

(Unofficial Translation)

Director General Decision No. (180) of 2020
Regarding the Amendment of the Mechanism for Granting Tax
Exemption of Kuwait Direct Investment Promotion Authority by
Decision No. (16) of 2016,
as Amended by Decision No. (76) of 2018

Director General of Kuwait Direct Investment Promotion Authority:

- After perusal of Decree Law No. (3) of 1955 on the Kuwait Income Tax, as amended by Law No. 2 of 2008;
- And Law No. (116) of 2013 on the Promotion of Direct Investment in the State of Kuwait, and its Executive Regulations thereto;
- And the Director General Decision No. (16) of 2016 on the Mechanism for Granting Tax Exemption of Kuwait Direct Investment Promotion Authority, as amended by the Director General Decision No. (76) of 2018;
- And the Decision of the Board of Directors of Kuwait Direct Investment Promotion Authority undertaken in their meeting (1/2020) held on 16/4/2020, on the approval of the amendment of the mechanism for granting tax exemption,
- And based on the work interest,

It is decided

Article (1): The Provisions of the Mechanism for Granting Tax Exemption issued under the aforesaid Decision No. (16) of 2016 and its amendments, shall be amended as follows:

Firstly: The definitions stipulated in Article (1) of the provisions of the mechanism for granting tax exemption, shall be amended as follows:

National Labor: The national labor for which the tax credit is calculated in this decision covers the nationals working in the investment entity, that are:

- a) Over the percentage approved by the Council of Ministers regarding the specified national labor quota in the non-governmental entities, for the investment entities that hire 25 or more employees.
- b) Over 50% of the total number of employees for the investment entities that hire less than 25 employees.

Training of National Labor: shall mean the actual expenditure spent on the annual training plan relating only to the national labor, regardless of their proportion of the total employees working in the investment entity, such that these programs entail the following:

- a) Training on the components of technology, methods of knowledge, work systems, modern management and marketing which are transferred and settled in the State of Kuwait through the investment entity or related to the licensed activity.
- b) Enhance the capabilities of the national labor, and qualify their technical, technological, and professional competencies in their current position, or nurturing the future development of their career path in the labor market.

Annual credits granted for transfer and settlement of technology : The value of credits granted by assigning a 20% multiplier factor under the “transfer & settlement of technology” criteria, which is calculated based on the total cost of imported advanced equipment divided over the remaining duration of the exemption in equal amounts, on condition that these same equipment do not have an exemption from customs duties.

Secondly: The amendment of Article No. (7) evaluation criteria of the tax exemption application, by amending the condition for calculating criterion (1) transfer & settlement of technology, and by adding criterion (4) sustainable development to the criteria matrix, as follows:

No.	Criteria	Measure	Percentage / value of set multiplier for calculating the annual benefit
1	Technology Transfer & Settlement	Measured by proxy: 1-1 cost of advanced equipment (tangible value only).	@ 20% of the value of advanced equipment divided over the remaining duration of the exemption in equal amounts.
4	Sustainable Development	Measured by: 4-1 Corporate Social Responsibility 4-2 Environmental Sustainability	@ (1) Equals the full value of the amount spent by the investment entity to the public and private entities in the State of Kuwait.
Value of the granted tax exemption (total annual benefit) equals the sum of 1 + 2 + 3 + 4			

Thirdly: The following Article (7-bis) shall be added to the mechanism for granting tax exemption:

Article (7-bis): Areas and conditions of corporate social responsibility and environmental sustainability programs:

Areas - The areas in which the investment entity may opt to engage in social responsibility and environmental programs, outside the scope of its licensed activities, can be attained through its participation in one or more of the following:

- Providing all kinds of professional, technical and digital training.
- Supporting/financing studies or research, development (R&D) and innovation efforts.
- Building scientific laboratories or technological facilities.
- Supporting awareness campaigns to achieve community participation and development goals.
- Contributing to develop local services or products for small and medium enterprises (SMEs)

- f) Supporting business incubators or accelerators related to the development of small and medium enterprises (SMEs) according to the definition adopted in the law establishing the National Fund for Small and Medium Enterprise Development.
- g) Grants and donations to government authorities in times of emergencies and exceptional circumstances.

