

DOING BUSINESS

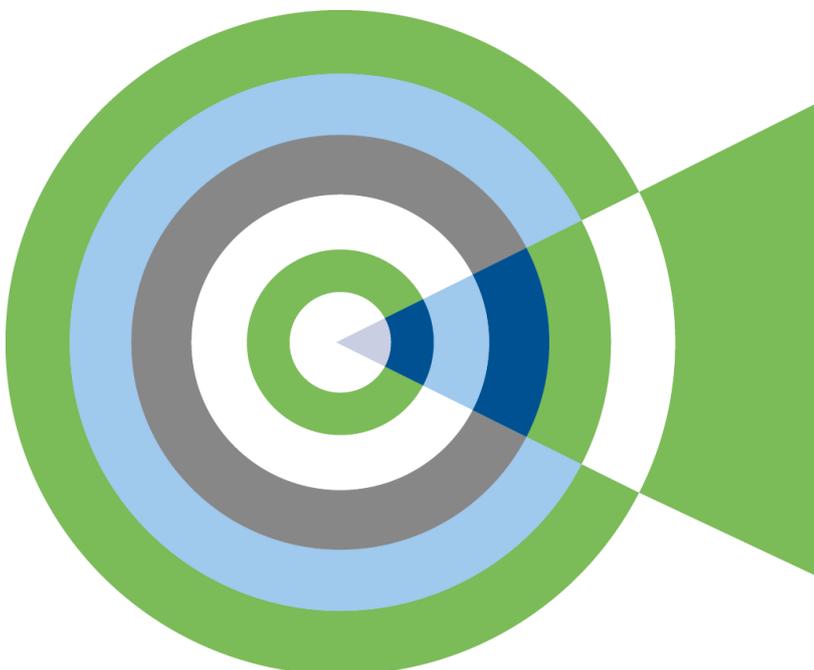
IN KUWAIT



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing audit, accountancy, business management and consultancy services through financial business centres in 100 countries worldwide.

Business partners work together throughout the network to conduct transnational operations for clients as well as offering specialist knowledge and experience within their own national borders. Global specialists in various industry and market sectors are also available for consultation.

This detailed report providing key issues and information for investors considering business operations in Kuwait has been provided by the office of UHY representatives:

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Information in the following pages has been updated so that they are effective at the date shown, but inevitably they are both general and subject to change and should be used for guidance only. For specific matters, investors are strongly advised to obtain further information and take professional advice before making any decisions. This publication is current at May 2020.

We look forward to helping you do business in Kuwait.

2 – BUSINESS ENVIRONMENT

GEO-POLITICAL SITUATION

Name	State of Kuwait
Location	Located in the northwest part of the Arabian Gulf & Southwest of Asia
Area	17,818 square kilometers
Population	4,137,309 in the early 2020, Kuwaiti Nationals constitute only about 30% of the total population
Major language	Arabic
Major Religion	Islam
Boundaries	Kuwait lies between Iraq from the north and Saudi Arabia from the south and west
Islands	Kuwait's territory includes 9 islands off the coast of Kuwait: Failaka, Bubiyan, Miskan, Warba, Auhha, Umm Al-Maradim, Umm Al-Namil, Kubbar and Qaruh.
Climate	Kuwait has a massive temperature gap between summer and winter, with temperatures reaching up to 50 and dropping down to below 0 during winter. Summers are fairly longer than winters are.
Map	
Currency	Kuwaiti Dinar (KWD)
Monetary unit	1 Dinar = 1,000 fils
Income group	High income
GDP (billions \$)	152.37 \$
GNI Per Capita	33,690 \$
Inflation Rate	3.0 %
Main source of Income	Oil - was found in 1938 and Kuwait started to export oil in 1946. Today, as one of the largest producers of oil, it is a leading member of the Organization of the Petroleum Exporting countries (OPEC).
Political System	A constitutional monarchy with executive power residing in the Amir as head of state and commander-in-chief. It has an elected national assembly with a term of four years. The Amir appoints the prime minister and the council of ministers.
Administrative Divisions	The state of Kuwait is divided into 6 governorates including (Capital City – Al-Ahmedi – Mubarak Al-Kabeir – Al-Farwaniya – Hawally – Al-Jahra)

THE ECONOMY

OVERVIEW

Kuwait's economy, like most GCC countries, is heavily reliant on oil as its primary source of exports and budgetary revenues. Aware of the risks associated with such a heavy dependency on oil, the government has embarked on an economic diversification strategy under the strategic umbrella of the Kuwait 2035 Vision. One of the most important objectives of Kuwait's vision 2035 is to boost private sector activity and ultimately move Kuwait towards a post-oil economy.

Kuwait was one of the ten best improvers last year in the World Bank's Doing Business rankings, moving up 14 places to 83. Kuwait's abundant oil resources, prime geographical location, entrepreneurial spirit and its tech-savvy younger generation bode well for a promising future, to be buttressed by appropriate policies and investor friendly regulations.

The economy contracted 1.1% in the final quarter of 2019, after expanding 0.1% in the third quarter, dragging down total growth for 2019 to 0.4% (2018: +1.2% year-on-year).

The economy is expected to contract in 2020 amid tumbling oil demand and deferred private consumption, while lower government revenues are likely to lead to a ballooning fiscal deficit. The duration of the pandemic, regional geopolitical tensions and volatile oil markets are key downside risks to the outlook. Focus Economics analysts forecast a contraction of 2.9% in 2020, which is down 3.6 percentage points from last month's forecast, and growth of 2.4% in 2021.

DOMESTIC INTEREST RATES

The CBK had during FY 2018/19 maintained its Discount Rate at 3.0% since 22 March 2018. Average interest rate on local interbank KD deposits of all maturities increased during FY 2018/19 compared to the previous fiscal year.

In addition, the average interest rate on public debt instruments on Kuwaiti Treasury Bonds of one-year maturity reached 3.250% during FY 2018/19. The average interest rate on 2-year Treasury Bonds reached 3.375%, while the average interest rates on 3, 5, 7 and 10-year Treasury Bonds reached 3.375%, 3.500%, 3.625% and 3.875% respectively.

At the beginning of March 2020, the Central Bank of Kuwait lowered its benchmark interest by 25bps to 2.50 percent, after Federal Reserve policymakers delivered a 50bps rate cut to support the economy.

