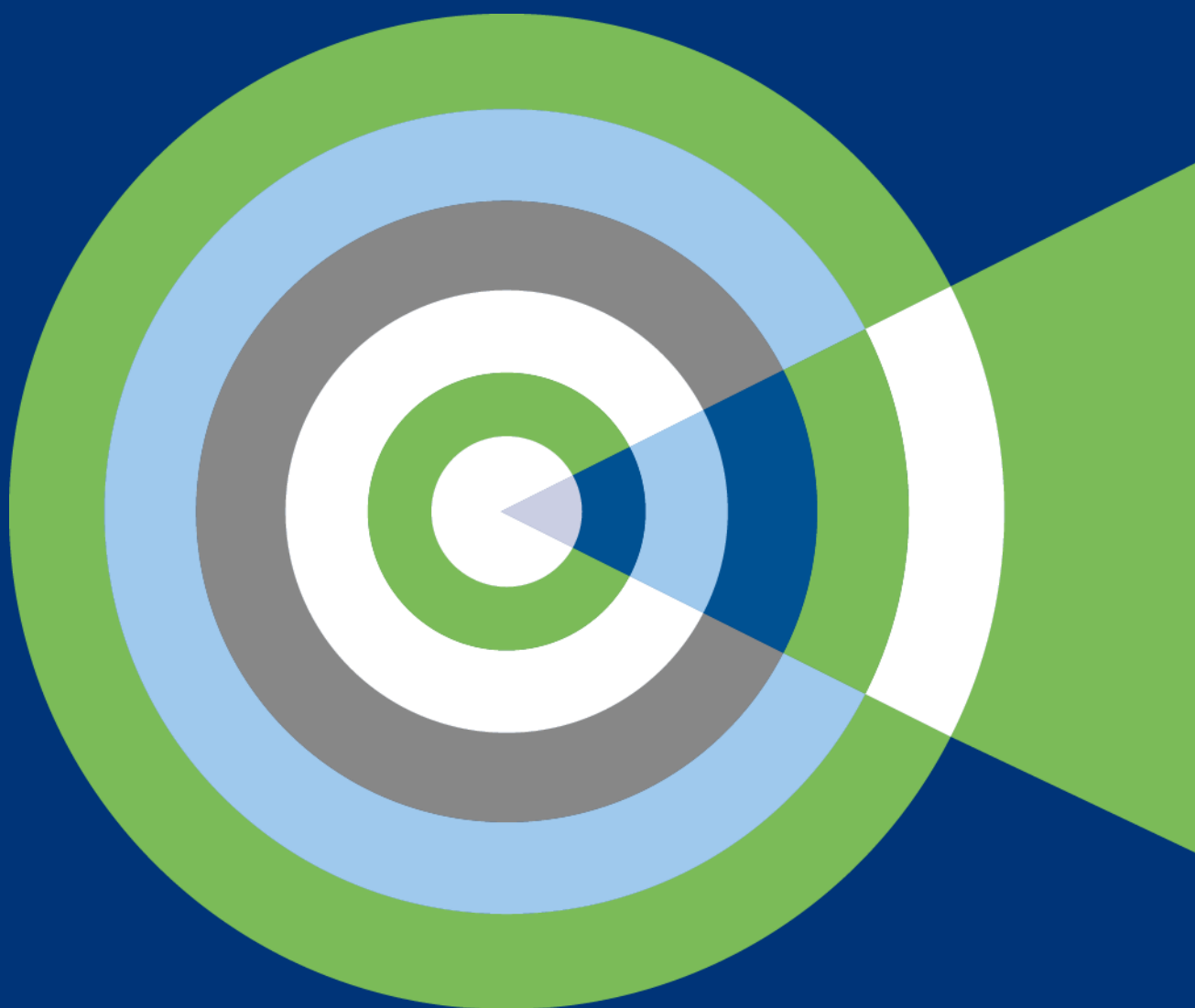


DOING BUSINESS

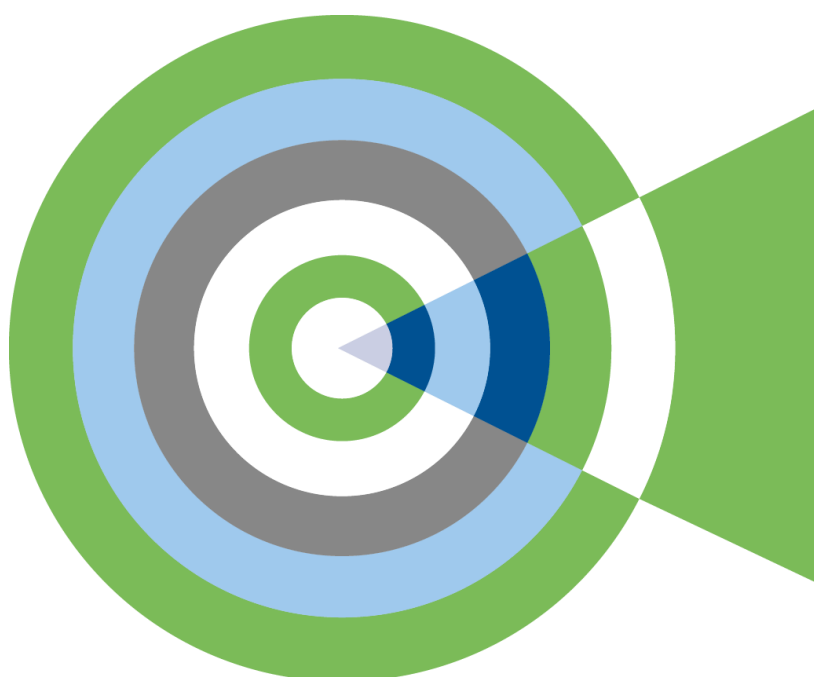
IN KUWAIT



The network
for doing
business

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1 – INTRODUCTION

UHY is an international organisation providing accountancy, business management and consultancy services through financial business centres in over 80 countries throughout the world.

Business partners work together through 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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A detailed firm profile for UHY's representation in Kuwait can be found in section 8.

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 June 2012.

We look forward to helping you do business in Kuwait.

2 – BUSINESS ENVIRONMENT

GEO-POLITICAL SITUATION

The state of Kuwait is situated in the north-western corner of the Arabian Gulf. 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).

Kuwait covers an area of 17,818 square kilometres of mostly flat desert and is bordered by Saudi Arabia and Iraq. Kuwait also shares a maritime border with Iran.

Kuwait is 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.

THE ECONOMY

BANK AND EXCHANGE RATES

The average rates offered on Kuwaiti dinar (KWD) private deposits remained unchanged in December 2011.

Interbank rates fell 4–7 basis points across maturities in 2011 as banks remained awash with liquidity. The one-, three-, six- and 12-month rates averaged 0.82%, 1.05%, 1.3% and 1.54% respectively.