Conditions – To consider the expenditure spent on any of the above mentioned areas, the following conditions are required:

- a) Submitting a detailed action plan with timeframe to be implemented, demonstrating the expected economic and social impact.
- b) Refraining from using social responsibility programs for political, religious, or sectarian purposes.
- c) Assuring the expenditures are real and are accompanied by documentary evidence accepted by KDIPA and is not performed in return for any service for the investment entity.

Fourthly: Amendment of Item (b) of the tax exemption report from Article Eight: mechanism for calculating the value of tax exemption - by adding the following paragraph:

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

Article (2): Responsible officials, each in the area of concern, shall execute this decision and it shall be enforced from the date of its publication in the Official Gazette.

Director General, Kuwait Direct Investment Promotion Authority
Dr. Meshaal Jaber Ahmad Al Sabah

(Unofficial Translation)

Director General Decision No. (76) of 2018
Regarding the Amendment of the Mechanism for Granting Tax Exemption

Director General of Kuwait Direct Investment Promotion Authority:

- After perusal of Decree Law No. (3) of 1955 on the Kuwait Income Tax, as amended by Law No. (2) of 2008;
- And Law No. (16) of 2013 on the Promotion of Direct Investment in the State of Kuwait and its Executive Regulations thereto;
- And the Director General Decision No. (16) of 2016 on the mechanism for granting tax exemption of Kuwait Direct Investment Promotion Authority.
- And the Decision of the Board of Directors of Kuwait Direct Investment Promotion Authority in their first meeting (1/2018) held on 17/01/2018, on the approval of the amendment of the mechanism for granting tax exemption,
- And based on the work interest,

It is decided

Article (1): The Provisions of the Mechanism for Granting Tax Exemption issued under the aforesaid Decision No. (16) of 2016 referred to, shall be amended as follows:

Firstly: The following definitions shall be added to the list of terms under Article (1) of the mechanism for granting tax exemption:

Training of National labor:

Shall mean the actual expenditure spent on the annual training plan for the national labour provided by the investor and approved by the authority, such that these programs entail the following:

1. Training on the components of technology, methods of knowledge, work systems, modern management and marketing, which are transferred and settled in the State of Kuwait through the investment entity, or be related to the licensed activity.
2. Enhancing the national labor capabilities, and qualifying them technically, technologically and professionally in their current positions, or facilitating them in undertaking other jobs in the labor market in the future.

Dealing with local suppliers:

Shall mean the actual expenditure on purchases of national services or products, that are executed or supplied, by the Kuwaiti private sector; provided that they are necessary for operational or production purposes in the investment entity, or for the purpose of carrying out the licensed activity.

Secondly: The (Local Inputs) definition shall be replaced by the following definition:

Local inputs: Shall mean the actual expenditure on the purchase of inputs from raw materials and intermediate products manufactured domestically by the local producers for the operational or production purposes in the investment entity or for the purpose of carrying out the licensed activity, provided that the final industrial products acquire the status of national origin, whereby the added value arising from such inputs is not less than 40% of its final value upon completion of the production thereof.

