MARMORE
MENA INTELLIGENCE

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Kuwait Remittance Industry

No more an easy business

www.e-marmore.com

info@e-marmore.com

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For further information, please contact 'Markaz' at P.O. Box 23444, Safat 13095, Kuwait; Email: info@e-marmore.com; Tel: 00965 22248280; Fax: 00965 22495741.

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INDUSTRY RESEARCH REPORT

Authors

M.R. Raghu CFA, FRM
Head of Research
+965 2224 8280
rmandagolathur@markaz.com

Rajesh Dheenathayalan, CFA
Manager - Research
+965 224 8000 Ext : 4608
RDheenathayalan@e-marmore.com

Ajay Samuel
Analyst
Asamuel@e-marmore.com

Subha Rajesh Iyer
Asst. Research officer
siyer@markaz.com

Digital Footprints

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www.emarmore.com

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Executive Summary

Money exchange business in Kuwait dates back to 1942 and since then the industry has grown to be a $16 billion dollar industry with more than 40 players. Marmore estimates the industry size to grow to $17 billion by 2020. This is not surprising given the large expat population (70% of the total population) mainly from India, Egypt, Pakistan, Bangladesh and Philippines. Restrictions on what foreigners can own and invest in, crowds out investment opportunities for expatriates in Kuwait. Thus, expats are more inclined to repatriate funds to their respective home countries for investments than explore opportunities for local investments

While the going has been good for the industry, the growing remittance out of the country is a serious draw on the current account balances of Kuwait. Kuwait is now among the top 10 countries in terms of remittance outflows. There is a perception that it is a leakage of wealth and hence should be brought down.

In what was considered a simple and growing business is now facing some obstacles. The business is prone to volatility in line with oil price and this induces uncertainty in terms of predicting future business growth. For eg., the remittance grew by an annualized rate of 14.% between 2010 and 2013 (on the back of strong oil price), however the growth turned negative during 2014, thanks to a falling oil price.

But the most important obstacle is the talk about imposing a tax on remittance hoping that this will bring down the overall money remitted out of Kuwait. The Parliamentary Committee of Kuwait has approved bills for imposing tax on remittance of expatriates based on their income level. Upon approval of the Kuwait government, it could become a law, making Kuwait the first in the GCC region to impose remittance tax. Such a tax dissuade knowledge workers from pursuing a longer stint in Kuwait, creating a shortfall in supply of high skilled

Table 1.1: Kuwait Remittance Related Statistics

Period	Avg. Oil Price (USD)	Avg. Expat Male Population (Mn)	Avg. Remittance (KD Bn)	Avg. Remittance per Expat Male (KD)	Remittance CAGR	Male Expat Population CAGR
1995 to 1999	17.6	0.9	0.4	476	6%	4%
2000 to 2004	29.0	1.0	0.6	571	8%	8%
2005 to 2010	72.6	1.6	2.2	1,396	45%	3%
2011 to 2015	96.9	1.8	4.7	2,639	4%	5%
2016 to 2020*	55.8	2.2	4.8	2,201	3%	2%

*Source: World Bank, IMF, PACI, Marmore Research; Note: *Remittance estimated by Marmore* talents. This could be counterproductive for Kuwait, as it plans to transform itself into a Knowledge based economy. The impact will also be felt by businesses operating in Kuwait in the form of higher salaries and wages to avail expat services. While there is divided opinion as to whether the remittance tax will be a reality, the fact that it is being actively debated induces another element of uncertainty into the business model of the industry.

A non-contentious way of reducing remittance is to bring down the share of foreign labour in the total population. However, the need to augment non-oil GDP growth and rapid urbanization will necessitate large-scale investment in infrastructure, which in turn will only increase the need for foreign labour than reducing them. This should be positive for the remittance industry provided the government-spending trend plays out as expected. Adoption of technology in building construction and other areas can reduce foreign labour, which can be negative for the industry.

The competition from banks also pose a threat to money exchange companies. Given the growing size of the remittance business in Kuwait, it is not surprising that it has caught the interest of banks . Banks have developed their own facilities to tap the market – frequently in the form of a dedicated remittance arm.

While the gross remittances are growing, the profitability has declined over the years due to intense competition and cost pressures.

In summary, oil price volatility, threat of remittance tax, pressure to reduce foreign labor, and competition from banks will test the endurance of this age old industry. However, the need for rapid economic growth and infrastructrure spending will spell hope. Thus, while it will be a growth industry, it will no more be an easy business.

