KUWAIT

LEGAL & TAX FRAMEWORK FOR INVESTMENT — AUGUST 2026 EDITION

On paper, Kuwait is the least taxed State in the Gulf: **no value added tax, no excise duties, no withholding tax, no personal income tax, no transfer duty**. Corporate income tax, at 15%, reaches foreign companies only. That lightness says nothing about the real difficulty, which sits further upstream: **access to share capital remains restricted**. Outside an investment licence, a foreign investor may not hold more than **49%** of a Kuwaiti company — a rule most neighbours have abandoned and Kuwait has kept. Three points shape any establishment: the **choice between general law and a licence** from the Kuwait Direct Investment Promotion Authority, the interaction between near-absent taxation and a **15% domestic minimum top-up tax** in force since 2025, and an **exchange rate regime unique in the region**, the dinar not being pegged to the dollar.

POPULATION **≈ 4.87 M** World Bank, 2025	CURRENCY **DINAR · KWD** undisclosed currency basket	GDP 2025 **≈ USD 157.2 BN** World Bank
GDP PER CAPITA **≈ USD 32,312** World Bank, 2025	GROWTH 2025 **+ 2.7%** after two years of decline	GDP Q1 2026 **– 4.6%** year on year
INFLATION **+ 2.4%** World Bank, 2025	HYDROCARBONS **≈ 90%** of State revenue	CORPORATE INCOME TAX **15%** foreign companies only

OUTTURNS, NOT A SINGLE ANNUAL FIGURE

After growth of 2.7% in 2025, the Kuwaiti economy is contracting in 2026 in connection with disruption to maritime transit in the Gulf: gross domestic product fell **4.6% in the first quarter** and oil production dropped to **1.2 million barrels per day in March**, from 2.58 million in February. The International Monetary Fund ranks Kuwait among the three most affected producers and expects a double-digit rebound in 2027. Annual projections for 2026 span more than sixteen points depending on the institution and the publication date: none is reproduced here.

A NATIONAL LAW, WITH NO UNIFORM REGIONAL LEGAL SPACE

No OHADA, and no equivalent. Kuwait applies its own business law: company law (Law No. 1 of 2016, as amended by Law No. 106 of 2024), foreign direct investment (Law No. 116 of 2013), arbitration (the 1980 Code of Civil and Commercial Procedure and Law No. 11 of 1995). No regional uniform act and no supranational court applies on top of them. **General law**: companies registered with the Ministry of Commerce and Industry, direct access to the domestic market — but foreign participation **capped at 49%**. **The licensing regime**: the **Kuwait Direct Investment Promotion Authority** (KDIPA) grants licences opening 100% ownership and a package of incentives, for activities off the negative list. ⚠️ **The free trade zone is no longer an option**: the *Kuwait Free Trade Zone* offered exemption and full foreign ownership, but **no new licences are being issued** — any structure built on it is now moot. **An accelerated legislative pace**: since May 2024, texts have been promulgated by decree, which has meant a series of closely spaced reforms — public debt, real estate ownership by foreign legal entities, residency, the minimum top-up tax, company law. Close monitoring is required: the legal picture of a file dates quickly.

GENERAL LAW OR A KDIPA LICENCE: THE STRUCTURING QUESTION

	GENERAL LAW	KDIPA LICENCE
Foreign participation	**49% maximum.** Beyond that, a majority Kuwaiti partner is required.	**Up to 100%**, under licence, for activities off the negative list
Taxation	Corporate income tax at 15% on the foreign share	Tax exemption for **up to 10 years** from effective start-up; full or partial customs exemption on machinery, tools, spare parts, raw materials and packaging
Status	Ordinary Kuwaiti company	Licensed entities are **treated as Kuwaiti nationals** for most legal purposes
Available forms	KSC, WLL, SPC	Kuwaiti company (SPC or WLL), branch of the parent company, representative office
Counterparts	None, though a 49% minority calls for serious contractual protection	Technology transfer, use of local suppliers, creation of Kuwaiti jobs — assessed on the file
Timelines	Ordinary registration	Initial response within **3 working days**, decision within **30 working days**

Negative list (Council of Ministers Decision No. 75 of 2015): oil and gas extraction, coke manufacturing, nitrogen fertilisers, gas distribution, real estate other than private development, security and investigation, public administration and defence, compulsory social security, membership organisations, labour supply. To be checked activity by activity with KDIPA.