Thirdly: The text of Article (7) of the mechanism for granting tax exemption shall be replaced by the following the following text:

Article (7): Evaluation criteria of the tax exemption application :

The tax exemption value shall be linked to the extent of the investment entity's compliance with the following three evaluation criteria:

No.	Criteria	Measure	Set Multiplier for calculating annual benefit (Percentage/ Value)
1	Technology Transfer & Settlement and participation in diversification of the economic base.	Measured by proxy: 1-1 cost of advanced equipment (tangible value only)	@ 20% of the value of advanced equipment.
2	Creating jobs and training opportunities for Kuwaiti nationals.	Measured by expenditure on salaries and training expenses for Kuwaitis as well as the total number of jobs created.	
	2-1 Total expenditure on salaries paid to national labor.		@ 5 times (5x) the annual salaries paid to the national

		labor in excess of the stipulated quota.
	2-2 Total number of national labor.	@ KD 36,000 / per Kuwaiti employee in excess of the stipulated quota.
	2-3 Expenditure on training of total national labor.	@ 10 times (10x) the annual expenditure on training of national labor.
3	Expanding the local content by motivating and activating the Kuwaiti private sector's role by the use of local products and services	Measured by the cost of the premises rental, the value of contracts with local suppliers, and the local inputs.
	3-1 Rental of the premises of the investment entity.	@Equivalent (1x) to the annual rental value of the premises of the licensed investment entity.
	3-2 Dealing with local suppliers	@ Equivalent (1x) to the value of the annual contracts with local suppliers.
	3-3 Use of local inputs.	@ Double (2x) the annual value of inputs used from local sources.
Value of the granted tax exemption (total annual benefit) = sum of 1 + 2+ 3		

Article (2): The provisions of this decision shall come into effect as of the financial year beginning on January 01, 2018.

Article (3): Responsible officials, each in the area of concern, shall execute this decision and shall be published in the Official Gazette.

Director General, Kuwait Direct Investment Promotion Authority

Dr. Meshaal Jaber Ahmad Al Sabah

(The original Arabic is signed)

Issued on: 12th February, 2018.

Published in the Official Gazette (Al Kuwait Al Youm) on 25th February, 2018



هيئة تشجيع الاستثمار المباشر
KUWAIT DIRECT INVESTMENT PROMOTION AUTHORITY

(Unofficial Translation)

Date: 12/1/2016

Ref.: H.C.A./16

Director General Decision No. (16) of 2016
on the Mechanism for Granting Tax Exemption

Director General of Kuwait Direct Investment Promotion Authority:

- After perusal of Decree Law No. (3) of 1955 on the Kuwait Income Tax, as amended by Law No. (2) of 2008;
- And Law No. (116) of 2013 on the Promotion of Direct Investment in the State of Kuwait and its Executive Regulations thereto;
- And the Decision of the Board of Directors of Kuwait Direct Investment Promotion Authority in their third meeting (3/2014) held on 25/9/2014, approving the mechanism linking the tax exemption value to the performance of investment entities,
- And the Letter No. (33970) dated 3/9/2015 issued by the Ministry of Finance (Tax Department) approving the implementation mechanism between KDIPA and the Ministry of Finance as a part of the mechanism linking the tax exemption value to the performance of investment entities,
- And Decision of the Board of Directors of Kuwait Direct Investment Promotion Authority in their fourth meeting (4/2015) held on 16/9/2015, delegating the KDIPA Director General to issue the necessary executive decisions thereon,
- And based on the work interest,

It is decided

- Article (1):** Investment entities shall be governed by the provisions of the mechanism for granting the tax exemption, attached hereto.
- Article (2):** This decision is to be abided by as of the date of its issuance, and shall be published in the Official Gazette.
- Article (3):** Responsible officials, each in the area of concern, shall execute this decision.

Dr. Meshaal Jaber Ahmad Al Sabah

Director General, Kuwait Direct Investment Promotion Authority

The original Arabic signed & sealed



هيئة تشجيع الاستثمار المباشر
KUWAIT DIRECT INVESTMENT PROMOTION AUTHORITY

The Mechanism for Granting Tax Exemption
By the Kuwait Direct Investment Promotion Authority