2

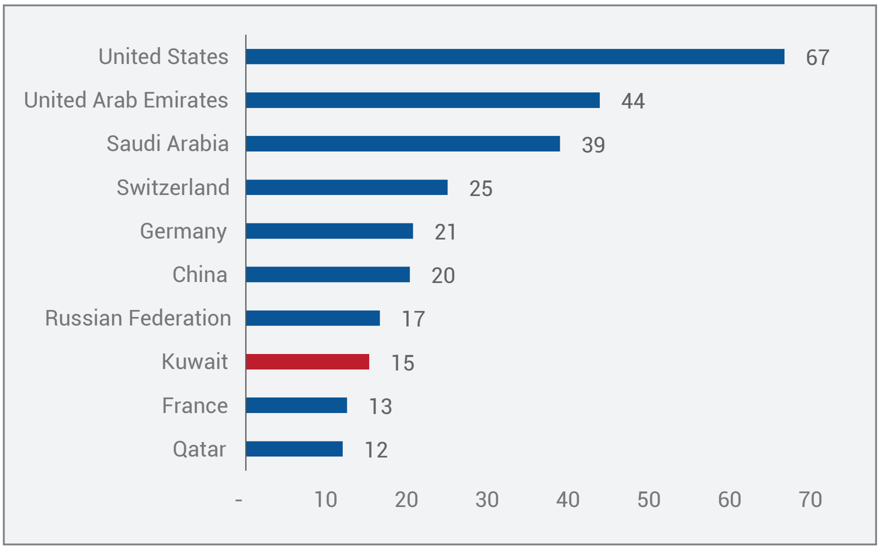
Kuwait Remittance Size

"Remittances" generally refers to money sent from foreign-born individuals in a country to others abroad. Monetary remittances to developing nations has witnessed a sharp rise over the last few years and are now, behind foreign direct investment, the second largest source of external financial flows to developing countries[1]. In some states, remittances are equivalent to more than three times the official development assistance and can have profound implications for human welfare and economic development. Since remittance flows contribute either to increase in consumption or investment, they have the potential to become an important tool for economic development.

Remittance Historical Trend

Kuwait has consistently found its place among top 10 countries in the past five years with regards to the outward remittance flow. The robust oil prices and vibrant economic activity in Kuwait led to a surge in urban development, which in turn, increased demand for foreign labor during the 2010-2013 periods.

Figure 2.1: Global Outward Remittance (2016, USD Bn)



Source: World Bank Annual Remittance Data, Central bank of the UAE

Based on the historic trend of remittance, oil prices, capital investment and the expatriate population it is evident, that the increase in oil prices resulted in increased investments and subsequently led to expatriate population flocking to Kuwait to meet the demand in the labour market. With the increase in expatriate workforce in Kuwait, increase in remittance outflow was an expected phenomenon.

[1] *European Parliament*

During 2005-2015 periods the average annual remittance was almost 6.5x the remittances outflow during 1994-2004 periods.

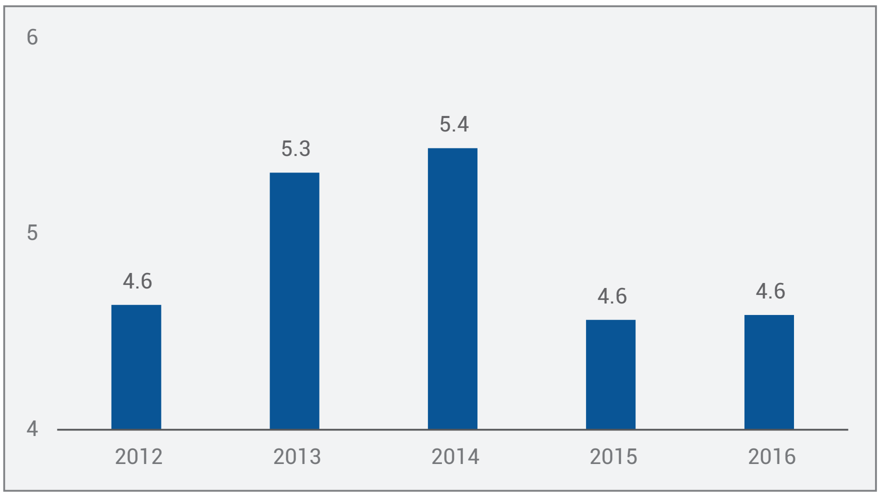
Between 2010 and 2013, the remittances from Kuwait grew at a CAGR of 14.5%. However, with the drop in the oil prices since-mid 2014, the staggering growth of remittance was subdued ever since. Despite the slow-down in remittance post-2014, Kuwait was still among the top 10 remitting countries in the world.