Through 2011, the Kuwaiti dinar, tied to a basket of currencies dominated by the US dollar (USD), appreciated by 1% versus the US dollar. The dinar averaged USD 3.62 over the year, versus USD 3.49 in 2010. The dinar's appreciation against the euro was larger.

CONSUMER SECTOR

The economic performance of the country remains mixed, with large trade and fiscal surpluses on the back of high oil prices set against sluggish growth in the non-oil economy.

Non-oil growth is likely to be steady at 4%, a rate below the regional average. The economy is being held back by structural flaws and a slow execution pace in government investment and projects.

The consumer sector is the main bright spot, with government sectors also providing core support for the non-oil economy.

Employment was up 3% in 2011 (70% of which was in the private sector). Government wages and salaries spending rose 22% in the first 11 months of the fiscal year 2011/12. Recent public sector strikes met with generous pay increments of up to 25%.

TABLE 1

Kuwait gross domestic product (GDP) % change year-on-year (y/y), Source: Ministry of Planning/National Bank of Kuwait (NBK) estimates and forecasts

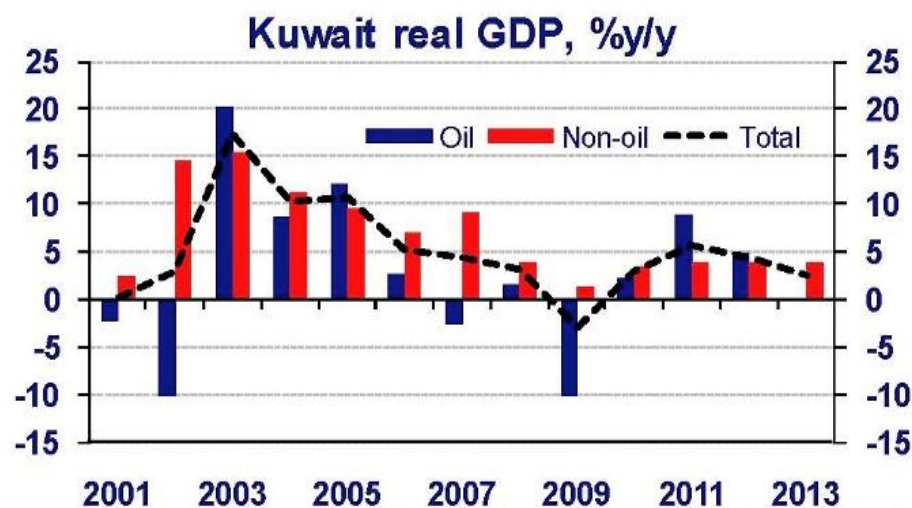


TABLE 2

Kuwait macroeconomic forecasts

	UNIT	2011 ESTIMATE	2012 FORECAST	2013 FORECAST
Real GDP	% y/y	5.7	4.4	2.6
– oil	% y/y	9.0	5.0	0.0
– non-oil	% y/y	4.0	4.0	4.0
Nominal GDP	USD billion	167	182	198
CPI	% y/y	4.7	4.0	4.0
Budget balance	% GDP	24.0	20.0	18.0
Brent oil price	USD per barrel (pb)	110.2	110.0	120.0

GOVERNMENT SPENDING

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

‘Demand-impacting’ spending (which excludes items such as inter-governmental transfers, transfers abroad and fuel subsidies) rose by an average of 14% per year over the past two years. But the latest data shows capital spending so far in 2011/2012 lagging the pace of recent years.

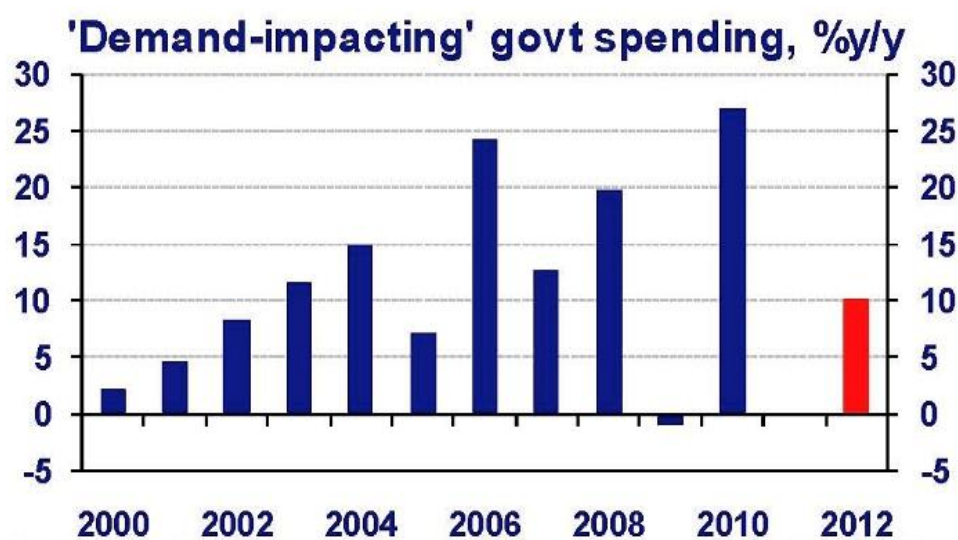
Implementation of the government’s USD 110 billion four-year development plan (which includes power, transport, oil, education, health and other infrastructure upgrades) has been sluggish. Spending was just 62% of that planned in year one and the proratable spending rate slipped further in the first half of year two.

TABLE 3

Development plan spending targets/achievement, Source: Various/NBK calculations

	PLANNED FULL YEAR (FY) SPENDING (USD BILLION)	ACTUAL 6 MONTH SPENDING (USD BILLION)	ACTUAL FULL-YEAR SPENDING (USD BILLION)
Year 1 (2010/11)	18.3	3.3 (18% of FY planned)	11.3 (62% of FY planned)
Year 2 (2011/12)	19.9	3.4 (17% of FY planned)	-
Year 3 (2012/13)	20.7	-	-

TABLE 4



The private sector's contribution to the plan (half of the planned spending) has yet to take off. Public-private partnership (PPP) projects were slowed by unfamiliar bidding procedures and administrative delays.

CREDIT GROWTH

Credit growth remains weak outside the consumer sector. Money supply growth has fallen back after the temporary boost provided by government injections last year.

A February 2011 Amiri grant worth USD 3,600 per Kuwaiti added 15% to the Kuwait M1 Money Stock. There was also a strong acceleration in consumer lending last year, but lending to other sectors remains modest.