INDEX

Article (1) – Definitions:.....	4
Article (2): Receipt of the tax exemption applications	5
Article (3): Requirements of the tax exemption application.....	5
Article (4): Examination of the tax exemption application.....	6
Article (5): Decision-making authority of tax exemption applications.....	6
Article (6): Notification of the Ministry of Finance (Tax Department).....	6
Article (7): Evaluation criteria of the tax exemption application	6
Article (8): Calculation mechanism of the tax exemption value.....	7
a) Controls of the tax exemption calculation	7
b) Tax exemption report:	8
c) Tax exemption certificate:	8
d) Determination of exemption value	8
e) Duration of exemption	8
Article (9): Compliance with rules and regulations issued by the Ministry of Finance.....	9
Article (10): Setting date of effective operation	9
Article (11): Auditor’s role (Tax exemption report).....	9
Article (12): Issuance of tax exemption certificate.....	9
Article (13): Exceptional cases of tax exemption	10
a) Expansion:.....	10
b) Multi-purpose investment entities:.....	10
Appendices.....	11
Template of the Tax Exemption Report.....	12
Template of the Tax Exemption Certificate	17



Article (1) – Definitions:

For the purpose of application of the provisions of this mechanism, the following terminology shall have the meaning shown before them:

Authority	Kuwait Direct Investment Promotion Authority (KDIPA).
Board	KDIPA's Board of Directors.
Investor	A natural person or corporate entity of whatever nationality.
Investment license	An investment license issued according to the provisions of Law No. 116 of 2013, as cited.
Investment Entity	A project or activity licensed according to the provisions of Law No. 116 of 2013 as cited, with as investment license granting it a legal status in the State of Kuwait.
Commencement of procedures	Startup procedures and preliminary activities preceding the start of operation of the investment entity.
Start of operations	The starting date for the effective operations of the investment entity in the licensed activity.
Multiplier factor	A number or a percentage assigned as a multiplier or a percentage of the value. It is considered as a financial incentive for each of the subcomponents of the set criteria to implement the mechanism linking the tax exemption to performance.
Credits	The figure that constitutes the sum of all added value delivered by the investment entity to the national economy based on the granted multiplier factor. This figure is annually assessed.
Local component criteria	A requirement that is related to efforts to activate the role of local private sector by measuring the capacity of the investment entity to use local inputs.
Local inputs	A multitude of inputs to the production systems of the investment entity, which may comprise of tangible resources such as commodities, raw materials, machinery etc. and/or non-tangibles resources such as facility rental, consultancy, accounting, legal and marketing services, or other. These inputs are procured from



	the local market and are incurred by the investor on an actual rather than an estimated basis.
Tax base	Net income generated by the investment entity -net of allowable expenditure and costs- approved or specified by Ministry of Finance – Tax Department.
Introductory Guide for Submitting the Project Business Study	A guide developed by KDIPA to be used to for developing the project's business study attached to the applications submitted to KDIPA, in accordance with the provisions of Law No. 116 of 2013 and its Executive Regulations as cited.
Value of advanced equipment	The cost of importing advanced machinery and equipment including all related costs of freight, transport, and customs clearance.
Annual credits granted for transfer & settlement of technology	The value of credits granted by assigning a 20% multiplier under the “technology transfer” criteria, which is calculated based on the total cost of imported advanced equipment divided over 10 years in equal amounts.
National labor	The national labor ratio employed by the investment entity, which is in excess of the ratio stipulated in the Council of Ministers' Decision No. 1028 of 2014 regarding the determination of national labor quota in non-governmental entities pertaining to each field or economic activity.
Annual salaries paid to national labor	The basic salary plus cash and in-kind benefits received by each of the National Labor during his employment period in the investment entity.

Article (2): Receipt of the tax exemption applications

A tax exemption application set forth in this mechanism shall be submitted to KDIPA using the relevant approved form. The application shall meet the requirements, rules and procedures stipulated in this regard.

Article (3): Requirements of the tax exemption application

The following requirements must be satisfied for approval of the tax exemption application:

- 1- The application should fulfill all the information and documents required by KDIPA.