The following graph demonstrate the Interest rates from 2016 to 2020:



Source: <https://tradingeconomics.com/kuwait/interest-rate>

BANK AND EXCHANGE RATES

Generally, the Kuwaiti Dinar is pegged to a basket of currencies dominated by the US dollar, and the average of exchange rate for the Kuwaiti Dinar (KWD) to US Dollar in the last 12 months from April 2019 to March 2020, and the history summary is as follows:

Table: Historical Exchange Rate for 12 Months for Kuwaiti Dinar/ US Dollar (From April 2019 To March 2020)



Source: <https://www.exchangerates.org.uk/data/currencies/live-kwd-usd-exchange-rate>

Highest: 3.3030 USD on 08 Sep 2019.
Average: 3.2899 USD over this period.
Lowest: 3.2619 USD on 23 Feb 2020

CONSUMER SECTOR

As per IMF statement published in their website during early 2020, it praised the improvement in the growth of non-oil sectors in Kuwait, which reached about 3% last year, driven by the power of government and consumer spending

TABLE 1

Kuwait Oil Vs non-oil revenues (y/y), Source: Ministry of Finance/National Bank of Kuwait (NBK) estimates and forecasts

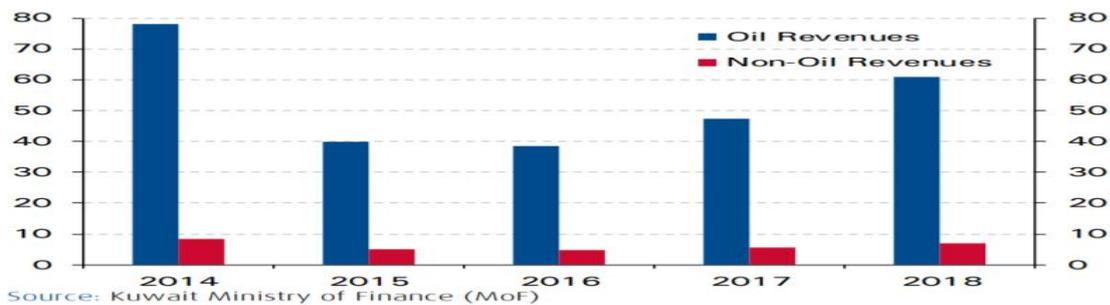


TABLE 2

	2013	2014	2015	2016	2017	Forecast/estimate		
						2018	2019	2020
	(KD billion)							
Nominal GDP	49.4	46.3	34.5	33.1	36.6	42.5	41.7	41.4
Oil	32.7	29.2	15.7	13.6	16.2	21.0	19.2	17.6
Non-oil	22.4	23.2	23.9	23.9	25.2	26.1	27.1	28.4
	(percent change)							
Real GDP	1.1	0.5	0.6	2.9	-4.7	1.2	0.0	1.8
Oil	-1.8	-2.1	-1.7	3.9	-9.0	0.2	-2.5	1.0
Non-oil	4.2	4.8	0.4	1.6	2.6	2.3	2.5	2.5
Private credit	8.1	6.1	8.5	2.9	3.1	4.2	...	...
Money supply (M2)	10	3.4	1.7	3.6	3.8	3.9	...	...
Inflation (% y/y, average)	2.7	3.2	3.7	3.5	1.5	0.6	1.1	1.7
Inflation (% y/y, e.o.p.)	2.6	3.0	3.1	2.4	1.1	0.4	1.5	1.5

Source: Central Statistical Bureau, Ministry of Finance, Central Bank of Kuwait and NBK estimates

GOVERNMENT SPENDING

Government capital spending is a key economic driver, but spending continues to lag and disappoint.

The partial pull back in oil prices and oil production constraints in the near term, coupled with delays in VAT reforms and higher government spending are expected to widen the fiscal deficit to around 6%. The current account surplus should moderate to 9% of GDP, as the trade surplus narrows and as infrastructure-related import spending increases.

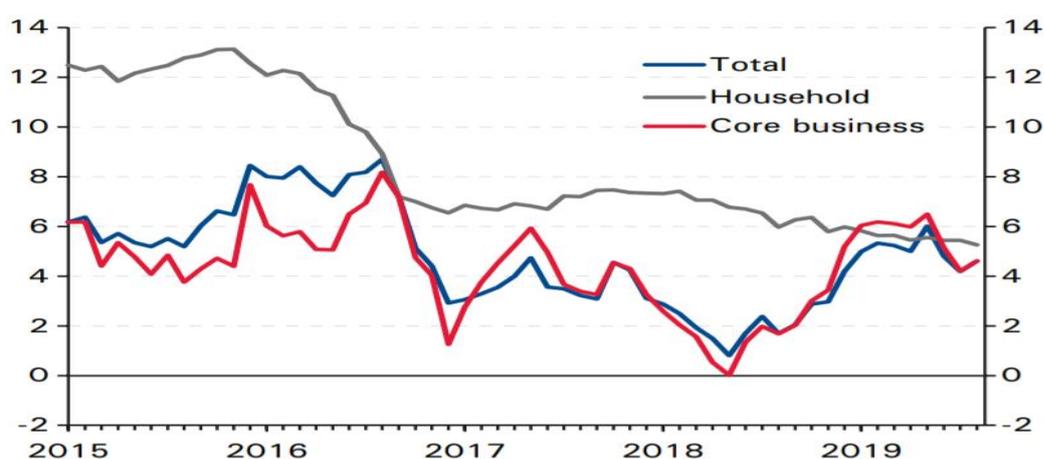
Kuwait has cut revenue expectations for the 2019-20 fiscal year (starting 1 April) amid lower oil prices and is projecting a whopping \$27.4bn deficit. In reality, low oil price assumptions and Kuwait's perennial inability to implement its spending plans mean that any budget deficit is likely to come in much smaller. Taking 2018-19 as an example, the government budgeted for a massive \$21.5bn deficit. But latest data for the first 11 months of the year shows that Kuwait had racked up a surplus of just over \$10bn.

CREDIT GROWTH

Kuwait's Domestic Credit shrunk by 4.9 % YoY in Mar 2020, compared with a decrease of 4.7 % YoY in the previous month. Kuwait's Domestic Credit Growth YoY data is updated monthly. It averaged 5.6 %, available from Jan 1995 to Mar 2020. The data reached an all-time high of 34.1 % in Jan 2008 and a record low of -7.7 % in May 2001.