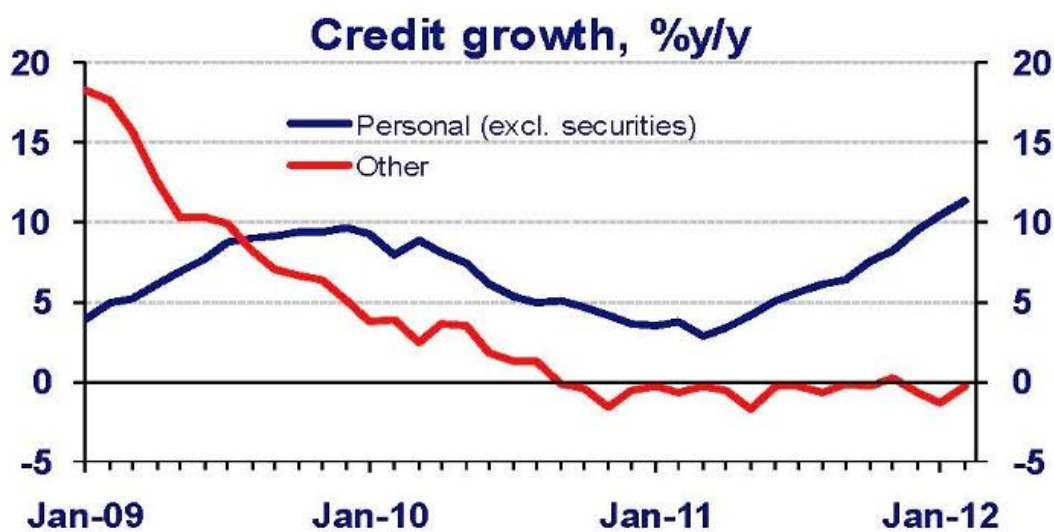
This mostly reflects weakness in demand, including a deleveraging in ailing investment companies and subdued corporate investment due to delays in implementing government projects.

Policy interest rates remain negative in real terms (the real official lending rate is -1.3%), but have proved of limited effectiveness in stimulating demand.

TABLE 5



TABLE 6



REAL ESTATE SECTOR

There were strong real estate sales at the start of 2012. Sales activity picked up in January and totalled KWD 318 million in value, a 64% increase year-on-year. The sales revenue was the third best level on record. All three sectors of real estate saw big increases, with the residential sector accounting for 54% of total sales. The upswing in sales should persist for the year, though perhaps with less impetus.

Residential sector sales were KWD 170 million for January, a 40% year-on-year rise. A major contributor to this increase was the high number of transactions concluded, totalling 806 transactions – a four year peak for the sector. The majority of these transactions (71%) were for plots of land, as opposed to finished homes. Residential sales should continue to do well in the near future, as it appears they are backed with solid demand.

The investment sector (mainly apartments and buildings intended for rental) saw KWD 127 million in transactions for January 2012, a little more than double the amount of the previous January. This large revenue was supported by a higher average transaction size, compared with 2011. Although the investment sector has mostly trailed the residential one in terms of monthly sales value, it continues to be a major factor in the recovery of the real estate sector as investors look for income property and investment alternatives.

The commercial sector recorded 8 transactions in January. They totalled KWD 20.5 million in value, an increase of KWD 11.5 million from last January. Month to month volatility in both monetary value and the number of transactions is common in this sector.

TABLE 7
Real Estate Sales

	MONTHLY AVERAGE 2010	MONTHLY AVERAGE 2011	NOV 2011	DEC 2011	JAN 2012	% M/M	% Y/Y
Sales Values (KWD million)	166.1	224.6	137.6	160.8	318.1	97.8	64.3
Residential property	91.7	121.1	87.8	87.5	170.3	94.7	40.3
Apartments	54.4	82.9	48.4	61.3	127.3	107.5	101.2
Commercial	20.0	20.5	1.4	12.0	20.5	70.7	127.8
No. of Transactions	561	624.8	531	593	980	65.3	83.9
Residential property	425	493.7	440	486	806	65.8	104.6
Apartments	130	124.3	89	103	166	61.2	24.8
Commercial	6	6.8	2	4	8	100.0	33.3
Av. Transaction size (KWD thousand)	302.2	369.7	259.2	271.2	324.6	19.7	-10.7
Residential property	215.8	250.8	199.5	180.0	211.3	17.4	-31.4
Apartments	437.4	685.6	544.2	595.6	766.8	28.7	61.2
Commercial	3295.2	2809.2	710.0	3000.8	2560.8	-14.7	70.8

The Savings and Credit Bank (SCB) approved 298 housing loans totalling KWD 16.2 million. Of these loans, 59% will go into financing new house construction while 31% will be used to purchase existing homes. Additionally, KWD 10.1 million of loans were disbursed by the SCB in January, a 22% year-on-year increase.

With a strong start for the real estate sector in January 2012, the pick-up in activity should be sustained through the year.

TABLE 8

Savings and Credit Bank (SCB) Housing Loans, Source: Ministry of Justice and Savings, SCB

	MONTHLY AVERAGE 2010	MONTHLY AVERAGE 2011	NOV 2011	DEC 2011	JAN 2012	% M/M	% Y/Y
Value of approved loans (KWD million)	7.8	9.8	9.3	12.2	16.2	33.4	112.3
New construction	2.3	4.9	5.3	6.7	9.6	44.5	305.9
Purchase of existing homes	3.9	3.1	2.4	3.2	5.0	57.6	47.4
Additions, Renovations	1.6	1.8	1.6	2.3	1.6	-31.4	-15.1
No. of approved loans	265	220.25	197	264	264	298	12.9
New construction	44	74.5	77	99	99	141	42.4
Purchase of existing homes	83	61.25	48	59	59	84	42.4
Additions, Renovations	138	84.5	72	106	106	73	-31.1
Value of disbursed loans (KWD million)	11.4	8.3	7.1	10.1	10.1	10.9	7.5
New construction	5.9	4.3	3.7	5.0	5.0	6.7	33.0
Purchase of existing homes	3.7	2.5	2.2	3.2	3.2	2.5	-20.5
Additions, Renovations	1.7	1.5	1.2	1.9	1.9	1.7	-13.0

