

Doing business in **KUWAIT**

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bright



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Overview

Area	17,818 km ²
Population	2.74m
Language	Arabic
Currency	Kuwaiti dinar (KWD)
Weekend	Friday and Saturday
Stock Exchange	Kuwait Stock Exchange (KSE)

GOVERNMENT

Constitutional monarchy Constitutional monarchy with a unicameral parliament, the National Assembly

National Assembly – 50 members elected to serve four-year terms and 16 cabinet members appointed by the prime minister.

HEAD OF STATE

Emir H H Sheikh Sabah al-Ahmad al-Jaber Al Sabah, head of state since 29 January 2006.

POLITICAL LEADER

Abir Al-Mubarak al-Hamad al-Sabah, prime minister since 30 November 2011

ECONOMY HIGHLIGHTS

GDP	USD 301.1b (2016 est.)
GDP per capita	USD 71,300 (2016 est.)
Key industries	Petroleum, petrochemicals, cement, shipbuilding and repair, water desalination, food processing, construction materials
Labour force	2.5m (Non-Kuwaitis represent 60%)
Unemployment rate	3% (2016 est.)
Inflation rate	3.3% (2016 est.)
Exports	USD 43.8b (2016 est.)
Export commodities	Mainly oil and refined products, fertilizers
Major export partners	South Korea, China, India, Japan, US
Imports	USD 28.3b (2016 est.)
Import commodities	Food, construction material, vehicles and parts, clothing
Major import partners	China, US, Saudi Arabia, Japan, Germany

Establishing your business

The following business structures are available to undertake business activities in Kuwait:

Companies

Companies in Kuwait are established under the Commercial Companies Law (the CCL). The CCL provides for the following forms of companies. The liability of the shareholder is limited to the extent of the capital invested by the shareholder in such companies

WLL

Limited liability companies, usually referred to as 'With Limited Liability (WLL)', are the most commonly used corporate form of entity in Kuwait. However, WLL companies are not permitted to engage in banking, insurance or to act as a pure investment fund. The maximum percentage of shareholding by a non-Kuwaiti in a WLL should be 49%.

Shareholding companies

A shareholding (joint stock) company (KSC) must be of Kuwaiti nationality. An approval from the Ministry of Commerce and Industry must be obtained before initiating registration procedures for the KSC with foreign ownership. Shares of KSCs are freely transferable. The Capital Markets Authority (CMA) has been established in Kuwait to regulate the Kuwait Stock Exchange with respect to listing / delisting of KSCs in Kuwait.

Partnerships

The CCL provides for two types of partnerships in Kuwait:

- General partnership: An association of two or more persons who are jointly liable for partnership debts to the extent of their personal wealth
- Limited partnership: Has two types of partner i.e. general partners with Unlimited Liability and limited partners with limited liability. Such partnerships take the form of a separate legal entity and may transact business in its own name.

Branch

If the foreign corporate bodies do not wish to operate in Kuwait through a participation in a shareholding company or a WLL, it may engage in business in Kuwait only through a local partner (Kuwaiti commercial agent or a Kuwaiti service agent)

Establishing your business (continued...)

Business through a local partner

Foreign companies can do business in Kuwait through a Kuwaiti commercial agent or a Kuwaiti service agent in the following instances:

- Commercial agents which are engaged in promoting products for their principal or negotiate and conclude deals on behalf of their principal.
- Distributors which are engaged in promotion, import and distribution of the products of their principal.
- Service agents or sponsors who are appointed by foreign companies intending to engage in government contract works.

The key aspects of conducting business through an agent/sponsor are as follows:

- Agency or Sponsorship agreements must be registered with Ministry of Commerce and Industry, which then issues a registration certificate.
- The responsibilities of the principal and Kuwaiti agents listed in the agency agreement, may vary greatly from case to case. Accordingly, advice should be sought to determine the detailed obligations of an agent, extent of an agent's legal liability, etc.
- Remuneration of the agent should be mutually agreed between the principal and the agent. Usually, it is determined and paid either as a fixed fee or as a commission.

Process and Time for Establishment Registration procedures

An official instrument establishing the company is created which includes the company's memorandum and articles and a declaration from the founders stating that they deposited the capital, to the extent it represents the shares held by them, in the company's bank account.

The memorandum and articles of association of the company should state the name of the company, place of the company's registered office, objects for which the company is incorporated, privileges accorded to the founders and the reasons for those privileges.

Share capital

The number of Kuwaiti shareholders required for setting up a KSC / KSC(c) should be at least five, compared to two in the case of a WLL company. The maximum number of shareholders in a WLL should not be more than thirty. It

Establishing your business (continued...)

also should be noted that a husband and a wife are considered as a single member. The minimum share capital requirements to establishing a KSC, KSC(c) or WLL varies depending on the activities of the company and are prescribed by the Ministry of Commerce. Shareholders are permitted to provide loans to the company for additional funding. Non-Kuwaiti corporate shareholders are taxed on any interest received on such loans. There are no restrictions imposed with respect to repayment or repatriation of the loan amount by the company.