- 2- A Business Study of the concerned project to be evaluated should be provided as per KDIPA's "Introductory Guide for Submitting the Project's Business Study" available online at KDIPA's website.
- 3- A timeframe provided, outlining the expected date for commencement of procedures and date for effective operation of the investment entity.

Article (4): Examination of the tax exemption application

KDIPA shall examine both the above-mentioned application and the Business Study prepared by the investment entity; and shall verify all submitted information and documents to evaluate the application according to the criteria and provisions approved by the Board.

Article (5): Decision-making authority of tax exemption applications

The Director General issues his decision to approve or reject the tax exemption application based on the examination outcome of the investment entity's application and in light of the criteria approved by the Board. The concerned department in KDIPA shall then duly notify the investor with the Director General's decision.

Article (6): Notification of the Ministry of Finance (Tax Department)

A notification shall be duly sent to the Ministry of Finance (Tax Department) regarding the Director General's decision set forth in the previous article.

Article (7): Evaluation criteria of the tax exemption application

The tax exemption value shall be estimated on the basis of compliance with and fulfillment of the following three set criteria by the applicant investment entity:

No.	Criteria	Measure	Set Multiplier for calculating annual benefit (Percentage/ Value)
1	Technology Transfer & Settlement and participation in diversification of the economic base.	Measured by proxy: 1-1 cost of advanced equipment	@ 20% of the value of advanced equipment.



		(tangible value)	
2	Creating jobs and training opportunities for Kuwaiti nationals.	Measured by expenditure on salaries and training expenses for Kuwaitis as well as total number of jobs created.	
	2-1 Total expenditure on salaries paid to national labor .		@ 5 times the annual salaries paid to the national labor.
	2-2 Total number of national labor.		@ KD 60,000/Kuwaiti employee.
	2-3 Expenditure on training of national labor.		@ 10 times the annual expenditure on training of national labor.
3	Expanding the local content by motivating and activating the Kuwaiti private sector's role by the utilization of local products and services	Measured by the costs of head office rental, value of contracts entered into with local suppliers, and use of national inputs.	
	3-1 Rental of the premises of the investment entity.		@ double the annual rental value of the premises of the licensed investment entity.
	3-2 Dealing with local suppliers (especially SMEs) for provision of local products and services, or technical, professional and advisory services.		@ double the value of the annual contracts with local suppliers.
	3-3 Use of inputs from local sources such as raw materials.		@ double the annual value of inputs used from local sources.
Value of the granted tax exemption (total annual benefit) = sum of 1 + 2+ 3			

Article (8): Calculation mechanism of the tax exemption value

a) Controls of the tax exemption calculation

Whenever one or more of the criteria set forth in the previous article are met, the value of tax exemption granted to the investment entity shall be calculated as follows:

Multiplier (percentage or value) x cost of the set criteria = tax exemption value



Cost of the set criteria is estimated and approved for each criteria upon which the credits are granted, according to the stipulations and conditions determined by KDIPA, and upon verifying the validity of the supporting documents, and ensuring that each of the exemption criteria measures fulfilled its specific purpose.

b) Tax exemption report:

The investment entity is obligated to prepare an annual calculation of tax exemption amounts prescribed in the cited mechanism, provided that the value of tax exemption amounts is approved by an auditor authorized by Ministry of Finance as per the provisions of the cited mechanism, in addition to including a copy of the audited tax declaration that should be submitted to the Tax Department, along with supporting documents of the expenses incurred upon which the exemption amount is calculated under the direct responsibility of the auditor.

c) Tax exemption certificate:

KDIPA shall issue an annual certificate stating the tax exemption value granted to the investment entity in light of the criteria approved by the KDIPA Board of Directors.

d) Determination of exemption value

First case: if the tax exemption value granted to the investment entity is less than the value of the tax base, in such case the difference shall be deemed as a net tax base. The Tax Department shall assess the due tax according to the approved rules and procedures.

Second case: if the tax exemption value granted to the investment entity is higher than the value of the tax base, in such case the exemption value shall be deducted to the extent of the tax base. No exemptions in excess of such tax base shall be carried forward.