TABLE 9

Chart 1: Share of Real Estate Segments

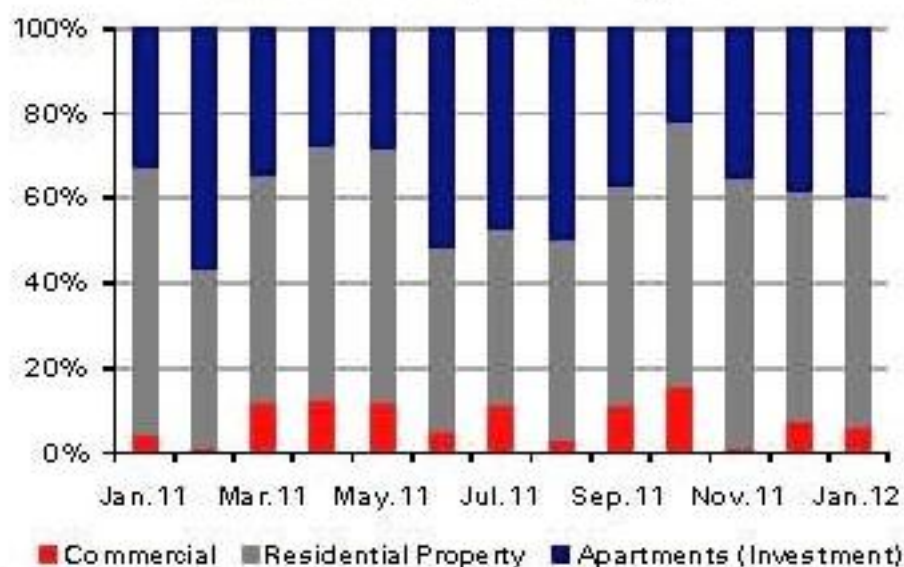


TABLE 10

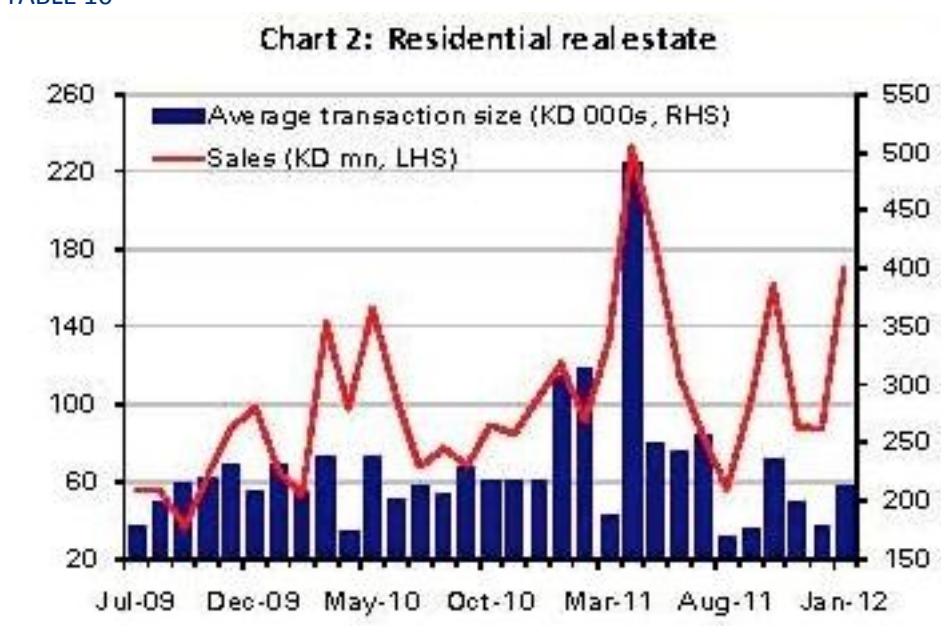


TABLE 11



TABLE 12

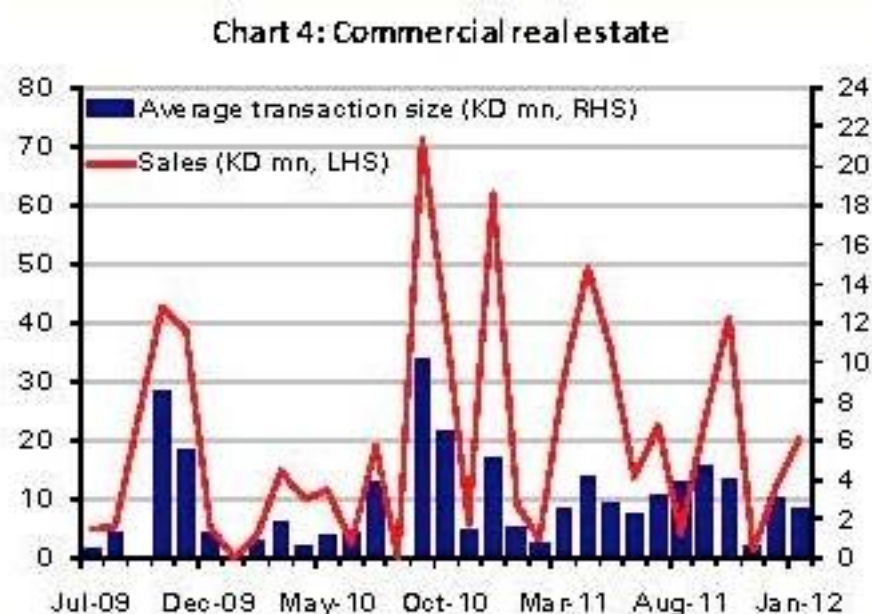
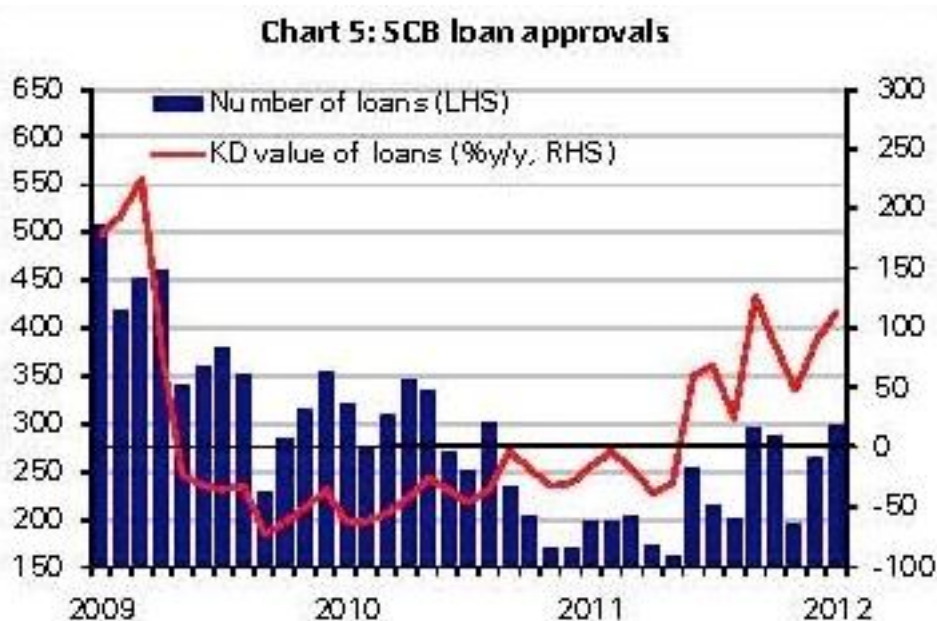


TABLE 13



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. One of the key decisions leading to increased real estate activity is the increase in permits for taller building structures. This has attracted more investors, since the addition of extra floors means more income for the same plot of land.

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 production, refined products, exports by regional groups of importing countries and locally consumed oil products. These statistics should be of great benefit for researchers in this important field.

