TRANSLATION

Amendments to the Kuwait Income Tax Decree no. 3 for 1955

The Law has been amended as follows:

Article One:

The following texts shall replace Articles 1, 3 and 7 of the Kuwait Income Tax Decree No. 3 of 1955.

Article (1):

An annual income tax shall be imposed on the income of each body corporate carrying on trade or business from its activity in the State of Kuwait, wheresoever the place of its incorporation, and in particular:

1. Profits derived from any contract executed in whole or in part in the State of Kuwait.
2. Amounts earned from the sale, lease or grant the concession to the use or exploitation of any trademark or patent or copyright and printing.
3. Commissions due or derived from conventions of representation or trade brokerage.
4. Profits of industrial and commercial activity.
5. Gains on assets disposal.
6. Profits from the purchase and sale of goods or property or rights thereto and opening a permanent office in Kuwait where contracts of sale and purchase are executed.
7. Profits from leasing of any property.
8. Profits resulting from the provision of services.

The amount of tax applied under this Law shall be 15 percent of net taxable income.

The profits of the body corporate which is resulting from circulation in the Kuwaiti Stock Exchange, whether directly or through portfolios or investment funds shall be exempted from the tax imposed under this Law.

Article (3):

The taxable income is determined after deducting all expenses and costs incurred to achieve that income and in particular:

1. Salaries, wages, bonuses and end-of-service indemnity and their like.
2. Taxes and fees except for the income tax due under this Law.
3. Depreciations of assets in accordance with the rates specified in the executive regulation.
4. Grants, donations and subsidies paid to public or licensed private Kuwaiti entities within the rates specified in the executive regulation.
5. Head Office expenses as per the rates specified in the executive regulation.

The following are not considered as deductible expenses:

1. Personal and private expenses and any other charges not related to the taxable activities or not for the purpose of generating profits.
2. Punitive fines.
3. Reimbursed losses.

The Director may request from the body corporate to reconsider any expenses deemed by him as overstated and to present the documents in support of those expenses. The Director may approve, adjust or disregard such expenses.

*Article (7):*

In case any of the years ends in a loss, such loss shall be deducted from profits of the following years, if the profit is not enough to cover the entire loss the balance would be carried forward to the second year. In case of any losses of that year remain afterwards; such losses would be carried forward to the third year and no losses will be carried forward afterwards.

No losses shall be carried forward in case of ceasing the activities of the body corporate, were the body corporate should notify the Ministry of such cease or file a tax return showing no revenues derived from its main activities.

Obligatory stops of carrying on business are not included in the periods set forth in the preceding paragraph.

**Article Two**

New Articles no. 15, 16 shall be added to Kuwait Income Tax Decree No. 3 of 1955 as follows:

*Article (15):*

The government shall not waive its right to claim the taxes due under this Law except after the elapse of five years as of the date of filing the tax return by the body corporate or as of the date of notifying the director of the activities not stated by the body corporate in its return or his awareness of any undisclosed information in respect of its tax liabilities.

Limitation shall be discontinued by notifying the body corporate of the tax assessment by a registered letter or by drawing its attention to settle the tax due or by a resolution by the Tax Appeal Committee.

*Article (16):*

The Minister of Finance shall issue the executive regulation within 6 months as of the date of publishing this Law in the Official Gazette.

**Article Three**

The term (Gregorian year) shall be replaced by the term (tax Christian year) wherever stated in the aforesaid Decree.

Items (e, g, i, j) of Article (2) shall be cancelled and item (f) shall replace item (e) and shall be added to this article stipulating that the agent referred to in item (e) is a person authorized by a principal to carry on trade or business or any of the activities stated in article (1) of this law or to enter into binding contract with a third party on the principal’s behalf within the scope of that authority; where profits gained by Kuwaiti merchants out of the sale of merchandise purchased and transported privately shall be exempted from tax.
Also Article (4) shall be cancelled from the aforesaid Kuwait income tax decree and law no. 34 of 1970 as well as any provision in violation of this law.

**Article Four**

All Ministers, each within his jurisdiction, shall implement this Law and should be published in the official gazette with effect from the taxable period following the date of publishing except for the provisions regulated under the executive regulation which will be put into force after implementing the executive regulation.

Amir of the State of Kuwait
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