Table 2.1: Historical Kuwait Remittance Related Statistics

Period	Avg. Oil Price (USD)	Avg. Expat Male Population (Mn)	Avg. Capital Investment (KD Bn)	Avg. Remittance (KD Bn)	Avg. Remittance per Expat Male (KD)	Remittance CAGR	Male Expat Population CAGR	GFCF CAGR
1995 to 1999	17.6	0.9	1.3	0.4	476	6%	4%	2%
2000 to 2004	29.0	1.0	2.1	0.6	571	8%	8%	28%
2005 to 2010	72.6	1.6	5.9	2.2	1,396	45%	3%	11%
2011 to 2015	96.9	1.8	7.4	4.7	2,639	4%	5%	9%
2016 to 2020*	55.8	2.2	9.6	4.8	2,202	3%	2%	5%

*Source: World Bank, IMF, PACI, Marmore Research; Note: *Remittance estimated by Marmore*

Figure 2.2: Kuwait Outward Remittance (KD Bn)



Source: World Bank Annual Remittance Data

Significant outflow to low income countries

The 8 countries listed below have on an average received 93.6% of the aggregate remittances from Kuwait between 2012 and 2016. India, Egypt, Philippines and Pakistan have been the prominent recipient of remittances from Kuwait. In 2016, India, Egypt and Pakistan received 39.3%, 24.2% and 9.8% respectively of the total remittances from Kuwait. Kuwait has been one of the major sources for inward remittances for most of the countries discussed below. With the pace of economic growth moderating over the last two years, and increased efforts from the government towards workforce nationalization, the demand for the expats has decreased and accordingly, the level of growth in remittances has slowed down. The reduced public and private spending as a consequence of low oil prices are expected to continue to slowdown remittance growth to these countries in the future.

Factors Driving Remittance Flows

Limited Investment Opportunities

Restrictions on what foreigners can own and invest in, crowds out investment opportunities for expatriates in Kuwait. Investments in real estate which is one the most preferred asset class is prohibited for the expatriate population in Kuwait. While foreigners can invest in local stock markets either directly or through mutual funds, lack of information and language barriers, reduce the incentive for expats to consider such opportunities. Also, the dominance of low skilled workers in the expat group acts as a deterrent. Thus, expats are more inclined to repatriate funds to their respective home countries for investments than explore opportunities for local investments.

Restrictions on Citizenship

In Kuwait, expatriates can work for a significant period of time but cannot claim citizenship. The only route to becoming a citizen is through marriage to a national; even this does not guarantee citizenship. Only in exceptional circumstances, an expat can be granted citizenship if he has provided outstanding service to the state over a number of years. Unlike the US or the UK, where the possibility of obtaining citizenship is high, the lack of such an option encourages people who work in the country to concentrate their investments back home.

Home Bias

The majority of Kuwaiti expatriates originate from India, Egypt, Bangladesh, Pakistan, Philippines, Syria, Indonesia, Nepal, Sri Lanka and Yemen. These countries have a large diaspora population living and earning income off-shore, most often in low paid jobs that require them to leave their families behind in order to save money and support them.

Absence of Tax

Kuwait charges no income tax on salaries paid to expatriates, which is a huge draw for the latter to look for opportunities in the country. However, the model which other countries — such as the United States or Canada— follow, where the local population is taxed as well as provided with social security actually increases the "engagement quotient" and motivates them to invest in local markets. Also, the tax reduces the savings pot and hence the money available to remit. Hence, the absence of tax on income acts as a huge attraction towards remittance. In 2018, several proposals to levy taxes on remittances were rejected in the Kuwait parliament citing them to be unconstitutional. However, a recent press report indicates that stakeholders are examining all angles to this issue in order to arrive at a consensus decision.

Table 2.2: Top Countries Receiving Remittances from Kuwait (KD Bn)

Region	2011	2012	2013	2014	2015	2016	CAGR Growth
To India	1.45	1.61	2.22	2.17	1.76	1.79	4%
To Egypt	0.83	1.19	1.38	1.48	1.24	1.12	6%
To Pakistan	0.23	0.26	0.36	0.40	0.38	0.46	15%
To Philippines	0.28	0.30	0.38	0.39	0.33	0.37	6%
To Bangladesh	0.48	0.56	0.39	0.40	0.34	0.30	-9%
To Indonesia	0.02	0.02	0.09	0.09	0.09	0.09	32%
To Yemen	-	-	0.08	0.08	0.06	0.07	-5%
To Sri Lanka	0.37	0.45	0.05	0.06	0.05	0.05	-32%

Source: World Bank and Marmore Research

3

Players, Cost and Revenues - Estimates till 2020

Money Transfer Operators (MTOs) dominate the transfer business

Given the size of the remittance business in Kuwait, it is not surprising that it has caught the interest of several players in the region. While the money transfer services that grew out of the telegraph businesses of old, such as Western Union, still play an important role, banks have also developed their own facilities to tap the market – frequently in the form of a dedicated remittance arm.