TABLE 14

Exported crude oil by regional groups of importing countries

GROUPS OF COUNTRIES	2002	2003	2004	*2006	2007
North America	39,876	60,108	65,558	45,855	40,850
South America	-	-	-	-	-
Western Europe	32,686	39,559	44,535	49,189	39,792
Middle East	-	3,132	-	-	-
Asia & The Far East	282,306	350,075	401,323	514,722	491,757
Africa	1,504	-	4,765	16,920	15,953
Oceanic	1,252	770	1,658	2,076	-
Other Countries	-	-	-	252	296

* Data for 2005 not available

TABLE 15

Production of crude oil & natural gas & export of crude oil & refined products

YEAR	EXPORTS REFINED PRODUCTS (000B)	EXPORTS CRUDE OIL (000B)	PRODUCTION OF NATURAL GAS (MILLION CUBIC FEET)	PRODUCTION OF CRUDE OIL (000B)
2001	214,456	453,455	372,391	710,669
2002	230,792	357,423	333,963	637,241
2003	252,930	453,091	389,122	769,280
2004	245,090	521,787	418,828	837,655
2005	-	-	469,638	939,276
2006	248,977	629,014	482,626	965,237
2007	275,883	588,648	469,874	939,745
2008	258,760	636,345	489,718	979,436
2009	281,292	492,168	412,744	825,485
2010	-	-	421,963	843,925

- Data not available

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

Crude prices rebounded from mid-December lows on fears that Iran could disrupt the oil trade through the Strait of Hormuz. In euro terms, oil prices are now close to or above their mid-2008 highs.

Oil supplies are set for a decent-sized increase this year, partly driven by an increase in OPEC natural gas liquids (NGLs). This should lead to an easing in previously tight oil-market fundamentals.

An average oil price of USD 104–107 per barrel (pb) would yield a budget surplus of KWD 9–11 billion for Kuwait in 2011/12, following a KWD 5 billion surplus last year.

OIL PRICES

After dipping in mid-December, crude oil prices bounced back in early January, with some blends hitting fresh eight-month highs. From a December 19th low of USD 101.9pb, the price of Kuwait Export Crude (KEC) climbed USD 11 to USD 112.8 three weeks later. Brent crude rose by a similar amount to USD 114.5. Meanwhile, the price of West Texas Intermediate (WTI) – whose discount to Brent has narrowed by two-thirds in recent months – climbed USD 10 to USD 103.2

Overall, 2011 was a record year for oil prices. Brent averaged USD 111.2pb, its highest ever and representing a 40% increase on 2010. WTI – which traded at a heavy discount to Brent for much of the year – saw a smaller rise of 19%, averaging USD 94.9. KEC averaged USD 105.5, up 38% on 2010. Despite reaching these record levels, prices stood well off their intra-year highs of USD 140 and those seen in mid-2008.

The rebound in prices in early January owed much to the ramping-up of tensions between the international community and Iran. The latter has threatened to disrupt oil travelling through the Strait of Hormuz, which accounts for as much as 17 million barrels per day (mbpd) or 40% of all seaborne-traded crude, as well as all of Qatar's liquefied natural gas (LNG). Analysts are divided over the impact – and duration – of such an event on oil prices. But since most of the region's hydrocarbon exports travel east, any disruptions would most likely be felt in the physical markets of Asia.

It is also worth noting that the climb came despite a sharp increase in the value of the US dollar against the euro, which would normally be bearish for crude. The greenback has appreciated 5% against the euro since the end of November, partly on selling of the Euro zone's currency in the so-called 'carry trade'. Little noticed, this has pushed euro-denominated oil prices for some blends above their mid-2008 highs.

OIL DEMAND OUTLOOK

Large divisions have emerged among analysts over the outlook for global oil demand as well as over what actually happened last year. Although the latter is backward looking, it still has implications for oil balances and overall market tightness. At one end, the Centre for Global Energy Studies (GCES) is pessimistic, estimating oil demand growth of just 0.6mbpd (0.6%) in 2011 and 0.7mbpd (0.8%) for 2012, based upon economic weakness in the developed world and a sharp slowdown in Chinese growth. Other institutions see oil demand growth of more than 1mbpd in both years.

Both OPEC and the International Energy Agency sit somewhere in the middle, expecting growth last year of 0.7–0.9mbpd followed by a stronger 1.1–1.3mbpd in 2012. More forecasters emphasise the possibility of slower demand growth if, for example, the US economy were to turn out weaker than expected or were the situation in the Euro zone to deteriorate further.

OIL SUPPLY OUTLOOK

Crude oil output of the OPEC-11 (ie excluding Iraq) jumped by more than 500,000 bpd in November to 27.69mbpd. The rise was mainly due to the continued surge in Libyan output, which rose by 222,000 bpd to 0.57mbpd. This is still well short of its 1.6mbpd pre-war level, although output is said to have reached 1mbpd since November and full production is expected to be restored by mid-year. Other large increases were seen in Nigeria (+83,000 bpd) and Saudi Arabia (+175,000 bpd), the former a rebound from the effects of pipeline sabotage a month earlier.

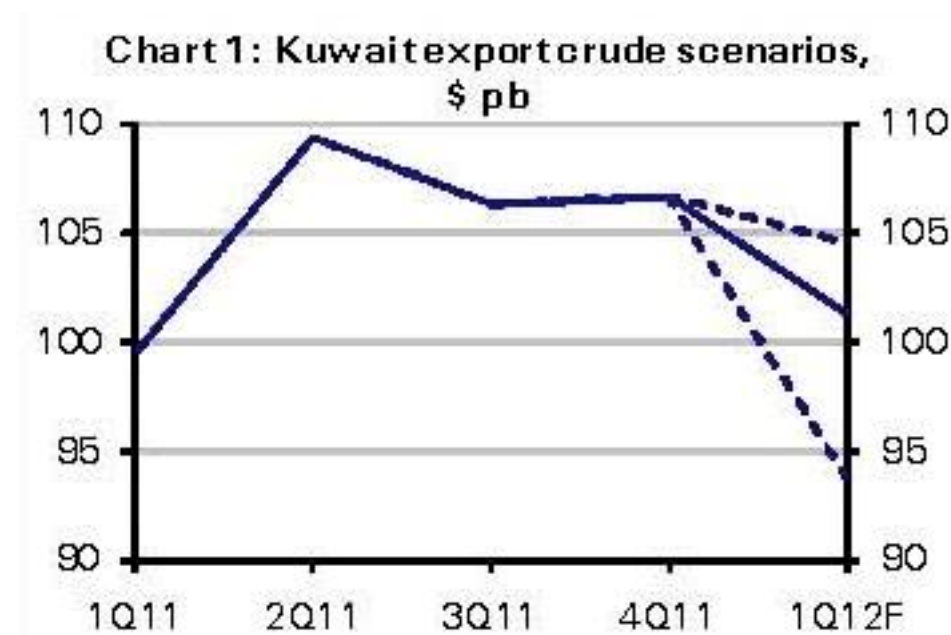
At its meeting in December, OPEC agreed to set total production at 30mbpd (including Iraq), down from a reported 30.4mbpd in November. But it avoided imposing potentially awkward country quotas, in a likely attempt to restore unity after its acrimonious meeting in June. With Libyan output returning, the latest production target could imply cuts in production from those countries (largely in the GCC) which increased production to offset Libyan losses in 2011.

