

### KDIPA initiatives in response to COVID-19

In light of the COVID-19 crisis, Kuwait Direct Investment Promotion Authority (KDIPA) has issued decisions to give relief and reduce hardships to the existing licensed and future investing entities, in order to encourage them with business continuity plans and promote sustainability. The key points and details in the decisions have been summarized for your high-level understanding:

Key points	Details
Reducing service fees <sup>1</sup>	<ul style="list-style-type: none"> <li>All fees for the services rendered by KDIPA, shall be reduced by 50% until 31 December 2020</li> </ul>
Relaxation in scoring mechanisms <sup>2</sup>	<ul style="list-style-type: none"> <li>Incentives for fresh investors with evaluation score ranges from 30 to 80 percent</li> <li>Incentives for existing licensed entities</li> <li>Extension granted for entities to start operations in 2020</li> </ul>
Amendments in mechanism used for calculating the incentives <sup>3</sup>	<ul style="list-style-type: none"> <li>Amending the definitions of National labor, Training National Labor and Technology transfer &amp; indigenization of technology</li> <li>Including sustainable development as criteria for incentive mechanism</li> </ul>

The points related to “relaxation in scoring mechanisms” and “amendments in mechanism used for calculating the incentives” have been summarized below for further considerations:

#### Relaxation in scoring mechanisms

- Incentives for fresh investors with evaluation score ranges from 30 to 80 percent
  - Income tax exemption for the fiscal year, following the actual operation start-up date of the licensed entity
  - Customs duty exemption for one year<sup>4</sup>
- Incentives for existing licensed entities
  - Income tax exemption for the fiscal year 2020, for entities that started actual operation prior to 2020 and for first fiscal year, for entities that started actual operation during the year 2020
  - Customs duty exemption on import submission to KDIPA for one year<sup>4</sup>
- Extension of grace periods to start operations in 2020 to January 1, 2021

#### Amendments in mechanism used for calculating the incentives

- Definitions of National labor, Training National Labor and Technology transfer & indigenization of technology for granting incentives

National Labor	Training National Labor	Technology transfer
<ul style="list-style-type: none"> <li><b>Entities with 25 or more employees</b> : Incentive will apply, only if Kuwaiti nationals hired are, in excess of percentage of Kuwaiti national labor stipulated within the National Labor Law (for respective industry/ sector)</li> <li><b>Entities with less than 25 employees</b>: Incentive will apply, if more than 50 percent of the employees are Kuwaiti nationals</li> </ul>	<ul style="list-style-type: none"> <li><b>Limitation removed</b>: extends the coverage of the actual expenditure spent on annual training for <u>all national labor</u> regardless of the percentage on minimum Kuwaiti nationals stipulated in National Labor Law</li> <li>Provided the training is facilitated by the licensed entity, relevant to activity of licensed entity and enhances the capabilities or facilitate career progression of Kuwaiti nationals</li> </ul>	<ul style="list-style-type: none"> <li><b>Annual credit granted on technology transfer</b>: 20% multiplier will be calculated based on the value of advanced equipment and distributed equally over the residual exemption period (e.g., if the balance exemption period for licensed entity is 5 years, 20 percent of total eligible technology value will be equally spread over 5 years)</li> <li>Provided such equipment's are not exempt from customs duties</li> </ul>

<sup>1</sup> Resolution No. (105) of 2020 dated 6 May 2020, reference number 105/36/2020

<sup>2</sup> Decision No. (173) of 2020 dated 4 May 2020

<sup>3</sup> Decision No. (180) of 2020 dated 6 May 2020, on amending the Decision of KDIPA No.(16) of 2016 on the mechanism for granting tax exemption amended by Decision No. (76) of 2018

<sup>4</sup> from the date of issuance of the customs duty exemption certificate, the exemption should not exceed the total investment volume and the existing entities should not have obtained incentives earlier or not subjected to one of the sanctions stipulated in Article (32) of Law No. 116 of 2013.

- Including sustainable development as criteria for incentive mechanism

Criteria	Measure	Mechanism
Sustainable development	<ul style="list-style-type: none"> <li>• <b>Corporate Social Responsibility:</b> value of donations and grants (tangible/ intangible)</li> </ul>	100% total value of the amount spent to governmental and private entities in Kuwait
	<ul style="list-style-type: none"> <li>• <b>Environmental Sustainability:</b> value of donations and grants (tangible/ intangible)</li> </ul>	
<p><b>Note:</b> Licensed entity may implement the sustainable development outside the scope of its licensed activity and the permitted fields are as follows</p> <ol style="list-style-type: none"> <li>Professional, technical and digital training of all kinds;</li> <li>Support/ finance studies or research, development and innovation efforts;</li> <li>Building scientific laboratories or technological facilities;</li> <li>Support awareness campaigns for expanding social participation and achieving development goals;</li> <li>Participation in the development of local services or goods provided for small and medium-sized enterprises (SMEs);</li> <li>Support business incubators or accelerators pertinent to the SMEs development approved by the Law establishing the national fund for SMEs development; and</li> <li>Endowments and donations to the government bodies in extremis and exceptional circumstances</li> </ol> <p><b>Conditions :</b> Should submit detailed work plan with timeline, refrain from using social responsibility programs for political, religious purposes, submit documentary evidence accepted by KDIPA and should not be in return for any services received by licensed entity</p>		

### Time limit for submission of exemption report

The tax exemption report shall be submitted “no later than 31 December”, following the end of the taxable period for which it is submitted

**How we can help :** [a] Make you understand the intentions of the decisions; [b] Evaluate the applicability of decisions for existing licensed entities and future investors with inputs from KDIPA representatives and Listed consultants; and [c] Assist with feasibility study and business plan for future investors and support on compliances (e.g., tax exemption report) for licensed entities, with inputs from KDIPA representatives and Listed consultants

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