Table 3.1: Summary of Major Remittance Service Providers in Kuwait

Firm	Type	Payment Instrument	Access Point	Transfer Speed	Receiving network coverage
Al Mulla Exchange	Money Transfer Operator	Cash	Agent	Next day	High
Al Muzaini Exchange	Money Transfer Operator	Cash	Agent	Next day	High
Aman Exchange	Money Transfer Operator	Cash	Agent	Next day	Low
Bahrain Exchange Company	Money Transfer Operator	Cash	Agent	Next day	High
Kuwait India International Exchange	Money Transfer Operator	Cash	Agent	< 1 hr.	High
Lulu Exchange	Money Transfer Operator	Cash	Agent	Next day	Medium
MoneyGram	Money Transfer Operator	Cash	Agent	Next day	High
Philippines National Bank	Bank	Cash	Bank branch	< 1 hr.	Low
UAE Exchange	Money Transfer Operator	Cash	Agent	Next day	High
Western Union	Money Transfer Operator	Cash	Agent	< 1 hr.	High
Xpress Money	Money Transfer Operator	Cash	Agent	< 1 hr.	High

Source: World Bank, Marmore Research

Discussed above are some of the prominent money transfer service providers in Kuwait. According to the Kuwait Central Bank the number of remittance service centers in banks in Kuwait has increased from 38 by the end of 2010 to 42 by end of Sep 2017. The money transfer operators possess wider network for both sending and receiving the funds compared to the banks and also are able to complete the remittance process much quicker than the banks. The funds can be transferred to an international destination in most cases in less than an hour if done through the money transfer operators compared to two days taken by the banks. Moreover, the process of the transfer is much simpler with the MTOs as the payment is received and paid in cash, compared to the banks which require banks accounts for the transaction to be completed.

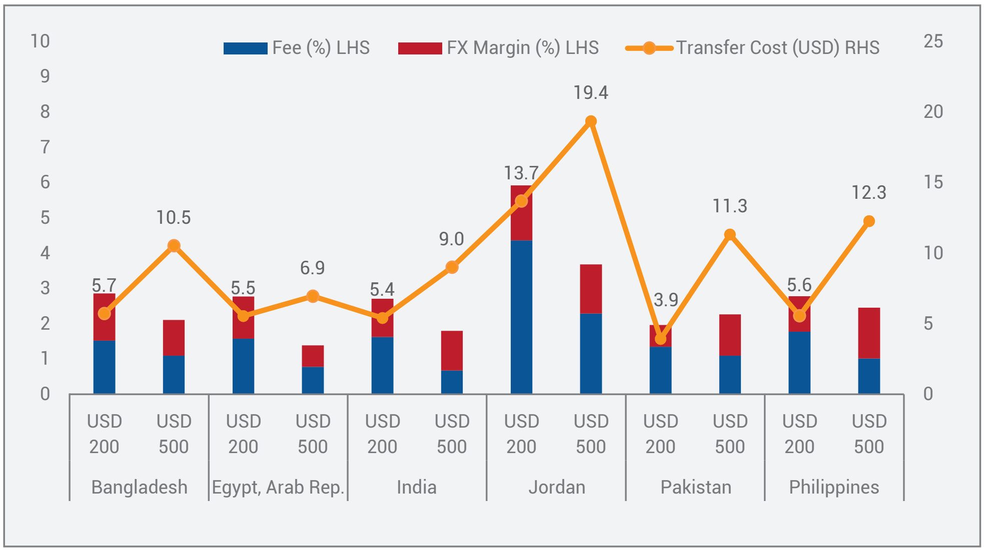
Remittance Cost

The cost of remittance has two components i.e. the remittance fee and the exchange rate spread and can vary depending on the country to which the transfer is done. The remittance fee for receiving, processing and paying out the cash transfer is collected from the sender by the sending agent. The exchange rate spread is the difference between the retail foreign exchange rate that the MTO charges the sender and the more favorable wholesale foreign exchange rate that the MTO actually pays. The fee and the exchange rates differ based on the MTOs and the banks and is used a key factor to attract more senders to use their remittance services.

