

Newsletter

Management Dashboard on Kuwait Taxes





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Ways of Doing Business in Kuwait for Foreign Companies

-  Direct operations – As per newly amended Article 24 of Kuwait Commercial Law, foreign companies are allowed to operate in Kuwait without any Kuwaiti agent. However, detailed implementing executive regulations are yet to be issued.
-  Through a joint venture.
-  Through WLL or KSC Companies.
-  Through Foreign Direct Investment Law No. 116 of 2013.

Income Tax

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Basis of Taxation

Only foreign companies operating in the State of Kuwait and Neutral Zone are subject to income tax as per Income Tax Decree No. 3 of 1955 as amended by Law No. 2 of 2008 and Law No.23 of 1961 respectively. These laws consider virtually all Kuwait source-based activities to be subject to income tax in the State of Kuwait.

Registration

Registration with the tax department is **mandatory within 30 days** from the date of signing the contract in the State of Kuwait or from the date of starting activities.

Tax Rate

Foreign companies generating income from Kuwait are subject to **income tax @ 15%** of their net income during any taxable year.

Tax rates for the Neutral Zone operations:

Tax rate	Income
20%	Up to KD 500,000
57%	Above KD 500,000

Only **50%** of profits are taxed in Kuwait.

Computation of Taxable Income

Taxable income is derived by deducting all costs and expenses incurred in connection with carrying on trade or business in the State of Kuwait from gross revenue, and after adjustment for certain costs such as provision for staff indemnities, depreciation as per tax rates, and head office administrative overhead allowance etc. that are subject to certain restrictions and conditions.

Tax Declaration Due Date

The tax declaration of each taxable period is required to be submitted within three and a half months of the end of the taxable period. It is possible to **seek an extension for up to 60 days** in the filing of the tax declaration. It is at the discretion of the Director of Income Tax to grant an extension. Taxes can be paid in four equal installments.

Tax Inspection and Assessment Procedures

Tax inspection must be done for all the companies for all the years without exception. Tax assessment is issued for all the companies and for all the years.

Objection and Appeal Procedures

It is possible to file objections and appeals within

- 60 days from the date of tax assessment and
- 120 days from the date of filing the objection respectively or
- 30 days from the date of rejection of objection.

A taxpayer has the right to pursue their tax dispute through civil courts for adjudication **within 60 days from the date of rejection** by the Tax Appeal Committee.

No Objection Letter

Once the due taxes are settled with the Ministry of Finance as per the final tax assessment order, the company can apply to the tax authorities for a No Objection Letter (NOL). This NOL is used to receive back the amount of tax retention lying with the contract owner.

Tax retentions can also be released by submitting a bank guarantee to the tax department subject to certain conditions.

Losses

Losses can be carried forward for a maximum of three years.

Tax Retention

All payments to subcontractors shall be made after **retaining 5% of each and every payment to the subcontractor**. These retentions shall not be released unless a tax clearance certificate or no objection letter is received from the tax department to release these tax retentions.

Tax Exemption

Under the Foreign Direct Investment Law No. 116 of 2013, the Kuwait Direct Investment Promotion Authority (KDIPA) grants license to operate in Kuwait **with 100% ownership** and proportionate tax credits and customs exemptions etc. However, the exempt corporate body must submit a tax declaration with its attachments and shall commit to all the procedures of the inspection and assessment to determine tax credits by KDIPA.

Delay Penalties

Any delay in submission of the tax declaration is subject to tax penalties at the rate of **1% of the assessed tax for each 30 days' delay** or part thereof. Additionally, a penalty is charged for any delay in payment of tax, at the rate of **1% for each 30 days' delay** or part thereof.

In the case of a tax assessment is accepted by the taxpayer, any **additional tax must be paid within 30 days** from the date of tax assessment. Failure to settle within 30 days will result in **additional penalties at 1% for each period of 30 days** or fraction thereof.

Apart from these procedural penalties, if the tax inspector finds any undisclosed income at the time of tax inspection, there is an **additional penalty of 1% per month** on such undisclosed income as well.



Other Taxes

Customs Duties

The GCC states have approved a unified customs tariff of **5% on CIF invoice** price subject to certain exceptions.

Contribution to the State of Kuwait Foundation for the Advancement of Sciences (KFAS)

Kuwait Public Shareholding Companies (KPSCs) and Kuwait Shareholding Companies (Closed) (KSCs(C)) are required to **contribute 1% of net profits** after transfer to the statutory reserve and the offset of losses brought forward to KFAS, which supports scientific progress.

National Labor Support Tax Laws (NLST) and Practices

NLST law is applicable for all companies listed in the State of Kuwait Stock Exchange; NLST is computed at **2.5% of annual net profit** before deduction of the Board of Directors' remuneration, contribution to KFAS, donations, grants, Zakat and NLST.

Zakat Law and Practices

Zakat Law is applicable for all Kuwaiti closed and listed shareholding companies; Zakat is computed at **1% of annual net profit** before the deduction of the Board of Directors' remuneration, contribution to KFAS, donations, grants, Zakat and NLST.

Personal Taxation

There is currently no tax on the personal income of individuals, including the salary income of employees or income from other sources.

Stamp Duty, Property Tax, and VAT/Sales Tax

Currently, there is no stamp duty, property tax, VAT or sales tax in the State of Kuwait.

Social Insurance for Kuwaiti Employees

Social insurance for only Kuwaiti employees is payable by both employer and employee based on the employee's salary (up to a ceiling of KD 2,250 per month). The contribution rates for social insurance are **11.5% and 8%** of the employee's salary for employer and employee respectively, to be deducted by the employer and paid monthly.

Staff Indemnities

Staff indemnities are:

Remuneration	Time
15 days	Each year of service for the first 5 years
20 days	Each year of service beyond 5 years
30 days	After 10 years

No amount is payable if the employee resigns within the **first 3 years of service.**

We have a dedicated tax team,
who can provide tax compliance
services in Kuwait.

Our tax clients are provided with strategic tax planning as well as various aspects of tax compliance work tailored to meet their specific circumstances.

RSM Albazie & Co. has qualified personnel with bilingual skills, and experience and knowledge of local and international taxation.

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