ARBITRATION: THE KCAC, AND AN UNEXPECTED FAVOURABLE POINT

The **Kuwait Commercial Arbitration Centre** (KCAC) is a private centre established in 1999 by the Kuwait Chamber of Commerce and Industry. It is not a court: enforcement falls to the State courts (articles 199 and 200 of Decree-Law No. 38 of 1980). Failing a choice of rules, the KCAC applies the UNCITRAL arbitration rules.

	WHAT TO KNOW
Legal framework	Code of Civil and Commercial Procedure, Law No. 38 of 1980, arts. 173 to 188, and Law No. 11 of 1995 on judicial arbitration, as amended by Law No. 12 of 2013. ⚠️ **Kuwait has not adopted the UNCITRAL Model Law**: a new law modelled on it has been announced but is not enacted.
"Judicial arbitration"	Law No. 11 of 1995 creates a distinct mechanism, attached to the judicial system and separate from institutional arbitration. An imprecise clause produces an outcome other than the one intended: unambiguously designate the KCAC — or a foreign institution — and its rules.
New York Convention	Acceded on 28 April 1978 (Decree-Law No. 10 of 1978), subject to **two declarations**: reciprocity, and non-recognition of Israel.
Interest	**Simple interest is lawful in commercial matters**: the Commercial Code (Law No. 68 of 1980, art. 102) gives a right to interest on any commercial loan unless otherwise agreed, with a **default statutory rate of 7%**. A notable difference from Saudi Arabia, where such heads of claim are in principle unenforceable. The Kuwaiti line of resistance concerns compound interest, not interest itself.

CORPORATE FORMS AND USUAL STRUCTURING

FORM	REGIME	TYPICAL USE
WLL — limited liability company	From 2 to 50 partners. Usual minimum capital in the order of **KWD 1,000**; the Ministry of Commerce and Industry may raise it depending on the activity.	The most common form: trade, distribution, services
SPC — single person company	One shareholder. Same order of minimum capital as the WLL.	Wholly owned subsidiary under a KDIPA licence, project vehicle
KSC — joint stock company	At least 5 shareholders. Minimum capital in the order of **KWD 10,000**.	Larger projects, joint ventures, listing
Branch of the parent company	Permitted **under a KDIPA licence**.	Performance of a contract, presence without a subsidiary
Representative office	Under a KDIPA licence — promotion and prospecting, no commercial activity.	Presence ahead of an establishment

LAW NO. 106 OF 2024: THE MINORITY LOST ITS STATUTORY LOCK

The quorum for the second extraordinary general meeting is lowered to half the capital plus one, and the required majority moves from 75% to **more than 50%**. For a foreign investor capped at 49%, the consequence is direct: the majority local partner can now carry extraordinary resolutions **alone** — amendment of the articles, capital increase, conversion. Protections have to be rebuilt at the level of the shareholders' agreement and the articles, since they no longer flow from the statute.

TAX REGIME — THE ESSENTIALS

TAX	RATE	DETAIL
Corporate income tax	15%	Flat rate, applicable to **foreign companies** carrying on business in Kuwait.
Kuwaiti and GCC companies	NONE	Outside the scope where wholly owned by Kuwaiti or GCC nationals. A GCC company partly held by foreign interests is taxed **pro rata**.
VAT	NONE	No VAT. GCC framework agreement signed in February 2017, **implementing bill never enacted**.
Excise duties	NONE	No excise duties.
Withholding tax	NONE	No withholding tax under Kuwaiti law. ⚠️ **Not to be confused** with the **5%** retention on each payment until the **tax clearance certificate** is produced: a collection guarantee, released once obtained — not a tax.
Personal income tax	NONE	No personal income tax.
Transfer / registration duties	NONE	No stamp duty, no real estate transfer tax.
Domestic minimum top-up tax	15%	Decree-Law No. 157 of 30 December 2024, implementing regulation of June 2025. Groups with ≥ EUR 750 m of consolidated revenue. Fiscal years beginning 1 January 2025. Entities within scope are **exempt** from Kuwaiti corporate income tax, from the NLST and from Zakat.
NLST — *National Labour Support Tax*	2.5%	Of net profit, for **listed** companies.
Zakat (corporate)	1%	Of net profit, Kuwaiti joint stock companies — Law No. 46 of 2006.
Customs duties	5%	CIF value, unified GCC external tariff.
Social security	NATIONALS	Employer 11.5%, employee 8%, up to a ceiling. **No contributions for expatriates**, who are entitled to an end-of-service indemnity.