Third case: if the tax exemption value granted to the investment entity is equal to the value of tax base, in such case the full exemption value shall be deducted.

e) Duration of exemption



An investment entity shall be granted the tax exemption benefit for a ten-year period starting from the date of effective operation, provided that the tax exemption value shall be linked to performance during the stated exemption period as set forth in the cited mechanism.

Article (9): Compliance with rules and regulations issued by the Ministry of Finance

An investment entity shall address the Tax Department, Ministry of Finance to register its licensed investment entity, abiding with all the provisions of Tax Laws, Executive Bylaws, Executive Regulations and rules issued by the Ministry of Finance.

Article (10): Setting date of effective operation

An investment entity shall notify KDIPA within thirty days of the date of effective operation, as a starting date for calculation of the exemption duration. KDIPA shall have the right to verify compliance of the investment entity with the notification process in the specified date and ensure the actual starting start of effective operation in coordination with the Tax Department, Ministry of Finance in this regard.

Article (11): Auditor's role (Tax exemption report)

The Auditor of the investment entity shall prepare and report on tax exemption, abiding with the criteria approved by KDIPA for tax exemption granted to the investment entity, using "tax exemption report" approved by KDIPA. The Auditor should verify and validate the information and documents related to each of the measures of the criteria approved by KDIPA. Further, the Auditor should abide with due diligence and perform his tasks in accordance with the professional and ethical fundamentals of this function.

Article (12): Issuance of tax exemption certificate



Upon request of the investment entity, KDIPA shall annually issue a tax exemption certificate following the verification and validation of the tax exemption report by the cited Auditor. A copy of that certificate shall be maintained under KDIPA's custody, another delivered to the investor, and a third copy dispatched to the Tax Department, Ministry of Finance.

This certificate shows the name of the investment entity, the exempted activity, the date of effective operation, after verifying its validation and in coordination with the Tax Department, Ministry of Finance, the tax exemption value, and exemption period.

Article (13): Exceptional cases of tax exemption

a) Expansion:

An investment entity that is licensed for expansion shall be qualified to tax exemption in accordance with the provisions of Law No. 116 of 2013, whenever it satisfies the set criteria to be granted tax exemption incentive. Such exemption shall apply to expansion cases fulfilling the procedures, stipulations, conditions, and criteria set forth in the cited mechanism.

b) Multi-purpose investment entities:

In observance of Article (20) of the Executive Regulations of Law No. 116 of 2013, an investment entity of multiple activities shall be entitled to tax exemptions only with respect to the licensed activity approved by KDIPA.

Furthermore, the investment entity of multiple activities is obligated to set regular and separate accounts for the activity seeking tax exemption which under Law No. 116 of 2013 and its Executive Regulations, in order to specify the taxable profit. Such accounts should outline in detail the business results of the licensed activity in accordance with rules set forth in the cited mechanism.

Appendices

Template of the Tax Exemption Report

of the Investment Entity, submitted by the Auditor approved by the Tax Department in
accordance with KDIPA's Criteria

Kuwait: Date..... 20xx

Director General
Kuwait Direct Investment Promotion Authority

Dear Sir,

Subject: The Tax Exemption Report for (Investment Entity's name)
In Compliance with the Kuwait Direct Investment Promotion Authority Criteria

We ("Auditors' Name") have conducted the required procedures stated hereunder in relation to the information set out in tables No. 1 to No.____, prepared by ("Investment Entity's name"), for the purposes of audit and verification of the information and data included in the Tax Exemption Report of the above-mentioned Company for the fiscal period from____ to____, licensed as per the provisions of Law No. 116 of 2013 regarding the Promotion of Direct Investment in the State of Kuwait, and the relevant KDIPA's criteria in this regard.