In the latest reports, Kuwait's Domestic Credit reached 110.1 USD bn in Feb 2020. Money Supply M2 in Kuwait dropped 2.4 % YoY in Mar 2020. Kuwait's Foreign Exchange Reserves was measured at 37.9 USD bn in Jan 2020.

After an increase of 4.8% y/y in 2Q 19, domestic credit growth had edged down to 4.6% in August, but remained higher than July's reading of 4.2%. This slight slowdown was driven by a deceleration in lending to both businesses and households. Business credit grew 4.6% in August, while household credit (excluding securities lending) growth stood at 5.3% amid softer growth in housing loans.



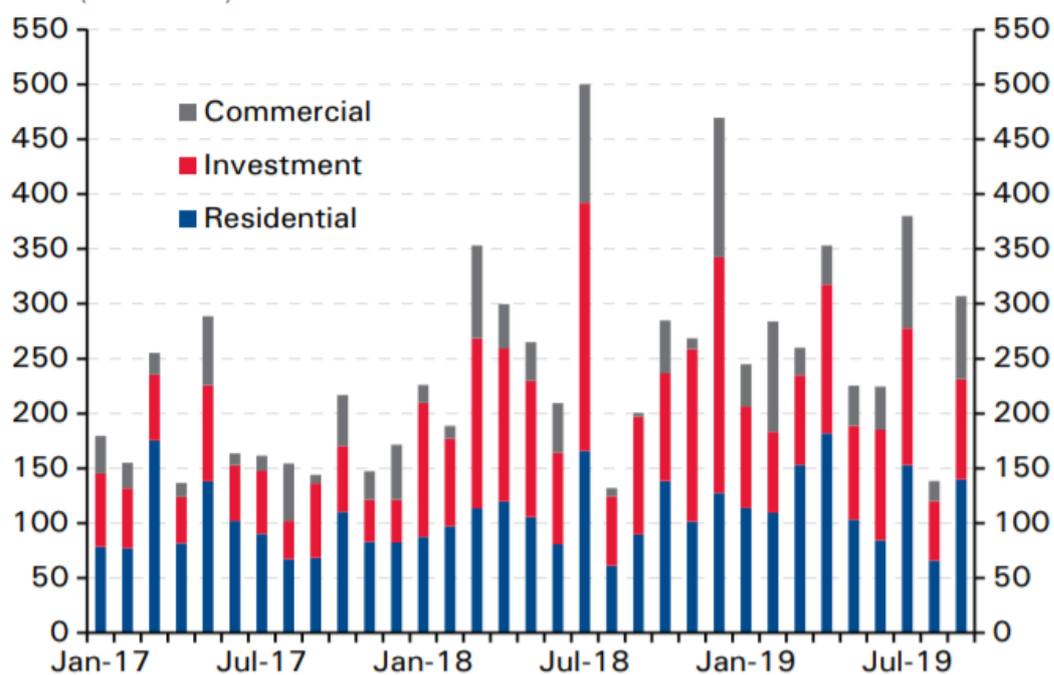
Source: Refinitiv / CBK / NBK

REAL ESTATE SECTOR

Real estate sales were strong in 3Q 19. Real estate sales rebounded in September to a solid KD307 million, up 53% y/y and more than double the sales recorded in August, which suffered from seasonal weakness. Stronger sales were driven by the residential and investment sectors, where transactions rose 85% and 75% m/m respectively. Looking back at the third quarter overall, sales totalled a solid KD825 million, down slightly from the same quarter last year (KD832 million) despite a rise in transaction volumes, likely due to lower investment sector prices.

Meanwhile trends in prices are mixed. Residential sector prices were stable in August and maintained strong yearly gains (19% land, 9% homes), while investment sector prices reverted to negative year-on year territory (-3% for buildings, -1% for apartments), despite a solid 7% rise in the apartment sub-sector in the three months to August. Investment building prices however have been on a clear downtrend, down 10% since May, possibly a lagged reaction to the same market pressures that previously weighed down on apartment prices, namely oversupply, persisting vacancies and declining rents.

Table (KD million)



Source: Ministry of Justice, NBK Kuwait Economic Brief Oct. 2019

	Dec-17	Dec-18	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Real estate sales (KD million)	171	470	380	139	307	210	233	331
Growth (12-month average, % y/y)	-6.9	56.1	15.6	16.8	18.2	13.1	7.5	-6.0
Real estate price indices:								
Residential homes	152	156	158	160	162	164	...	...
Residential plots	170	175	195	198	195	191	...	...
Investment buildings	182	195	177	177	176	183	...	...

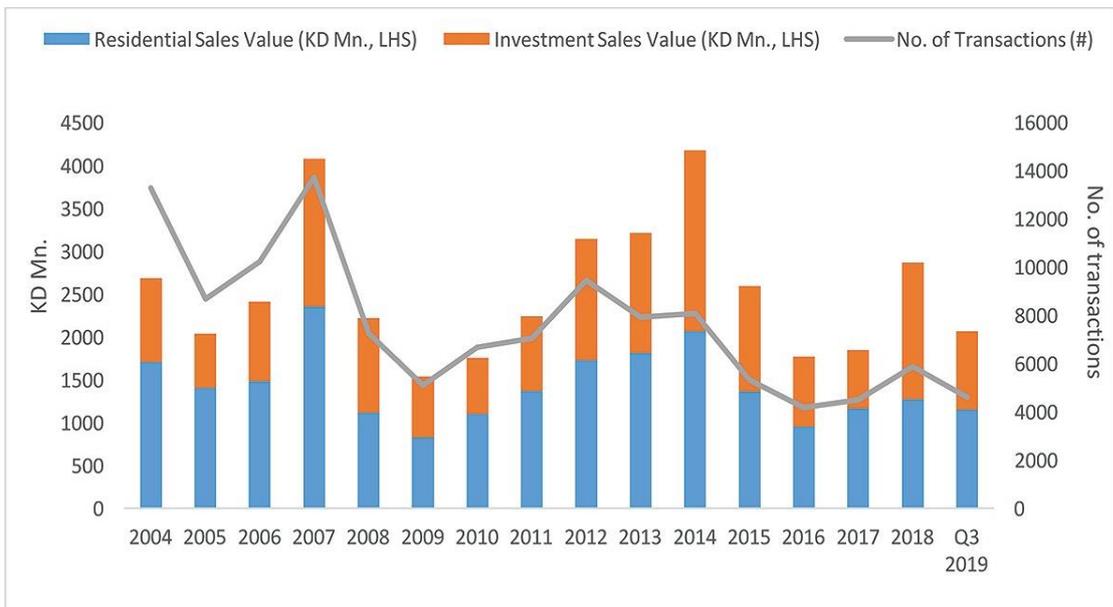
Source: Central Statistical Bureau, Ministry of Finance, Central Bank of Kuwait, ARA, NBK estimates

RESIDENTIAL, COMMERCIAL PROPERTIES

Statistics show that residential and commercial properties performed better than investment properties when it came to price levels and trade volumes.