The consensus view is for an increase in non-OPEC supplies of at least 1mbpd in 2012, though up to half of this is expected to come from OPEC natural gas liquids (NGLs), which are not subject to OPEC targets or quotas. This is after the impact of the IEA's June 2011 60 million barrel stock release, which will in effect reduce supply growth next year by 0.2mbpd. If OPEC achieves its 30mbpd target, total global oil supplies should climb by 1.3–1.8mbpd in 2012.

PRICE PROJECTIONS

If the CGES's more pessimistic demand projections prove accurate, then supply growth could significantly outpace the increase in demand this year. This will weaken market fundamentals, but by less than it appears given that the market was starting from a position of supply deficit and inventory draw downs. If non-OPEC supplies rise by 1.1mbpd (including OPEC NGLs) and OPEC meets its 30mbpd target, we may see a modest stock-build of 0.4mbpd in 2012. In this scenario, the price of Kuwait export crude (KEC) could slide from USD 107 in the fourth quarter of 2011, to below USD 80 in the fourth quarter of 2012.

TABLE 16



If, on the other hand, non-OPEC supplies rise by 0.4mbpd less than expected this year and OPEC keeps its production targets unchanged, oil prices could remain above USD 100pb. Indeed, prices could rise steeply towards the end of the year. Concerns about the impact of high prices on a fragile world economy could ultimately see OPEC boost production. This scenario still, of course, assumes no disruption to oil trade in the Strait of Hormuz, which is a separate upside risk to prices.

The main downside risk to prices clearly comes from a much weaker-than-expected global economy. Oil demand could grow by as little as 0.3mbpd (0.3%) this year. Assuming that this is not met by prompt OPEC output cuts, prices could see big falls this year. In this case, the price of KEC falls to USD 80pb in the second quarter of 2012, and to under USD 60pb by the year end.

TABLE 17
KEC price scenarios (USD pb)

YEAR	LOW	MID	HIGH
2010	76.2	76.2	76.2
1Q 2011	99.4	99.4	99.4
FY 2010/11	82.5	82.5	82.5
2Q 2011	109.3	109.3	109.3
3Q 2011	106.3	106.3	106.3
4Q 2011	106.6	106.6	106.6
2011	105.4	105.4	105.4
1Q 2012 Forecast	93.8	101.3	104.5
FY 2011/12 Forecast	104.0	105.9	106.7

BUDGET PROJECTIONS

With less than three months remaining in fiscal year 2011/12, the impact of the scenarios above will largely be felt next year. The scenarios imply fiscal year average oil prices of between USD 104–107pb this year, an increase of 26–29% on a year earlier. If as we expect, spending comes in at 5–10% below the government's forecast, the budget could see a surplus of between KWD 8.5 billion and KWD 10.5 billion before allocations to the Reserve Fund for Future Generations. This is KWD 3–5 billion higher than last year's surplus, and would represent Kuwait's 13th successive budget surplus.

TABLE 18
Budget forecast under alternative price scenarios, KWD million (unless otherwise stated)

	FY 2010/11 OFFICIAL BUDGET	FY 2010/11 ACTUAL	FY 2011/12 OFFICIAL BUDGET	FY 2011/12 LOW CASE	FY 2011/12 BASE CASE	FY 2011/12 HIGH CASE
Oil price (USD/pb)	43.0	82.5	60.0	104.0	105.9	106.7
Total revenues	9,719	21,502	13,445	26,951	27,444	27,991
Oil revenues	8,617	19,947	12,307	25,813	26,306	26,853
Non-oil revenues	1,102	1,555	1,138	1,138	1,138	1,138
Expenditure (official)	16,160	16,221	19,435	19,435	19,435	19,435
Surplus	-6,441	5,281	-5,990	7,516	8,009	8,556
After RFFG	-7,413	3,131	-7,335	4,821	5,265	5,757
Expenditure (NBK)	-	-	-	18,463	17,977	17,492
Surplus (NBK)	-	-	-	8,488	9,467	10,500
After RFFG	-	-	-	5,793	6,722	7,701

GROSS DOMESTIC PRODUCT

Major economic indicators for the GCC region are shown in the tables below.

TABLE 19

Gross Domestic Product (at current prices), USD Million

	2005	2006	2007	2008	2009
Kuwait	80,798.6	101,549.0	114,607.1	*148,918.2	**109,481.8
UAE	136,048	175,222.0	206,406.0	254,394.1	
Bahrain	13,380.93	15,851.7	18,472.5	21,902.2	
Saudi Arabia	315,337	356,156.3	384,684.9	475,047.5	
Oman	30,833.84	36,804.2	41,908.4	60,299.4	
Qatar	42,462.64	56,770.4	71,041.6	100,407.2	

* Revised data, ** Estimated data

TABLE 20

Gross Domestic Products per Capita, USD

	2005	2006	2007	2008	2009
Kuwait	27,013.9	31,903.6	33,708.0	43,265	31,415.2
UAE	34,022.3	41,433.0	45,991.0	53,388	-
Bahrain	15,143.8	16,505.0	17,774.0	19,794	-
Saudi Arabia	13,640	15,041.0	15,868.0	19,150	-
Oman	12,318.5	14,281.0	15,276.0	21,029.0	-
Qatar	47,793.3	54,340.0	57,936.0	69,319.0	-

NATURAL GAS & OIL PRODUCTION

TABLE 21

Natural gas production, USD million

	2006	2007	2008	2009	2010
Kuwait	1,322.3	1,287.3	1,341.7	**1,130.8	1,156.06
UAE	6,781.0	1,776.2	1,774.0	-	-
Bahrain	1,046.0	1,117.0	1,191.0	-	-
Saudi Arabia	-	7,190.0	*7,190.0	-	-
Oman	2,929.0	2,933.0	2,922.0	-	-
Qatar	1,497.0	-	-	-	-
Total	13,575.3	14,303.5	7,229.2	-	-

* Data estimated from 2007, ** Revised data

TABLE 22

Oil production (000 barrels /day)

	2006	2007	2008	2009	2010
Kuwait	2,644.40	2,574.55	2,676.01	*2,261.61	2,312.12
UAE	2,713.0	2,529.0	2,572.20	-	-
Bahrain	183.3	184.3	182.7	-	-
K.S.A	9,207.9	8,816.0	9,198.0	-	-
Oman	738.0	710.0	757.0	-	-
Qatar	803.8	-	-	-	-
Total	16,290.4	14,813.9	15,385.9	-	-

* Data estimated

3 – FOREIGN INVESTMENT

EXCHANGE CONTROL AND CAPITAL RESTRICTION

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

SHARE HOLDING

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.

