

# Marmore First Take

## Remittance Tax in Kuwait: Is it coming finally?

April 2018

# Highlights

- The Parliamentary Financial and Economic Affairs Committee of Kuwait has approved bills for imposing tax on remittances of expatriates, based on their income level. The tax rate suggested starts at a modest 1% for remittance under KD99 and goes all the way to 5% for remittance beyond KD500. Remittance outflow from Kuwait in 2016 stood at KD 4.6bn (USD 15.3bn) with nearly 27% of that sent to India, followed by Egypt at 18%, Bangladesh at 7% and Philippines and Pakistan at 3% each.

## Tax Rates on various salary brackets

Salary Category	Tax Rate
KD1 - KD 99	1%
KD100 - KD200	2%
KD300 - KD499	3%
KD500 and above	5%

Source: Arab Times

- The bill approved by the financial committee has been opposed by the legislative committee citing constitutionality. If the draft bill is approved, it will then be referred to the government and in case if it's accepted by the cabinet, it would become a law. Kuwait would then be the first country in the GCC region to impose remittance tax.
- While the bill discussed about imposing taxes on remittances it failed to clearly define the category of people who will be paying the taxes. The bill in its current form also failed to describe what would constitute as remittance, would it include income or even loans availed from banks that is being sent abroad. Lack of clarity and proper definition could hinder the upcoming debate in the parliament.
- Critics of the bill have warned that introduction of taxes on remittances would lead to mushrooming of alternative channels or parallel black market to route money back home. The Central Bank of Kuwait had also voiced similar concerns in the past.

- Higher taxes for high-income, knowledge workers could dissuade them from pursuing long-term stint in Kuwait and this could constraint their azsupply. This could prove disastrous at a time when Kuwait strives to transform itself as knowledge-based economy and has a large scale need for highly skilled professionals.
- Unskilled labourers and semi-skilled workers whose wages are low and fall under the lower tax bracket would also stand to lose on the amount of money that they could save. A problem exacerbated by the rising cost of living, especially at a time when fuel and utility costs are on the rise. This could result in demand for higher wages across workers like electricians, plumbers, mechanics, and construction labourers.
- Overall, the impact of remittance taxes on expatriates would be felt on businesses operating in Kuwait in the form of higher salaries and wages and on Kuwaiti nationals in the form of higher expenses to avail expat services.
- Elsewhere, UAE imposes a Value Added Tax (VAT) on all expatriate remittances. The VAT on remittances is not a tax on the remittances themselves but is specifically placed on remittance services implying that the VAT will apply only to the fee charged rather than the amount of funds being remitted.
- Saudi Arabia in contrast imposes an 'expat levy' which requires foreigners working in the private sector to pay a family tax of 100 riyals (\$26.60) per month for every minor or unemployed relative living in the country. An estimated 11 million foreigners work in the Saudi private sector, with 2.3 million of their dependents based in the kingdom, according to the Public Authority for Statistics. The tax is expected to increase every year until 2020, reaching 4,800 riyals (\$1,280) per dependent annually.
- Similar to Kuwait, Bahrain is also proposing to impose BD 1 fees on remittances below BD300 and BD 10 for all money transfers exceeding the amount of BD300. If implemented it would add at least BD90 million to the state exchequer. Currently, around BD 2.5 billion annually is being transferred abroad by expatriate workers in Bahrain.

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# About marmore

## Our vision

To be the first choice for obtaining strategic intelligence on the MENA region.

## Our mission

Serving businesses and institutions with reliable information and intelligence about MENA, needed to catalyse growth, understand the larger environment and facilitate decision-making.

## Our aim

Advocate intellectual research on MENA economies, businesses and financial markets and provide customized, actionable solutions.

## Our foundation

- A subsidiary of Markaz: Investment bank and asset management firm with 40+ years of history
- Markaz research activities commenced in 2006
- Marmore established in 2010 to intensify the research activities
- Publishes research reports and provides consulting services

# Consulting services

Marmore provides customized consulting services based on specific requirements of our clients. Marmore's bespoke consulting services marries the challenges of cost, time, scope and data availability to generate actionable outcomes that are specific to our clients' needs.

## What type of consulting services we provide?

- Industry market assessment (market size, competitors, regulations)
- White label reports (industry reports, company newsletters, periodic research)
- Databases (competitors' information, target clients insights)
- Company valuation (buy/sell side advisory)
- Due diligence / Business evaluation
- Feasibility studies (market and financial)
- Business plans
- C-Suite support to leaders with intellectual, industry related needs

## How do we execute consulting engagement?

Our seven step process to execute consulting engagements:

- Step 1: Requirement and scope analysis
- Step 2: Proposal submission
- Step 3: Project initiation
- Step 4: Fieldwork / research
- Step 5: Analysis & reporting
- Step 6: Review & approval
- Step 7: Report submission / presentation

# Published research

## Industry research

Marmore's industry reports provide information on industry structure, key players, market analysis, demand drivers, competitive analysis and regulatory requirements.

## Economic research

These reports are produced as thematic discussions based on current issues in the economy. The reports aid key stakeholders such as investors, businessmen, market participants, and policy makers in understanding the impact of a particular theme on the economy.

## Infrastructure research

Infrastructure research highlights bottlenecks in the sector and areas requiring urgent investments. Our infrastructure report analyses the link between economic development and infrastructure and showcases supply & demand challenges in the GCC and investment opportunities.

## Capital market research

Capital market reports provide an analysis of stock & bond markets in the MENA region including outlook. These reports are strategic in nature and provides investment perspective to readers.

## Policy research

Marmore has partnered with several leading thought leaders and institutions of repute to generate economic policy research studies in key areas like energy, labor, economic structure and public sector.

## Periodic research

Our periodic reports capture GCC stock markets' earnings, risk premium studies, and economic development & outlook.

## Regulatory research

Our regulatory research series is an effective consolidation, analysis and summary of key business, economic, and market regulations that impact business environment.