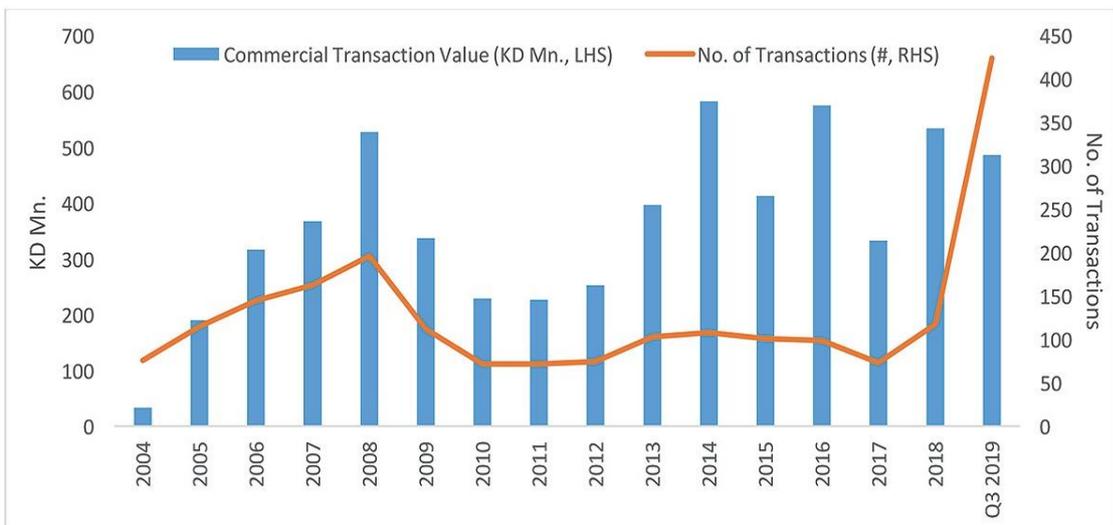
The landscape for industrial properties somewhat differs and is witnessing a growing demand for warehouses and industrial lands. Available statistics show a rise in the prices in the service and crafts sectors. However, it is not driven by the industry, but by traders who control the supply and its prices.

The residential segment accounts for the largest pie of the total real estate sector in Kuwait. There has been a huge demand in the residential segment owing to the increasing population. The reduction in the interest rate for housing loans also spurred demand.



Source: Kuwait Ministry of Justice

Commercial Transaction Value (KD Mn.) and No. of Transactions



Source: Kuwait Ministry of Justice

GOVERNMENT REGULATIONS AND DECISIONS – REAL ESTATE

Despite the disorganised nature of the real estate sector in Kuwait, the government of Kuwait holds a key position in stimulating growth within the market.

The overall outlook for investing in the real estate sector in Kuwait seems to be positive considering the increasing demand for real estate and the supportive attitude of the government to bridge the supply gap.

OIL AND NATURAL GAS SECTOR

Oil and natural gas represent the two main natural resources of the country and the main source of its income. As such, they have been a top priority for development projects implemented by the government which maintains a balance between production level and rationalisation of consumption.

At the onset of oil exportation, a new era for the country's economy began, in which the oil sector played an increasingly important role. This enabled the creation of the modern State of Kuwait. The tables below show the latest available statistics on oil and natural gas:



Refinery	Current capacity (b/d)	Planned capacity (b/d)
Mina al-Ahmadi	466,000	346,000
Mina Abdullah	270,000	454,000
Al-Shuaiba	200,000	0
Az-Zour	0	615,000
Total capacity	936,000	1,415,000

Table: Kuwait's refineries. Source: Oil & Gas Journal, Middle East Economic Survey, Arab Oil & Gas Directory

Table: Fact data for Kuwait covers 2018

Value of exports (million \$)	71,931
Value of petroleum exports (million \$)	58,393
Current account balance (million \$)	20,481
Proven crude oil reserves (million barrels)	101,500
Proven natural gas reserves (billion cu. m.)	1,784.0
Crude oil production * (1,000 b/d)	2,736.6
Marketed production of natural gas (million cu. m.)	17,737.8
Refinery capacity (1,000 b/cd)	736.0
Output of petroleum products (1,000 b/d)	891.3
Oil demand (1,000 b/d)	352.9
Crude oil exports (1,000 b/d)	2,050.0
Exports of petroleum products (1,000 b/d)	630.4

* including share of production from Neutral Zone

- b/d (barrels per day)
- cu. m. (cubic metres)
- b/cd (barrels per calendar day)

Source: [Annual Statistical Bulletin 2019](#)

GCC ECONOMIES

The Gulf Co-operation Council (GCC) was formed on 26th May 1981 to promote co-ordination between the member states of Saudi Arabia, Kuwait, Qatar, Oman, Bahrain and the United Arab Emirates, in order to achieve unity.