In this context, we confirm that the Tax Exemption Report has been prepared free from any misstatements, whether due to fraud, error or manipulation, and is consistent with KDIPA's criteria in this regard, and the generally accepted accounting standards. This engagement was undertaken in accordance with the International Standard on Related Services (ISRS) applicable to agreed-upon procedures engagements. I have taken the necessary procedures to reach assurance about the appropriateness of the information set out in this report as per the procedures and conditions specified by KDIPA in this regard.

I hereby acknowledge that for the fulfillment of this purpose, I have undertaken the following measures:

1.1 Verification of the Transfer & Settlement of Technology Criteria (Advanced Machinery), as follows:

- a) Receipt of list of machinery and equipment imported during the period from _____ to _____ and verifying the actual cost incurred in this regard, and reconciliation of these expenditure amounts with invoices/ contracts/ supplier freight documents /custom clearance & statement;
- b) Review of the payments made to the supplier by inspecting bank statements and transfers; and
- c) Review of the list of the imported advanced appliances, machinery and equipment, and count of inventory to verify their actual existence in the investment entity; and
- d) Ensure that these machinery and equipment imported during the relevant period did not obtain customs duty exemptions.

The following table includes the cost of the machinery and equipment which has been reviewed by (Auditor's name) and the set multiplier percentage/value, to calculate the annual benefit:
No.

No.	Set Multiplier for the Calculation of Annual Benefit (Percentages/Value)	Value of Machinery and Equipment (KD)	Value of Tax Exemption (KD)	Value of Annual tax Exemption (KD)
	(A)	(B)	(C) = (A*B)	(D) = (C/The remaining exemption period)
1	20%			
2	20%			
3	20%			
Total Annual Tax Exemption = (1+2+3)				

1.2 Verification of Job Creation & Training for National Labor Criteria:

- a) Reconciliation of the total number of National Labor with payrolls.
- b) Verification of the National Labor cost in comparison with each of the general ledger/ registry.
- c) Verification of the staff cost items in relation to National Labor in comparison with each of the general ledger/ registry.

- d) Verification of any other allowances/benefits granted for National Labor by way of reconciliation with the general ledger/ registry.
- e) Verification of the investment entity's compliance with the National Labor quota as stipulated in the Council of Ministers Decision issued regarding the specified national labor quota in the non-governmental entities applicable to investment entities with 25 employees or more, and over 50% of the total number of the employees in investment entities with fewer than 25 employees.
- f) Verification of National Labor employment contracts and reconciliation of total salaries and allowances with the amounts transferred to the National Labors' accounts with the bank.
- g) Verification of the amounts that have been transferred to National Labor through bank statements.
- h) Verification of the amounts that have been spent on training of the National Labor and reconciliation of these amounts with each of the general ledger/ registry.
- i) Verification of invoices and payment evidence in connection with actual cost of training of the National Labor expenses.

The following table illustrates the number of the National Labor recruited by licensed (Investment Entity's name) by KDIPA, the ratios determined according to the definition of the national employees, total expenditure on salaries and training of the National Labor, and the Multiplier set for calculating the annual benefit.

No.	Criteria	Set Multiplier for the Calculation of annual Benefit (Percentages/Value)	Value of Expenditure (KD)	Value of annual tax Exemption (KD)
		(A)	(B)	(A*B)
1	Total expenditures of National Labor salaries	5		
2	Expenditure on Training of the National Labor	10		
Total Annual Tax Exemption (1+2)				

No.	Criteria	Total number of current employees in the investment entity	National Labor According to the relevant Council of Ministers Decision	Number of National Labor according to the relevant Council of Ministers Decision	Current number of National Labor in the licensed Investment Entity	Current number of National Labor in excess of the quota Stipulated as per the relevant Council of Ministers Decision	Set Multiplier for the Calculation of annual Benefit For each Kuwaiti Labor (KD)	Value of annual tax Exemption (KD)
		(A)	(B)	(C)=(A*B)	(D)	E=(D-C)	(F)	G=(F*E)
1	Total number of National Labor						36,000	
Total Annual Tax Exemption								

