry of Commerce and Industry within 10 days of the annual general meeting.

WLLs are required by law to hold at least one general meeting of shareholders each year.

### Audit requirements

KSCs, KSC (c) and WLLs are required to have an annual audit. The auditor must be independent of the company being audited and must be registered with the ministry of commerce and industry and a member of the Kuwait Association of Accountants and Auditors. Publicly traded companies are required to be audited by two separate firms, acting as joint auditors.

### Accounting profession

The Kuwaiti Association of Accountants and Auditors is the local professional body of accountants. Registered auditors must be natural persons and Kuwaiti nationals, pass an examination and meet other requirements. Registered auditors are permitted to undertake consulting work.

The State Audit Bureau, an independent government agency, is responsible for monitoring state revenues and expenditures, and carries out audits of the records of all ministries and public establishments, even though some of those organizations also have independent auditors.

## 8. General

### Population and language

#### Population

Of the total population of Kuwait of approximately 2.5 million, 65% is foreign.

The non-government work force is almost entirely expatriate; over 90% of the national labour force works in the government sector.

#### Religion

Kuwait is a Muslim state. Almost the entire national population observes that religion.

#### Language

Arabic is the official language of Kuwait, but English is widely understood and used in commercial circles. Trade literature should be made available in both Arabic and English.

All correspondence with government organization must be in Arabic.

### Legal environment

The Shari'ah, has a major influence on Kuwait's judicial system; the Kuwaiti constitution describes it as the principal source of law.

Other sources of Kuwaiti law include Amiri Decrees, which must be approved by the national assembly, and ministerial orders, which are issued periodically. These secular laws are drafted in a manner designed to avoid any conflict with the Shari'ah which in practice is primarily applied to family and personal matters. The civil law system has been strongly influenced by France's Napoleonic code.

The court system, which is modeled closely on the Egyptian system, is divided into three levels. At the lowest level, summary courts, presided over by one judge, hear minor matters. At the next level, the court of first instance consists of several chambers, presided over by either one or three judges, depending on the nature of the case. The court of appeal, with its various chambers, is the highest court in Kuwait. The Amir appoints judges to the courts.

Disputes may also be resolved by arbitration within the court system.

Only Kuwaiti lawyers have the right to plead before the Kuwaiti courts. Although foreign lawyers may not independently practice law in the country, a number of Kuwaiti law firms have affiliations with international firms.



## 9. Moore Stephens in Kuwait

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# Appendix 1: Moore Stephens around the world

Moore Stephens member firms may be found in 105 countries and territories around the world, with correspondent firms in another five.

Albania	Czech Republic	Kuwait	Russia
Algeria	Denmark	Latvia	Saudi Arabia
Argentina	Dominican Republic	Lebanon	Serbia
Australia	Ecuador	Liechtenstein*	Seychelles
Austria	Egypt	Lithuania	Singapore
Azerbaijan	El Salvador*	Luxembourg	Slovakia
Bahamas	Estonia*	Macedonia	South Africa
Bahrain	Finland	Malta	South Korea
Bangladesh	France	Mauritius	Spain
Belgium	Gibraltar	Mexico	Sri Lanka*
Belize	Greece	Monaco	Sweden
Bermuda	Guatemala	Morocco	Switzerland
Bolivia	Guernsey	Netherlands	Syria
Brazil	Honduras	New Zealand	Taiwan
British Virgin Islands	Hong Kong	Nicaragua	Thailand
Bulgaria	Hungary	Norway	Tunisia
Burundi	India	Oman	Turkey
Canada	Indonesia	Pakistan	Ukraine
Cayman Islands	Iran	Panama	United Arab Emirates
Chile	Ireland	Papua New Guinea	United Kingdom
China	Isle of Man	Paraguay	United States
Colombia	Israel	Peru	Uruguay
DR Congo	Italy	Philippines	Venezuela
Costa Rica	Japan	Poland	Vietnam
Croatia	Jersey	Portugal	Zambia
Curaçao	Jordan	Qatar	Zimbabwe*
Cyprus	Kazakhstan	Romania	

\* denotes a correspondent firm only

For more detail, see [www.moorestephens.com](http://www.moorestephens.com) under 'Locations'.

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