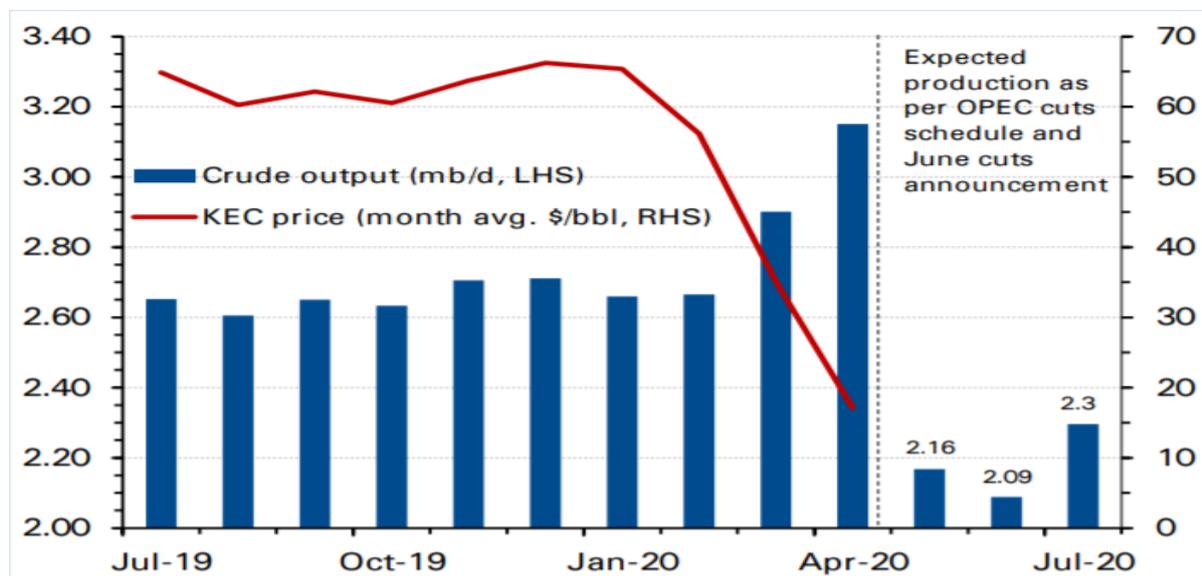
The GCC member states hold 45% of the world's proven petroleum reserves and account for 20% of the world's production and export of petroleum products. The region also holds 14% of the world's proven natural gas reserves. Endowed with such natural wealth, GCC member states have, over the years, created a modern physical and social structure and substantially raised the standard of living of their populations.

The economies of GCC member states are heavily dependent on oil prices. Oil prices are highly sensitive to economic as well as political developments around the world. Therefore, the heavy dependence of these member states on oil reserves has made their economies vulnerable to the volatility of oil prices.

OIL MARKET AND BUDGET DEVELOPMENTS

Kuwait is an economy dependent on oil revenues (oil revenues contributed ~45% of Kuwait's GDP in Q3 2019) and decline in oil prices is expected to have a longer-term impact on economic slowdown due to COVID-19 spread.

Kuwait's FY 2020 budget was forecast at USD 55 per barrel. However, a continued decline in oil prices could widen the fiscal deficit and challenge government's ability to spend on planned projects and also inhibit ability to take aggressive measures to prop up the economy, Specially with 70% drop in oil prices since the beginning of the year 2020.



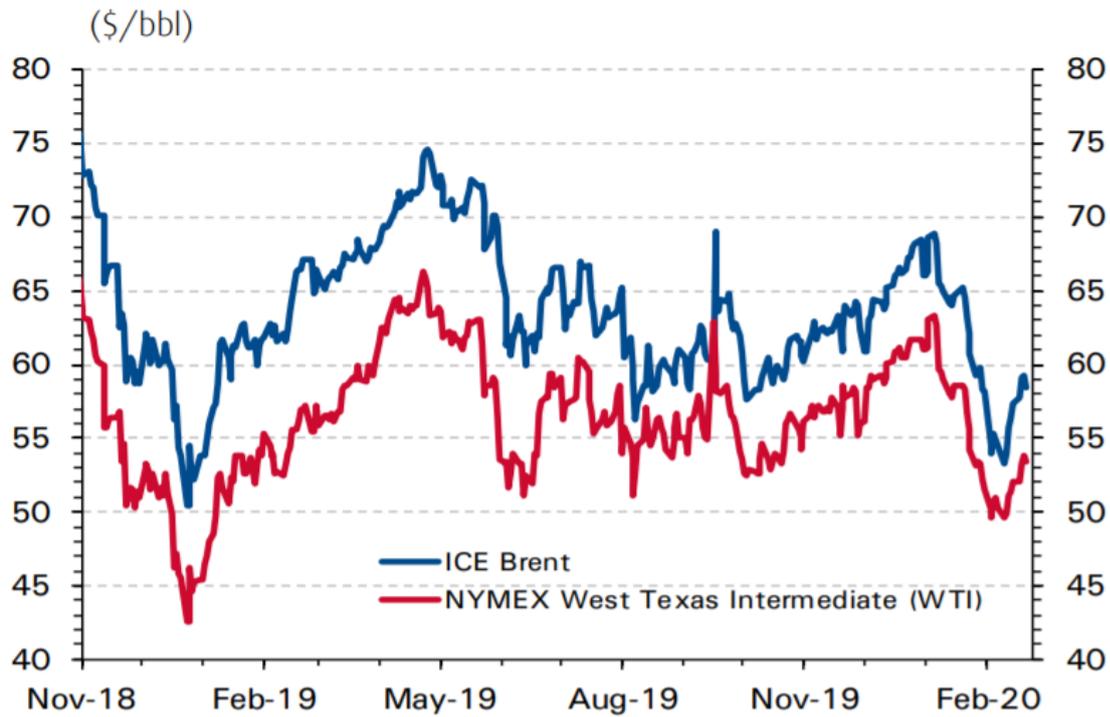
Kuwait crude oil production and price, Source: JODI, KPC and OPEC

Table: Oil production (000 barrels /day)

OIL SUPPLY OUTLOOK

Covid-19 caused global oil consumption to decline by unprecedented rate according to the IEA estimates. Oil price risks in 2020 are tilted slightly to the upside, with stock draws and resurgent demand likely in 2020.

The IEA slashes global oil demand growth projections by a third as the virus impacts Chinese energy demand and economic output, disrupts international travel and global supply chains.



Source: Refinitiv

GROSS DOMESTIC PRODUCT

Kuwait holds the world's sixth biggest proven reserves of oil. As such, the oil sector accounts for 40 percent of GDP, 90 percent of total exports and 80 percent of state revenues. The services sector constitutes 30 percent of the output. Within services the largest segments are: community, social and personal services (11 percent of GDP); real estate and financial and business services (9 percent) and wholesale, retail trade, restaurants and hotels (8 percent). Manufacturing contributes for 23 percent of wealth and construction while electricity, gas and water distribution for the remaining 7 percent.