*Sources: PwC Worldwide Tax Summaries — Kuwait; KDIPA. ⚠️ A draft extending corporate income tax to all companies is under discussion but **has not been enacted**: several commentaries confuse it with the minimum top-up tax, which is in force.*

FOREIGN INVESTMENT, REAL ESTATE AND PUBLIC PROCUREMENT

The 49% rule, maintained. Outside the licensing regime, no foreign investor may hold more than 49% of the shares of a Kuwaiti company — Kuwait differs here from most of its neighbours. **The derogation**: Law No. 116 of 2013 allows KDIPA to authorise ownership of up to 100%, off the negative list, with a guaranteed right to transfer profits, capital and disposal proceeds, and protection against expropriation save for public interest and against compensation at real economic value. **Real estate**: Decree No. 195 of 2025 opens ownership to **listed** companies with foreign participation in Kuwait and to licensed real estate funds — ⚠️ acquiring property for **private residential use remains absolutely prohibited**. **Residency**: Amiri Decree No. 114 of 2024 (implementing texts in force on 23 December 2025) extends residency to **15 years** for licensed investors. **Public procurement**: a **15% price preference** for national products (Law No. 49 of 2016, as amended in 2019); foreign contractors are expected to meet at least **30%** local inputs and **30%** of works subcontracted locally; tenders above **KWD 75,000** fall to the central agency.

FOREIGN EXCHANGE REGULATIONS

A dinar pegged to a basket, not to the dollar. Since **20 May 2007** (Decree No. 147/2007), the Kuwaiti dinar has been pegged to a **weighted basket of international currencies whose composition is not disclosed** by the **Central Bank of Kuwait** — the country had a dollar peg between 2003 and 2007. The stated objective is relative currency stability and protection against imported inflation. **What that changes**: unlike the United Arab Emirates, Qatar, Bahrain and Saudi Arabia, **euro-dinar currency risk is not neutralised** by the euro-dollar parity, and since the basket is unpublished it cannot be replicated exactly. **No exchange controls**: no approval requirements and no statutory limits on transferring dinars or foreign currency out of Kuwait, subject to compliance checks. KDIPA further guarantees licensed investors the right to transfer profits, capital and disposal proceeds.

SECURING THE INVESTMENT — THREE UNDERESTIMATED POINTS

1. The 2024 reform weakened the minority shareholder at the very moment the 49% cap forces one to be a minority. Before Law No. 106 of 2024, an extraordinary resolution required 75% of the capital: a 49% shareholder mechanically held a veto. That statutory lock has gone. An agreement copied from an earlier deal, or transposed from another Gulf country, no longer protects anything: blocking minorities must be rebuilt contractually and, so far as possible, in the articles.
2. The 5% retention catches treasuries out, because it is taken for a tax. On a multi-year contract it immobilises a material fraction of the price throughout performance, and its release depends on a step the supplier does not fully control. Dealt with in the contract: timetable for obtaining the certificate, release mechanism, bank guarantee in substitution.
3. The minimum top-up tax does not add a layer: it replaces one. Above EUR 750 m of consolidated revenue, coming within its scope carries exemption from Kuwaiti corporate income tax, from the NLST and from Zakat. The net effect may be neutral or favourable — to be modelled before the perimeter of the investment vehicle is fixed.

GENERAL LAW OR A KDIPA LICENCE: THE DECIDING CRITERION

The question is not a tax question — the difference in rate is real but secondary — it is one of **control**. An activity the group intends to run, because it carries its brand, its technology or its contractual responsibility, calls for a **KDIPA licence**: the only route to 100%, an exemption of up to ten years, and timelines compatible with a project schedule. An activity of distribution or service to the local market, where a Kuwaiti partner brings a genuine network, can live with general law and the 49% cap — provided one accepts that the statute no longer protects the minority as it did before 2024. An exploratory presence goes through a representative office. Any structure built on the **free trade zone** should be abandoned: no new licences are issued there.

OUR SUPPORT IN KUWAIT

UGGC Africa supports you in Kuwait through its pan-African platform. Choosing between general law and a KDIPA licence, protecting the minority after Law No. 106 of 2024, contractual treatment of the 5% retention, drafting arbitration clauses. Contact: **africa@uggc.com** — uggcafrica.com

Disclaimer. This factsheet is provided for general information purposes, as at August 2026; it does not constitute legal or tax advice and cannot bind UGGC Africa. Rates, licensing regimes and foreign ownership rules change rapidly in the Gulf — any investment decision calls for a tailored analysis. **Sources:** Central Bank of Kuwait, KDIPA, PwC Worldwide Tax Summaries, New York Convention, Kuwaiti Commercial Code, Kuwait Investment Authority, World Bank.