Time required

If a license is granted, incorporation of KSC or KSC(c) typically can take six months to complete. A WLL may be set up more quickly. During the period before incorporation, a company may operate under an authorised shareholders agreement obtained from a recognised professional assisting in incorporation of the company.

Taxation in Kuwait

Overview

The taxable presence of a foreign entity is determined by whether it carries on a trade or business in Kuwait and not on whether it has a permanent establishment or place of business in Kuwait.

Foreign corporate bodies carrying on a trade or business in Kuwait are liable to corporate income tax with the exception of entities that are registered in Gulf Cooperation Council (GCC) countries and fully owned by Kuwait/GCC citizens. The term 'corporate body' refers to an association that is formed and registered under the laws of any country or state and is recognised as having a legal existence entirely separate from that of its individual members. Partnerships fall within this definition.

Foreign companies can operate in Kuwait either through an agent (or as the minority shareholder in a locally registered company), the Foreign Direct Investment Law (Bylaws yet to be formally issued), or they can set up in the Kuwait Free Trade Zone (operations limited to the Kuwait Free Trade Zone). There is no difference in principle in the method of calculating taxation in either instance. In the latter case, tax is levied on the foreign company's share of the profits, adjusted for tax (whether or not this is distributed).

Tax year/filing

Tax year is same as the calender year i.e. January to December

The tax declaration for each taxable period must be submitted within three and a half months of the end of the taxable period. A foreign entity can request an extension of up to 60 days for filing the tax declaration provided a request for an extension is submitted on or before the 15th of the second month following the end of the taxable period; otherwise, the request will not be considered.

Tax can be paid as a lump sum or in four instalments on the 15th day of the fourth, sixth, ninth and 12th month following the end of the tax year. If an extension is granted, no tax payment is necessary until the declaration is filed. However, payment must then be made for the first and second instalment.

Corporate taxation

Fully Kuwaiti-owned businesses in Kuwait or registered in Gulf Cooperation Council countries are not liable to tax.

The profits, including capital gains, of foreign corporate bodies from their activities in Kuwait, are subject to corporate income tax.

The company tax rate is 15% and is applied at a flat rate.

Taxation (continued...)

Foreign exchange restrictions

No foreign-exchange restrictions exist. Equity capital, loan capital, interest, dividends, branch profits, royalties, management and technical services fees, and personal savings are freely remittable.

Other taxes

1% of profits distributed by listed companies in Kuwait is payable to the Kuwait Foundation for Scientific Research.

2.5% of the profits of listed companies in Kuwait is payable to the tax department as National Labour Support Tax.

Sales taxes/VAT

There is a standard import levy of 5% on the value of imports. Some local industries are protected by higher rates of duty on competing imports. Also, exports are taxed at 5% unless they are imported items that have been exported.

Payroll and social security taxes

Employers and Kuwaiti employees are required to make monthly social security contributions, based on monthly salaries. Under social security law the employer's contribution is 11.5% and the employee's contribution is 8%. The salary ceiling for social security contributions is KWD 2,750 per month. The employee's contribution is deducted directly from wages before transferring amounts to the employee's bank account. Social security contributions are limited to Kuwaiti employees only.

About PKF

PKF is a global family of legally independent firms bound together by a shared commitment to quality, integrity and the creation of clarity in a complex regulatory environment.

With offices in over 350 locations, we operate in more than 150 countries across our 5 regions, and specialise in providing high quality audit, accounting, tax, and business advisory services to international and domestic organisations in all our markets.

We have been present in Kuwait for more than 25 years and have enjoyed an unrivalled reputation among numerous large and medium-sized enterprises and corporate groups and have continuously expanded our range of services. We have also been approved by the Kuwait Government for conducting FATCA Compliance Audit.

PKF Kuwait has developed over the recent years into one of the largest accounting and consulting practices in Kuwait.

Our team in Kuwait is comprised of highly trained professionals with extensive business and industry expertise, technical acumen, and the ability to identify and apply best practices. We combine process and system benchmarking experience with organizational knowledge.

right people
right size
right solutions

Our services

Audit and assurance

- Audit of financial statements
- Internal audit and risk consulting
- Due diligence reviews
- Agreed-upon procedures
- Forensic and other investigations
- Internal Control Reviews (ICR)
- AML & CTF reviews
- FATCA and CRS compliance reviews

Business Advisory

- Feasibility studies
- Impairment reviews
- Business Plans & Financial Models
- Corporate Governance Consulting
- Fairness opinion
- Accounting & Procedures Manual
- Purchase price allocation (PPA)
- Corporate Finance

Corporate Finance

- Transaction support
- Business valuation
- Mergers and Acquisitions
- Project funding

Tax and legal services

- Tax planning
- Income tax, Zakat and NLTS compliance assistance
- Accounting and tax consulting
- Tax authority representation services
- Tax clearance certificates and Retention releases
- Secretarial services

Business Solutions

- Company formation
- Business Restructuring Services
- Supply Chain Audits
- Client Representation before Arbitration Services and Experts Departments

passion

teamwork

clarity

quality

integrity



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