Table: Gross Domestic Product (GDP) of Kuwait

Year	GDP Nominal (Current USD)	GDP Real (Inflation adj.)	GDP change	GDP per capita	Pop. change	Population
2017	\$120,126,277,613	\$138,762,386,602	-2.87%	\$34,211	2.51 %	4,056,099
2016	\$110,912,280,702	\$142,857,292,394	3.55%	\$36,104	3.16 %	3,956,875
2015	\$114,567,298,106	\$137,963,712,491	0.59%	\$35,969	3.92 %	3,835,591
2014	\$162,631,412,509	\$137,150,383,810	0.50%	\$37,159	4.67 %	3,690,941
2013	\$174,161,142,454	\$136,466,852,756	1.15%	\$38,699	5.30 %	3,526,376

Sources: World Bank - World Bank national accounts data, and OECD National Accounts data. World Population Prospects: The 2019 Revision - United Nations Population Division

As seen above, Nominal GDP has had a fluctuating decrease over the years, with the oil sector following the same pattern. However, the non-oil sector is predicted to increase over the years. On the other hand, Real GDP shows a fluctuating increase over the years, with the oil sector following the same pattern while the non-oil one is reducing. Lower inflations have also been registered over the displayed years.

3 – FOREIGN INVESTMENT

The Direct Foreign Capital Investment Law no 116 of 2013 under Kuwait Direct Investment Promotion Authority (KDIPA) granting investment incentives include:

- Foreign investors benefit to 100% of company ownership.
- Exemptions from customs duties.
- Reducing the lease rate for long periods of time of industrial schemes
- Avoidance of double taxation and benefits under bilateral treaties for the protection and encouragement of investment
- The law guarantees repatriation of profit and the invested capital.
- Tax exemption for up to 10 years.
- A percentage of non-Kuwaitis can be hired for the project.

EXCHANGE CONTROL AND CAPITAL RESTRICTION

There is no exchange control on foreign investment or any restriction on the movement of capital in Kuwait.

An Amiree decree (No. 20, 2000) was issued concerning the approval for non-Kuwaitis to own shares in Kuwait shareholding companies. Hence, foreign investors may own shares in existing companies or those which may be established in the future.

The internal by-laws for the indirect investment in securities have been issued according to the ministerial resolution (No. 205 2000), which outlines regulations for investment activity in shares for non-Kuwaitis. The opening of the Kuwaiti market to foreign investors is regarded as an assertive step towards the progression of the financial liberalisation policy.

REGULATORY FRAMEWORK

Kuwait's overall regulatory climate is largely defined by two key factors.

The first is the government sector's dominance of the economy. Accounting for over three-quarters of gross domestic product (GDP), the government sector is the largest potential source of business in the country and a profound influence on economic activity.

The second factor is that one of the essential aims of the government is to ensure the local population is involved in, and benefits from, commercial and economic developments in the country. As a result, many regulations require or encourage the involvement of Kuwaitis in any business venture.

While foreign investment has always been welcomed in Kuwait, the introduction of new laws in recent years has made it still more open to foreign capital and expertise.

Until recently, Kuwaitis were expected to maintain control of ventures involving foreigners, with non-Kuwaiti investors' stakes restricted to a maximum of 49 %. However, in early 2003, a new foreign direct investment (FDI) law (No. 8 2001) came into force, allowing for 100 % foreign ownership in a number of sectors.

The FDI also offers a number of tax breaks and other benefits in order to attract foreign investors. However, investors must satisfy a set of quotas regarding the employment of Kuwaiti nationals.

The current policy to promote FDI focuses on a number of sectors which can benefit most from foreign investment and expertise. These include infrastructure investment such as water, wastewater treatment, power and communications, investment in banks and other financial services, including investment services, currency exchange and insurance. Information technology and software developments are also promoted, as are investments in hospitals and pharmaceuticals.

Despite the new laws promoting foreign investment, non-Kuwaiti investors continue to be taxable for income generated in Kuwait according to law No. 3 1955. In the past, the highest tax bracket was a 55% tax on all earnings. However, law No. 2 of 2008 amended some provisions of the Kuwait Income Tax Decree No. 3 of 1955 (Chapter three, Article 9). Foreign companies are now taxable at flat tax rate of 15%. Industrial enterprises can apply for exemptions from various taxes and duties, including income tax and import duties on equipment and raw materials, under law No. 6 1965, when approved, these exception are valid for a period of up to ten years.

4 – SETTING UP A BUSINESS

EASE OF DOING BUSINESS IN KUWAIT

According to the latest World Bank annual ratings, Kuwait is ranked 83 among 190 economies in the ease of doing business, where the rank of Kuwait improved to 83 in 2019 from 97 in 2018.

Kuwaiti market attained an advanced ranking in many indicators of doing business among 190 economics as shown in the following figure:



Source: World Bank annual ratings

FORMS OF INVESTMENT IN KUWAIT

COMPANY INCORPORATION UNDER LAW 1/2016

As per law 1/2016, the company can take one of the following forms that may accommodate foreign investor

- Company with limited liability
- closed shareholding company
- holding company

COMPANY INCORPORATION UNDER DIRECT INVESTMENT LAW (KDIPA)

The Direct Foreign Capital Investment Law no 116 of 2013 under Kuwait Direct Investment Promotion Authority (KDIPA) grants investment incentives include:

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- Avoidance of double taxation and benefits under bilateral treaties for the protection and encouragement of investment
- The law guarantees repatriation of profit and the invested capital.
- Tax exemption for up to 10 years.
- A percentage of non-Kuwaitis can be hired for the project.

BRANCH OF GCC COMPANIES

If the foreign investor has established a GCC company such as UAE free-zone companies, this company can open a branch in Kuwait and obtain commercial license and act as GCC company with similar granted exemptions as similar as Kuwaiti company

AGENCY

The foreign investor can sign agency agreement with a Kuwaiti company to act as its agent in Kuwait

JOINT VENTURE

Joint venture can be established through Special Purpose Vehicle (SPV) with specific terms such as but not limited to operating specific project with limited lifetime

DIRECT INVESTMENT IN KUWAIT BOURSA

The foreign investor can open bank account with one of foreign banks in Kuwait or local bank who has branches abroad, then open an account with licensed brokerage companies, where they can exercise their right to trade in Kuwait Boursa (the official capital market in the state of Kuwait)

CORPORATE FINANCING

Foreign company may offer corporate financing tools for Kuwaiti companies subject to Central Bank of Kuwait instructions as well as Central bank regulation of the foreign country.

CROSS-BORDER FINANCIAL TRANSACTIONS

Foreign company may have financial transactions in Kuwait which shall be through one of licensed banks in Kuwait.

