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BUSINESS ENVIRONMENT

THE CONSUMER

Consumer Profile

With a GDP per capita based on PPP of Int\$ 41,510 (IMF, 2021) and a median age of 29.7 years (CIA World Factbook, 2020 est.), the average Kuwaiti consumer is one of the wealthiest worldwide and is around the same age as the average consumer in most other GCC countries. Kuwaiti nationals comprise only a third of the population and there are significant income disparities among expatriates depending on their origin (Western, Arab, East Asian) and position in the job market. Kuwaiti consumer is a city-dweller (Kuwait being one of the first most urbanised countries in the world with a rate of 100% - World Bank, 2019 latest data available). They are also avid online shoppers with 2.4 million individuals (out of 4 million) already using e-commerce services.

Consumer Behaviour

Kuwaitis see their purchasing power fluctuate with oil prices. Ever since the 2016 collapse, consumer spending has been constantly growing reaching a 5.4% annual growth in 2018 (World Bank, latest data available). However, the COVID-19 pandemic has harmed consumer spending, leading to months of decrease. It is in 3Q20 that consumer spending started increasing again due to the pent-up demand for consumption. Since October 2020 the initial boost was quickly replaced by consumers' doubts concerning the recovery of the economy and the labour market. (National Bank of Kuwait, 2020). Less affluent consumers are also concerned with a possible decline in government subsidies, from which they have benefited over the last years.

Consumers Associations

[Consumer Protection Directorate \(Ministry of Commerce and Industry\)](#)

IMPORTING & DISTRIBUTING

Import Procedures

Importers apply for import licenses from the Ministry of Commerce and Industry and must be registered with the Kuwait Chamber of Commerce and Industry (KCCI). Licenses are valid for one year, are renewable, and allow for multiple shipments. Import licenses for industrial machinery and spare parts are also required, which are issued by the Industrial Development Commission of the Ministry of Commerce and Industry.

These documents are needed to import products to Kuwait:

- Certificate of origin

- An invoice
- A packing list
- A Bill of lading

Some goods may require a license or additional documentation.

Only the local agent is authorised to clear items at Kuwait Customs by showing an official letter of representation as well as a letter by the end-user.

For further information, visit this [website](#).

Distribution market players

The distribution system in Kuwait is divided between shopping centres, foreign markets and supermarket chains. There are two types of distribution networks:

- the cooperative network: each residential zone has a cooperative society comprising a set of services and a supermarket. Most of these supermarkets are run by the [Union of Consumers Cooperative Societies](#).
- the private network: several private actors dominate the market, including [Carrefour](#), [Sultan Center](#), [Oncost](#) and [Lulu Hypermarket](#)

OPERATING A BUSINESS

Type of companies

Shareholding company

Number of partners: Minimum 5 partners, with no maximum.

Capital (max/min): The minimum capital for a Closed Shareholding Company is KWD 10,000 and for a Public Shareholding Company KWD 25,000.

Shareholders and liability: Partners' liability is limited to the amount contributed.

Limited Liability Company

Number of partners: Minimum 2 partners.

Capital (max/min): KWD 1,000 minimum capital.

Shareholders and liability: Partners' liability is limited to the amount contributed.

Joint Venture (majority owned by a Kuwaiti)

Number of partners: Minimum 2 partners. Maximum 30 partners.

Capital (max/min): Minimum capital of KWD 7,000. 51% of the capital must be Kuwaiti.

Shareholders and liability: Partners' liability is limited to the amount contributed.

General Partnership

Number of partners: Minimum 2 partners.

Capital (max/min): KWD 1,000 minimum capital.

Shareholders and liability: Partners' liability is limited to the amount contributed.

Limited Partnership

Number of partners: Minimum 2 partners. Two types of partners: dormant partners and active partners.

Capital (max/min): KWD 1,000 minimum capital.

Shareholders and liability: Liability of active partners is unlimited. The liability of dormant partners is limited to the amount contributed.

Setting Up a Company	Kuwait	Middle East & North Africa
Procedures (number)	5.0	6.3
Time (days)	19.4	19.5

Source: Doing Business - Latest available data.

Cost of Labour

Minimum Wage

According to the ILO, the minimum wage was KWD 75 per month in 2019 for the private and oil sector (latest available data).