Financial accounts have been opened at the Kuwait Clearing Company by non-Kuwaiti investors as a prelude to dealing with Kuwaiti shares.

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 welcome 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.

Though only as approved by the council of Ministers, the FDI also makes available a number of tax breaks and other benefits which authorities can offer in order to attract foreign investors, though investors must satisfy a set of quotas regarding the employment of Kuwaiti nationals. Applications are submitted to the Ministry of Commerce and Industry.

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. The authorities are also keen to attract foreign capital and know-how to other sectors such as land and sea freight, tourism (including hotels and entertainment) and housing projects and urban development.

Some specific sectors of the economy, including upstream oil ventures and real estate have traditionally been closed to foreign investment and will remain so under the new rules. There are some limited exceptions to this for citizens of other member states of the Gulf cooperation council (GCC), where reciprocal treatment is applied to nationals of other GCC countries.

Since 2000, foreign investors have also been able to trade on the Kuwaiti stock exchange (KSE). Previously, non-Kuwaiti investors had been limited to investing in mutual funds. Though foreign investors have the rights enjoyed by Kuwaiti investors under law No. 20 2000, they cannot, as a group, own more than 49% of the shares of a listed company and must obtain CBK approval if they intend to own more than 5 % of a Kuwaiti bank.

Foreign companies, but not individuals, wishing to own shares in Kuwaiti companies will have to pay the corporate income tax levied on foreign entities. Exemptions from various taxes and duties, including income tax and import duties on equipment and raw materials, can be obtained for industrial enterprises by approval of the council of Ministers. These exemptions, which are granted under law No. 6 1965, are valid for a period of up to ten years.

Despite the new laws promoting foreign investment, non-Kuwaiti investors continue to be liable for a high tax rate on earnings 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). The applicable tax amount on the income of the taxable incorporated body shall be determined at the rate of 15% of the incorporated taxable body net income.

4 – SETTING UP A BUSINESS

COMPANIES

For the following three forms of entity, the shareholder's liability is limited to his/her capital.

SHAREHOLDING COMPANY (KSC)

Every shareholding company incorporated in Kuwait shall be of Kuwait nationality and the members shall be Kuwaitis. Its registered office shall be in Kuwait.

CLOSED SHAREHOLDING COMPANY (KSC – CLOSED)

Kuwaiti company law permits the establishment of a closed shareholding company.

Notwithstanding the foregoing provisions, a shareholding company other than a company holding a concession or a monopoly, the shares of which are not to be offered to the public for subscription, may exceptionally be formed without the issue of a decree by an official instrument in writing signed by all of the (intending) founders, who shall be not less than five in number.

The capital of a closed company must not be less than KWD 7,500. However, in practice, it is unlikely that a company would be registered by the Ministry unless it was adequately capitalised.

LIMITED LIABILITY COMPANY (WLL)

Limited liability companies, known locally as WLLs (with limited liability), may also be formed. By law, participation in a joint stock (shareholding) company is restricted.

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. As a result, the Kuwaiti labour force, which was 2.1 million in 2007 (making up 62% of the population), is expected to grow rapidly over the forecast period. It is projected to increase by an annual average of 7%, reaching 2.9 million, or 65% of the total population, in 2011, further boosting economic growth.

Kuwaiti unemployment is estimated to be very low. Although around 7% of the Kuwaiti workforce receives unemployment benefit, the proportion of those actually looking for work is probably closer to 2%, because of the generosity of Kuwait's state support. This proportion is unlikely to grow substantially unless the limited progress that has been made in drawing Kuwaiti nationals into the workforce is reversed, or unless there is a major contraction in public-sector employment. The latter is unlikely to occur, given projections for strong growth in government expenditure and the country's tradition of providing public-sector employment as a form of welfare provision to the country's underemployed national workforce.

6 – TAXATION

No personal income tax is applied in Kuwait, either on salaries or on income from commercial activities. Corporate income tax is applied only on foreign companies operating in Kuwait. There are no other taxes of any consequence eg sales or value added taxes or estate or gift taxes.

SOURCE OF TAX LAW

Kuwaiti income tax is governed by the tax decree No. 3 of 1955 and various tax treaties with foreign nations covering income. The tax decree is supplemented by a number of directives issued by the director of income taxes.

TAX DECLARATION DATE

FILING, PAYMENT AND ASSESSMENT PROCEDURES

The financial year end in Kuwait is 31 December, but tax payers may request, in writing, to prepare financial statements for a year end other than 31 December.

A tax payer may be allowed up to 18 months for the declaration covering the first and the last periods of trading or carrying on of business, and for this purpose the formal approval of the director of income taxes should be obtained well in advance.

A tax declaration must be filed on or before the fifteenth day of the fourth month following the end of the taxable period (eg 15 April in the case of a 31 December year end). Tax is payable in four equal instalments on the fifteenth day of the fourth, sixth, ninth and twelfth months following the end of the taxable period. An extension of up to 75 days may be granted for the purpose of filing audited accounts ie to 30 June for a 31 December year end. If such an extension is granted, no tax payment is necessary until the declaration is filed and payment must then be made in one lump sum and not in instalments. Tax is payable in Kuwaiti Dinars with a certified cheque drawn from a local bank

Tax liabilities are generally computed on the basis of profits disclosed in audited financial statements adjusted for tax depreciation, provisions and any other items disallowed by the tax inspector on review.

Tax depreciation supporting schedules and financial statements, which must be in Arabic, are to be reported on by an accountant currently practising in Kuwait who is registered with the Ministry of Commerce and Industry.

In order to ensure proper conduct of business, administration order No. 274 of 1998 is applicable in respect of specifying the share of head office expenses of foreign companies or their branches operating in Kuwait, which are subject to Kuwaiti income tax decree No. 3 of 1955 and the Executive Bylaw of law No. 2 2008, amending some provisions of the income tax decree No. 3 of 1955.

ARTICLE 5

The expenses of the head office shall be debited to the direct revenues realised in the State of Kuwait after deduction of the following:

- Works executed by subcontractors or the like
- Incidental revenues
- Reimbursed costs
- Design costs (except for the design costs of the head office).

The branch share of the head office expenses shall be according to the following rates:

- 1) The incorporated bodies operating in Kuwait are allowed to calculate and add 1.5% of the direct revenues realised in the State of Kuwait less the amount stated in paragraph 1 of this bylaw
- 2) The incorporated bodies which are partners in Kuwaiti companies or firms or participating with Kuwaiti companies or firms in carrying out a contract are allowed to calculate and add 1% of the direct revenues realised in the State of Kuwait less the amount stated in paragraph 1 hereof. This rated amount shall be deducted from the share of the foreign partner
- 3) The incorporated bodies operating in the field of banking business in the State of Kuwait are allowed to calculate and add 1.5% of the direct revenues realised in the State of Kuwait less the amount stated in paragraph 1 of this Article.