1. 3 Verification of local content criteria for using domestic products & services through:

- a) Receipt of list on machinery and equipment locally purchased in Kuwait during the period from _____ to _____. We reconciled the amounts with the invoices/supplier contracts/payment evidence.
- b) Receipt of list of materials locally purchased in Kuwait during the period from _____to _____. We reconciled the amounts with the invoices/supplier contracts/payment evidence.
- c) Receipt of list of subcontracts of the local company in Kuwait during the period from _____ to _____. We reconciled the amounts with the contracts/invoices/payment evidence.
- d) Reconciliation of rental expenses incurred in Kuwait during the period from _____to_____ by the licensed investment entity, with lease contracts/rent receipts/payment evidence.
- e) Reconciliation of amounts classified as actual expenses in relation to local suppliers registered in the general ledger during the period from _____ to _____ with supporting invoices/contracts/payment evidence.

The following table sets out the annual rental value (Investment Entity Name) licensed by KDIPA, annual contracts entered into with local suppliers, value of the inputs used from local sources annually which have been verified as the Auditor, and set multiplier(percentage/value) to calculate the annual benefit:

No.	Criteria	Set Multiplier for calculating annual benefit (percentage/Value)	Value of Expenditure (KD)	Value of annual tax exemption (KD)
		(A)	(B)	(A*B)
1	Rental of premises of the Investment Entity	1		
2	Dealing with local suppliers for supplying local products & services, technical, professional & consultancy services	1		
3	Usage of inputs from local sources as raw materials	2		
Total Annual Tax Exemption (1+2+3)				

4.1 Verification of Sustainable Development Criteria:

- a) Verify that the expenditures for the implementation of social responsibility programs and environmental sustainability were made in accordance with the plan approved by KDIPA and in the specified areas according to the stated conditions.
- b) Verification of invoices and proof of payment of the actual expenditure spent in the areas of social responsibility programs and environmental sustainability cross referenced with the general ledger/ registry.

The following table shows the total expenditure on sustainable development for the licensed (the name of the investment entity) by KDIPA and reviewed by our office and the percentage / value of the multiplier factor set for calculating the annual benefit:

No.	Criteria	Set Multiplier for calculating annual benefit (percentage/ value)	Value of Expenditure (KD)	Value of annual tax exemption (KD)
		(A)	(B)	(A*B)
1	Social Responsibility Programs	1		
2	Environmental Sustainability	1		
Total annual Tax Exemption (1+2)				

5.1 Final Statement for the Results:

Hereunder is our statement for the results: (to be amended in case of any exceptions)

- 1) In relation to Item No. 1.1 (A) above
- 2) In relation to Item No. 1.1 (B) above
- 3)
- 4)

In conclusion, kindly be advised that this report is solely for the purpose set forth in the first paragraph of this report and for your information and it is not to be used or its findings for any other purpose or to be distributed to any other parties other than Kuwait Direct Investment Promotion Authority (KDIPA). This report relates only to the procedures specified above and does not extend to any financial statements of the Company, taken as a whole.

Best Regards.

Authorized Signatory

Template of the Tax Exemption Certificate

Kuwait Direct Investment Promotion Authority (KDIPA) certifies that the investment entity concerned herewith has satisfied the criteria and mechanisms developed by KDIPA for performance based tax exemptions in accordance with Article (29) of Law No. 116 of 2013, and KDIPA Board of Directors Decision in its third meeting held on 25/9/2014 approving the mechanism to link value of tax exemption to the performance of the investment entities and Decision No. 16 of 2016 regarding the Mechanism for granting tax exemption and its amendments:

Certificate No.			Issuance Date	
Investment Entity Name			Exemption Decision No.	
Commercial License No.			Investment Registry No.	
Tax Exemption Period	From	To	Effective Operations Date	
Tax Exempted Activity				
Tax Exemption Value				

Director General
Kuwait Direct Investment Promotion Authority