5 – LABOUR

In Kuwait, the labour laws in the public and private sectors are regulated by separate statutes.

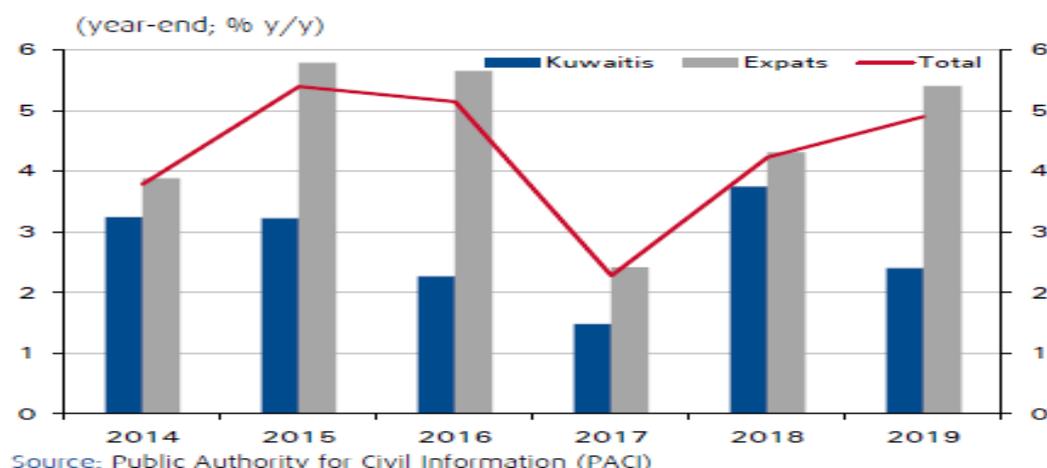
Labour laws in the private sector are enforced by the Ministry of Social Affairs & Labour (MSA&L). Employment-related matters for civil servants are regulated by the Labour Law for Government Employees.

In 1998, the labour force was estimated at 1.3 million workers, many of whom were not Kuwaiti nationals. In 2002, 93% of the domestic workforce was employed by the public sector, while foreign workers make up 94% of the private workforce.

The different demographics of the Kuwaiti and foreign populations have an impact on gender and age balances. Kuwait has a very youthful national population; only 57% of Kuwaiti citizens are aged 15–64. By contrast, 86% of the foreign population is aged 15–64. As a result, the foreign population is both larger and set to grow faster than the Kuwaiti population—more as a result of worker immigration than through natural growth. This means that the proportion of residents of Kuwait who are of working age will continue to increase.

As the size of the expatriate workforce increases, so will the gender imbalance of the population. Around 51% of Kuwaiti nationals are women. However, expatriate workers are predominantly male, meaning that 69% of non-Kuwaitis are men. Most of these will be in employment, which is usually a condition of their stay in the country.

Kuwait growth rate of local employment in Kuwait has declined slightly from 3.7% in 2018 to 2.4% in 2019 which was still reasonable. This was mainly supported by public sector hiring. While, according to official PACI data, growth in expatriate jobs, has increased from 4.3% in 2018 to 5.4% in 2019, driven by a pick-up in domestic workers (+15%). Excluding domestic workers, the sharp rise of which is unclear yet, expat employment growth slowed from 4.6% in 2018 to just 1.9% in 2019, led by a sharper decline in hiring activity in the public sector (-2.9%).



Law and Regulations

The employment in Kuwait is governed by the Kuwait Labour law in the Private Sector No. 6 of the year 2010 in the private and public sector enforced by the Ministry of Social Affairs and Labour (MSA&L), enforces labour regulation in the private sector, and another law No 28 of the year 1969 concerning Labour in the Oil Sector. However, provisions of the Kuwait Labour law in the Private Sector shall apply to the oil sector in respect of anything not provided for in the Kuwait Labour law in the Oil Sector or in the event where the text of this Law is more beneficial to the worker.

Work Contract Structure

The work contract shall be made in writing and contain, in particular, the signing and effective dates of the contract, the amount of remuneration, the term of the contract if it is for a specific period and the nature of work. The contract shall be made in three copies, one for each party and the third shall be lodged with the competent authority at the Ministry. In the event where the work contract is not established by means of a written document, it shall still be deemed to exist and the worker may, in such event, establish his rights by all means of evidence.

Probation period

The probation period of the worker shall be specified in the work contract, provided that it shall not exceed 100 working days. Either party may terminate the contract during the probation period without notice. In the event where the termination is made by the employer, he shall pay the worker's end of service benefit for the period of work in the accordance of the provisions of this Law. The worker shall not be on probation more than once for the same employer.

Remuneration

The remuneration means the basic payment the worker receives or should receive in consideration of his work in addition to all elements stipulated in the contract or the employer by-laws. Without prejudice to the social allowance and the children allowance granted by virtue of Law No. 19 of the year 2000, the remuneration shall include the payments made to the worker on periodic basis such as bonuses, benefits, allowances, grants, endowments or cash benefits.

Remunerations are paid during the working days in the country's currency, as follows:

- a- Workers with a monthly remuneration shall receive their remunerations at least once a month.
- b- Other workers shall receive their remunerations at least once every two weeks. Payment of remunerations shall not be delayed for more than seven days after the due date thereof.

Working Hours and weekends

The number of working hours is 48 hours per week or 8 hours a day, and Working hours during the month of Ramadan shall be equal to 36 hours per week.

Employment of Women

It is prohibited to employ women at night during the period from 10:00 at night to 7:00 in the morning. This excludes hospitals, sanatoriums, private treatment homes and establishments in respect of which a resolution by the Minister of Social Affairs and Labour shall be issued. The employer provides them with all security requirements as well as transportation means from and to the workplace. The working hours during the holy month of Ramadan shall be excluded from this statement.

Leave

The worker shall be entitled to a 30-day paid annual leave. However, the worker shall not be entitled to a leave for the first year of work except after at least 6 months of service for the employer. Official holidays and sick leaves during the year shall not be counted as annual leave. The worker shall have the right to accumulate his leave entitlements provided that they do not exceed two years and he shall be entitled to take his accumulated leave all at once subject to the approval of the employer.