Average Wage

In Kuwait, the average wage fluctuates significantly between different sectors of activity but also between workers of Kuwaiti nationality and expatriates.

The ILO does not have data on the average wage in Kuwait.

The average salary is estimated at 1,761 KWD per month in 2019 (according to surveys done by various companies, latest data available).

Social Contributions

Social Security Contributions Paid By Employers: 11.5% of salaries. For the foreign labor, there is no obligation of employer contribution.

Social Security Contributions Paid By Employees: 10.5% of the gross wage for Kuwaiti workers.

Intellectual Property

National Organisations

In Kuwait, patents and trademarks must be registered in the Trademark Control and Patents Office in the Ministry of Trade and Industry (MCI). You can contact the Office [by Email](#).

Regional Organisations

None.

International Membership

[Member of the WIPO](#) (World Intellectual Property Organization)

[Signatory to the Paris Convention](#) For the Protection of Intellectual Property

TAX RATES

Consumption Taxes

Nature of the Tax

Kuwait is required to introduce a VAT regime under a common decision that applies to all Gulf Cooperation Council member countries. Nonetheless, the National Assembly of Kuwait unilaterally decided to postpone the introduction of VAT until 2023, but it has not been implemented yet.

Tax Rate

5% (when VAT will be implemented)

Reduced Tax Rate

Not applicable

Other Consumption Taxes

The National Assembly of Kuwait decided, in May 2018, to accelerate the phasing-in process of excise duties on certain products including tobacco products, energy drinks and carbonated beverages; however, the exact date is yet to be determined.

Corporate Taxes

Company Tax

15%

Tax Rate For Foreign Companies

Income Tax only applies to foreign companies that are not registered with any Gulf Cooperation Council (GCC) countries. The taxable presence of a company is determined by whether it runs a business in Kuwait.

Capital Gains Taxation

Capital gains on the sale of assets and shares are considered ordinary income and subject to the standard tax rate of 15%. Exemptions are available for profits generated from dealing in securities on the Kuwait stock exchange.

Main Allowable Deductions and Tax Credits

Documented expenses incurred to generate or maintain an income are generally deductible. Amortisation of tangible and intangible assets is tax-deductible at rates ranging from 4% to 33.33%. Goodwill cannot be amortised for tax purposes.

Start-up fees incurred before the signing of a contract are not eligible for a deduction. Interest charges are only deductible if they relate to transactions in Kuwait and are paid to a local bank.

Bad debts may be deducted if they relate to transactions in Kuwait and a final decision is made by a court of competent jurisdiction over the dispute.

Donations to recognised Kuwaiti charitable organisations are deductible.

Head office expenses are deductible up to 1.5% of income earned in Kuwait after deducting any share of subcontractors. Payments made by the head office to foreign subsidiaries for the supply of goods, design costs and consulting services are also deductible. Provided certain conditions are met, subcontract costs can be deducted.

Tax losses can be carried forward for up to three years. The carryforward of losses is prohibited in the following cases: 1) the tax return does not include any income earned in Kuwait; 2) change in the legal structure of the company; 3) the merger of the company with another entity; 4) liquidation or disposal of the business in Kuwait. The carryback of losses is prohibited.

Other Corporate Taxes

Social security contributions payable by the employer amount to 11.5% of salary (capped at KWD 2,750 per month). Employers are not required to contribute to the social security scheme for their expatriate employees. Publicly-traded corporations pay an employment support tax of 2.5% of their net profits to support employment in the private sector.

Kuwaiti joint-stock companies (listed and unlisted) pay 1% of their net profit to pay the Zakat (religious tax) or contribute to the state budget. They are also liable for a tax equal to 1% of their profit (after the transfer of reserve funds and carryforward of tax losses) to finance the Kuwait Foundation for the Advancement of Sciences. Payments from a contractor/subcontractor that are yet to settle their tax liabilities with Kuwaiti authorities and obtain a certificate should be withheld at a rate of 5%.

No property or transfer taxes are levied in Kuwait.

Other Domestic Resources

[Consult Doing Business Website](#), to obtain a summary of the taxes and mandatory contributions.

Double Taxation Treaties

Countries With Whom a Double Taxation Treaty Have Been Signed

[List of countries having a fiscal agreement with Kuwait.](#)

Withholding Taxes

Dividends: 0%, Interest: 0%, Royalties: 0%

These incomes are treated as ordinary business incomes.