CHAPTER THREE – THE TAX AMOUNT, ARTICLE 9

The applicable tax amount on the income of the taxable incorporated body shall be determined at the rate of 15% of the incorporated taxable body net income.

7 – ACCOUNTING & REPORTING

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

LIMITED LIABILITY COMPANY

Limited liability companies are allowed by law No. 15 1960.

ARTICLE 188

A limited liability company may be named by a particular name, which may be derived from its objects; its title may include the name of one or more of its members.

The name shall be followed by the words ‘a limited liability company’ and the amount of capital shall be indicated. All this shall be stated on all contracts, invoices, notices, papers and publications of the company. Otherwise its directors shall be jointly and severally liable towards third parties (and their liability would extend to their private property ie it shall be liable without limit).

ARTICLE 189

The capital of a limited liability company may not be less than 100,000 rupees

ARTICLE 191

Every limited liability company incorporated in Kuwait shall be of Kuwaiti nationality and at least one of its members shall be Kuwaiti. The place of its registered office shall be in Kuwait.

The proportion of Kuwaiti capital in the capital of a (limited liability) company formed after this law came into force shall be not less than 51%.

CHAPTER 1, A – INCORPORATION OF A LIMITED LIABILITY COMPANY

ARTICLE 192

The memorandum of association of a limited liability company shall be recorded in an official document, and shall incorporate the following particulars:

- The name and title of the company followed by the words a limited liability company
- The names and surnames of its members
- The place of its registered office
- The objects for which it is incorporated
- The amount of its capital and the amount of the cash payments and value of the payments in kind contributed by every member, with a detailed description of the payments in kind
- The terms on which shares (may be) transferred
- The duration of the company
- The names of those who have been entrusted with the management of the company, whether or not they are members of the control board, in cases where such a board is required by law
- The manner of distributing the profits and apportioning the losses.

The memorandum of association of a limited liability company may also contain provisions for regulating the right to redemption of the shares of the members and the method of assessing the price to be paid for them when this right is exercised, for building up a reserve other than the compulsory reserve and for regulating the finances and accounts of the company. They may also specify the cases where the company shall be dissolved.

ARTICLE 216

If a limited liability company loses half its capital, its managing directors shall submit the question of whether it should be dissolved to the members in a general meeting; and a resolution to dissolve the company shall, unless the memorandum of association of the company otherwise provides, require a majority in number of the members holding three-fourths of the capital.

If the loss amounts to three-fourths of the capital, the holders of one fourth of the capital may apply for an order of dissolution.

If, as a result of a loss, the capital falls below 100,000 rupees, anyone concerned may apply for an order for dissolution of the company.

PERIOD AND ACCOUNTS

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:

- An audit report
- Statement of income
- A balance sheet
- A cash flow statement
- Comprehensive notes to the accounts
 - Most of those notes present in more detail the figures in the balance sheet and statement of income.

AUDIT REQUIREMENTS

The Ministry requires that the annual accounts include a report from a qualified registered auditor to the shareholders (or partners of a WLL) stating in particular whether or not in their auditing opinion:

- The balance sheet gives a true and fair view of the company's (and the group's, if applicable) state of affairs
- The financial position and financial results give a true and fair view of the company (or group)
- The director's report is consistent with the financial statements.

ZAKAT

The contribution to Zakat is calculated at 1% of the profit of the company in accordance with the Ministry of Finance's resolution No. 58 2007, effective from 10 December 2007.

This is applicable and compulsory only for a Kuwaiti shareholding company, quoted or closed as well as holdings companies.

This resolution is not applicable for a limited liability company.

8 – UHY REPRESENTATION IN KUWAIT



UHY FAWZIA MUBARAK AL-HASSAWI KUWAIT



CONTACT DETAILS

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Fax: +965 256 4214
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Year established: 1993
Number of partners: 1
Total staff: 19

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Liaison contact:	Baha Hussein
Position:	Audit Manager
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Sherif Hanna - Office Director - 00965 99 060203

BRIEF DESCRIPTION OF FIRM

UHY Fawzia Mubarak AL-Hassawi is committed to provide clients with high quality services in very professional manner, so maintaining the firm's reputation among Kuwait auditing and consulting firms. The firm has achieved this by adopting the highest standards of quality control and selective recruitment policy , which has secured highly qualified technical and professional staff in all service areas.

SERVICE AREAS

Audit & Assurance
Corporate Governance
Management Consulting
Business Solutions
Corporate Recovery & Insolvency
Tax
Corporate Finance
Forensic Accounting

SPECIALIST SERVICE AREAS

Management accounts, budgeting and forecasting
Outsourcing of payroll function
Outsourcing of company secretarial function
Debt recovery advice
Technical support

PRINCIPAL OPERATING SECTORS

Investment
Real Estate & Construction



The network
for doing
business



UHY FAWZIA MUBARAK AL-HASSAWI KUWAIT



Hotels and Leisure
Manufacturing
Franchising
Health & Medical
Not-for-profit
Retails
Transport & Frights
Technology, communications & entertainments
Financial Services
Trading
Food and Beverages

LANGUAGES

Arabic, English.

CURRENT PRINCIPAL CLIENTS

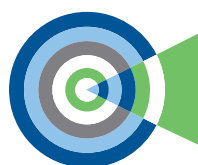
Radisson Blu
Kuwait Invest Holding Company
Kuwait Real Estate Center Company
Tamdeen Real Estate Company
Gulf Cable and Electrical Industries Company
International Resorts Company
Al Mal Investment Company
First Takaful Insurance Company
Al Deerah Holding Company
Capicorp
Tobacco Dock Holdings
Fawaz Refrigeration
Kuwait Japanese Air Condition

OTHER COUNTRIES IN UHY CURRENTLY WORKING WITH, OR HAVE WORKED WITH IN THE PAST

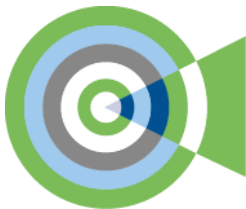
Spain, Germany, Hong Kong, KSA

BRIEF HISTORY OF FIRM

UHY Fawzia Mubarak AL-Hassawi Auditors & Consultants was established as AL Fouz International Audit Bureau in 1993 by Mrs. Fawzia Mubarak Al Hassawi, who is a member of The Kuwait Association for Accountants and Auditors. At a later stage we added other services within the financial advisory and accounting systems consultancy field, and we partnered ourselves with the UHY International network to enable us to offer the international support our clients needed. At that point we become UHY Fawzia Mubarak Al-Hassawi Auditors & Consultants.



The network
for doing
business



LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

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