6 – TAXATION

No personal income tax is applied in Kuwait. However, the following taxes are applied in Kuwait:

INCOME TAX

- Applied for foreign companies that are operating in Kuwait and generating income.
- The income tax equal 15% of the net profit that is generated from Kuwait operations.
- Tax registration shall take place within one month from commencement of operation in Kuwait.
- Income tax declaration shall be submitted on an annual basis within 3.5 months from the end of reporting period.
- Foreign companies may be exempted from income tax based on the tax treaty that is signed between Kuwait and the home country of the said company.
- Income tax declaration shall be audited by a licensed auditor and registered in the Ministry of finance.

ZAKAT

- Applied for all Kuwaiti shareholding companies.
- Zakat is a type of company's contribution to social accountability applying Islamic Shariaa rules.
- Zakat is calculated at 1% of the net profit.
- Zakat declaration shall be submitted on annual basis within 3.5 months from the end of reporting period.
- Zakat declaration shall be audited by licensed auditor and registered in the Ministry of finance.

NATIONAL LABOUR SUPPORT TAX (NLST)

- Applied for all Kuwaiti shareholding companies that listed in Kuwait Boursa.
- NLST are a type of corporate taxes where the government will support activities in employment of national labour in the private sector.
- NLST is calculated at 1% of the net profit.
- NLST declaration shall be submitted on an annual basis within 3.5 months from the end of reporting period.
- NLST declaration shall be audited by licensed auditor and registered in the Ministry of finance.

Moreover, financial institutions that are working and licensed in Kuwait have tax compliance obligations towards:

- Tax obligations related to FATCA agreement.
- Tax obligations related to CRS agreement.

7 – ACCOUNTING & REPORTING

The accounting regulations and disclosure regulations applicable to Kuwaiti companies are extensive and the following sections are only a brief summary.

ACCOUNTING STANDARDS	Financial statements of all business entities in the state of Kuwait must follow the International Financial Reporting Standards (IFRS) according to the Ministry of Commerce and Industry decision No. 110 of 1991.
ACCOUNTING REGULATION BODIES	Public Authority for Industry and Stock Exchange of Kuwait.
ACCOUNTING REPORTS	<p>It is mandatory for any business in Kuwait to prepare the following accounting books, which also must have an Arabic record:</p> <ul style="list-style-type: none"> - Sales Journal - Inventory - General Ledger - Expenditures Analysis Book <p>Financial Analysis yielding requires each company to prepare balance sheet and income statement reports, which will later be provided to the Ministry of Commerce and Industry for analysis purposes. This should be done no later than the next upcoming 3 months after the end of the fiscal year.</p>
PUBLICATION REQUIREMENTS	<p>Any company seeking to enter the stock market in Kuwait is required to provide accounting reports. Companies should have at least 2 years of audited accounting publications available in order to enrol into the stock market. The required accounting reports must show their structure and net profit. The Council of Directors of the Stock Exchange of Kuwait might request additional financial or otherwise company related information before providing their approval. Companies wishing to enrol must have provided all their publications no later than the next upcoming 3 months after the end of the fiscal year. Their periodical statements need to also be made available within the next 2 months after the end of the fiscal year.</p>
PROFESSIONAL ACCOUNTANCY BODIES	Association of Accountants and Auditors of Kuwait (in Arabic) and Directory of Accountants and Auditors in Kuwait.
CERTIFICATION AND AUDITING	Account control and certification approval need to be provided by an organization autonomous from the concerned company, certified and registered at the Ministry of Commerce and Industry. The process of certification and control of accounts are ruled by the Law No. 5 of 1981.

<p>PERIOD AND ACCOUNTS</p>	<p>Every Kuwaiti company registered under the Act is required to prepare a set of accounts that give a true and fair view of its profits or loss for the year and of its state of affairs at the year end. Annual accounts generally include:</p> <ul style="list-style-type: none"> • An audit report, • Statement of income, • A balance sheet, • A cash flow statement, and • Comprehensive notes to the accounts. <p>Most of those notes present in more detail the figures in the balance sheet and statement of income.</p>
<p>AUDIT REQUIREMENTS</p>	<p>A. Requirements to audit banks / companies subject to CBK:</p> <ul style="list-style-type: none"> ▪ Licensed auditors registered in the Ministry of Commerce and Industry. ▪ Approved by Central Bank of Kuwait. ▪ Banks shall appoint two auditors jointly. <p>B. Requirements to audit companies subject to CMA:</p> <ul style="list-style-type: none"> ▪ Licensed auditor registered in the Ministry of Commerce and industry. ▪ Licensed by Capital Markets Authority as per Book 5 of the executive regulations of CMA. ▪ Maximum consecutive four years for auditing a company, and can be re-appointed after two years. <p>C. Requirements to audit other companies</p> <ul style="list-style-type: none"> ▪ Licensed auditor registered in the Ministry of Commerce and industry. <p>D. Requirements to review tax declaration</p> <ul style="list-style-type: none"> ▪ Licensed auditor registered in the Ministry of Commerce and industry. ▪ Registered in the Ministry of Finance.

8 – UHY REPRESENTATION IN KUWAIT

CONTACT DETAILS

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Number of partners: 4
Total staff: 15

CONTACTS

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BRIEF DESCRIPTION OF FIRM

UHY Pillars is an independent member firm of UHY International. It is a professional accounting, audit and consulting firm established by experts and highly qualified partners with a very long track record of success stories. It focuses on delivering high standard advisory services, backed by the ability to provide solutions for complex situations for small and medium size companies. In addition, UHY Pillars offers a customized approach to our services that's based on the clients' needs, combining in-depth industry knowledge and a longstanding commitment to growing companies.

SERVICE AREAS

Our service areas include Assurance & Tax, Accounting & Bookkeeping, Transaction Support Services, Management Advisory, Risk & Internal Audit, Family Business and Charitable & Waqf Consulting.

PRINCIPAL OPERATING SECTORS

We have primarily operated in Not-for-profit, Real-estate, Retail, Medical, Contracting and Healthcare sectors.

LANGUAGES

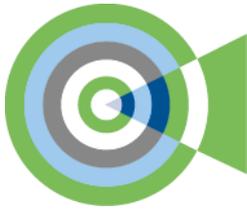
Arabic, English

BRIEF HISTORY OF FIRM

UHY Pillars had been established in 2013 in the State of Kuwait as Pillars business advisory by Mr. Wael Arafa. At a later stage we added other services within the auditing, financial advisory and accounting systems consultancy field. We also partnered ourselves with the UHY International network to enable us to offer the international support our clients needed. At that point we become UHY Pillars.



The network
for doing
business



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