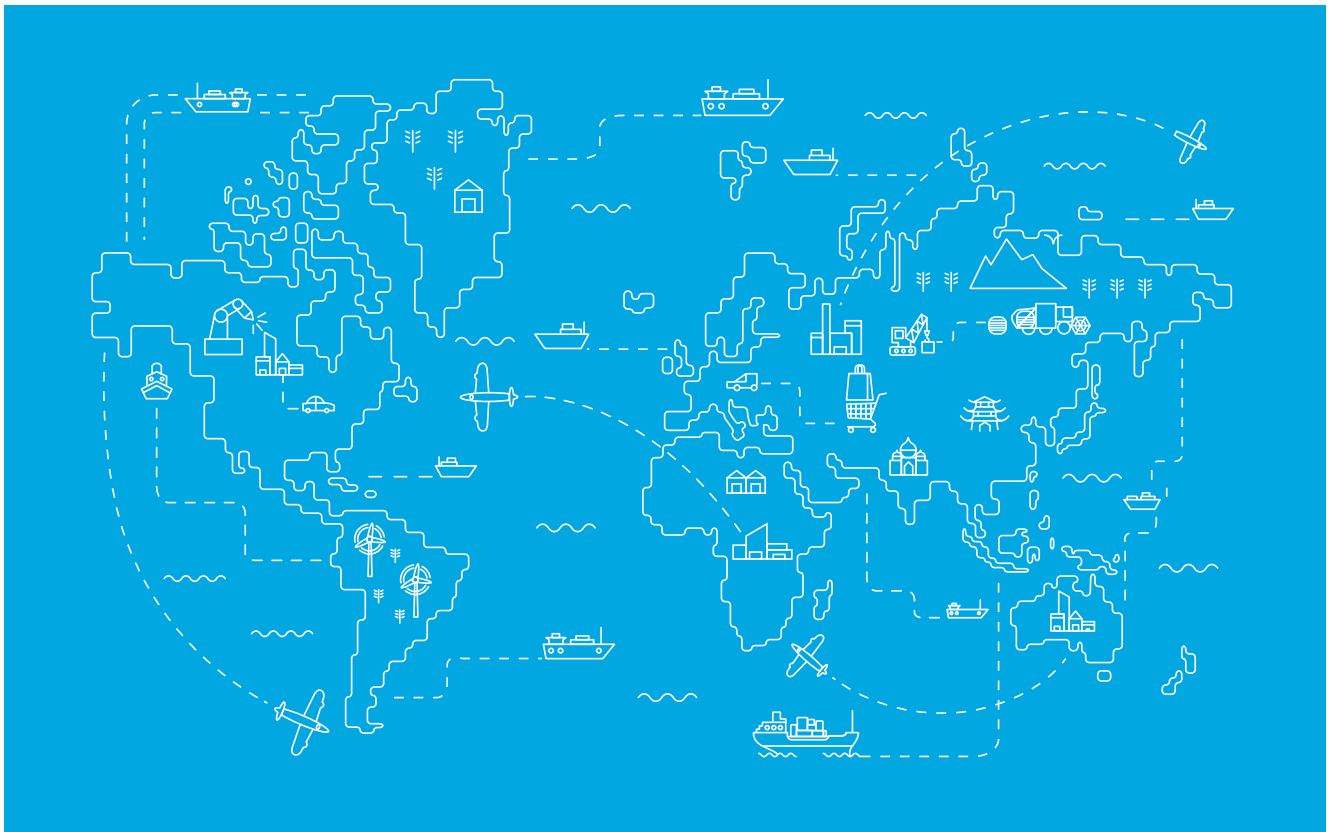


KUWAIT TAX BRIEF

TAX | NOVEMBER 2015



Forms of Doing Business in Kuwait:

- Through the sponsorship of a registered Kuwaiti merchant (Kuwaiti agent).
- Through a joint venture.
- Through WLL or KSC Companies.
- Through Foreign Direct Investment Law No. 116 of 2013.

Income Tax:

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 virtually consider all Kuwait source based activities to be subject to income tax in the State of Kuwait.

Registration with the tax department

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

The tax rate is 15% except for the Neutral Zone operations where the tax rates are 20% up to KD 500,000 and 57% above KD 500,000.

Computation of taxable income

Taxable income is derived by deducting all costs, expenses and losses 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, head office administrative overhead allowance, etc. that are subject to certain restrictions and conditions..

Tax Declaration due dates

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 have to be paid in four equal installments .

Tax inspection and assessment procedures

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

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. 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.

Taxation of dividends

investment companies and banks that manage portfolios or funds or act as custodians, are required to deduct 15% of dividends and profits of foreign companies and deposit them with the tax department within 30 days of the date of deduction together with a listing of all amounts deducted against each company separately.

Treatment of losses

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

Tax retentions

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 tax clearance letter or no objection letter received from the tax department to release these tax retentions. Tax retentions can be released by submitting a bank guarantee to the tax department subject to certain conditions.

Tax exemptions

Under the Foreign Direct Investment Law No. 116 of 2013, the Direct Investment Promotion Authority grants license to operate in Kuwait with 100% ownership and ten year tax holiday 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 the exempt tax amount. It is also possible to obtain tax exemption under double taxation treaties.

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% of the assessed tax for each 30 days delay or part thereof. In the case of a tax assessment not disputed 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

Other taxes: Customs duties

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

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

Kuwait Shareholding Companies (KSC) 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 the Board of Directors' remuneration, contribution to the State of Kuwait Foundation for Advancement of Sciences, 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 Board of Director's remuneration, contribution to Kuwait Foundation for Advancement of Sciences, donations, grants, Zakat and National Labor Support Tax (NLST).

Personal taxation

Individuals including the salary income of employees. There is currently no tax on the personal income of

Stamp duty, Property tax, and VAT/Sales tax

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

Social insurance

Social insurance for Kuwaiti employees is payable by both (up to a ceiling of KD 2.250 per month). The contribution employer and employee based on the employee's salary rates for social insurance are 11.5% and 8% of the employee's salary for employer and employee respectively, required to be deducted by the employer and paid monthly.

Staff indemnities

Staff indemnities is 15 days remuneration for each year of services for the first five years and 30 days remuneration for each year of service beyond five years. No indemnity is payable when the service is less than three years. The offset program is suspended temporarily-

Offset program No. 9 of 2007

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