Cost of Remitting USD 200 and USD 500 in 2017

Among the countries which receive significant remittances from Kuwait, the cost associated with the transfer of funds is highest for Jordan. The aggregate cost for transfer of USD 200 and USD 500 is 6.8% (USD 13.7) and 3.9% (USD 19.4) respectively. Both the fee and exchange rate margin are the highest for Jordan compared to the other countries while Egypt and Pakistan are the cheapest in terms of remittance costs from Kuwait. As per World Bank, higher income levels in both sending and receiving country and a higher share of bank participation exhibit significantly higher average remittance costs, while corridors with a higher number of migrants, a higher number of market players and greater bank competition in the receiving country exhibit significantly lower average costs.

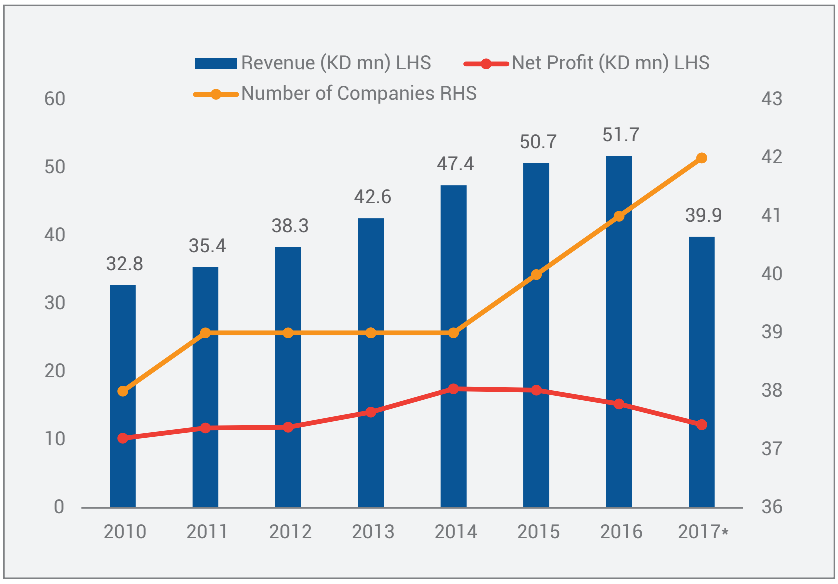
Figure 3.1: Cost of Remitting USD 200 and USD 500 in 2017



Source: World Bank, Marmore Research; Note: Transfer cost is sum of FX margin and Fee

Based on the cost of remittance and the respective proportion of remittances across different corridors, the revenue generated by exchange companies in Kuwait stood at KD 51.7mn in 2016 growing from KD 32.8mn in 2010 at a CAGR of 7.9%. However, Net profitability saw a decline after 2014, as Net profits reduced from 17.5mn in 2014 to 15.3mn in 2016.

Figure 3.2: Revenue and Profit of Exchange companies in Kuwait



*Source: Central Bank of Kuwait; Note: *- Data as of YTD Q3 2017*

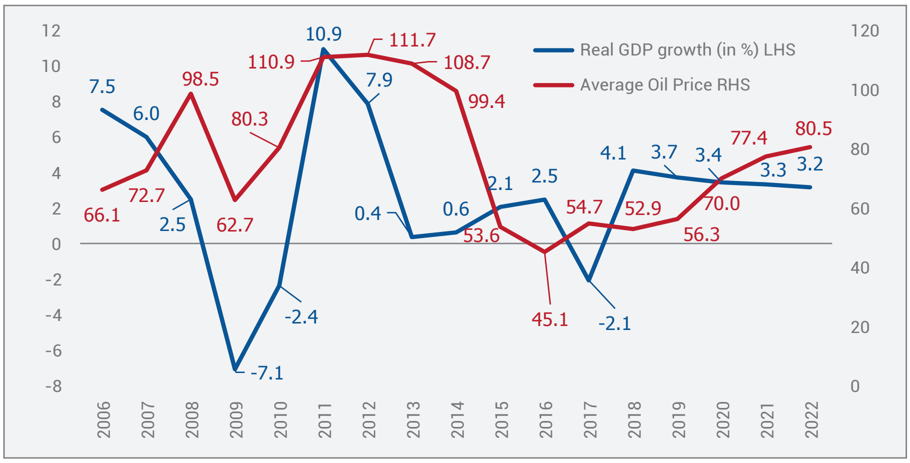
Estimating Remittance Outflow until 2020 - Key Variables & Methodology

The size of expatriate population working in Kuwait and oil revenue which drives Kuwait's economy and subsequently the private and public sector investments are the major driving factors for outward remittances from Kuwait.

Oil Price & GDP Growth

The decline in oil prices has exerted pressure on Kuwait's economy in recent years. However, fiscal consolidation efforts and an expected rebound in oil prices is anticipated to trigger the revival of the economy. Real GDP growth is projected to rise to 4.1% during 2018, up from -2.1% in 2017. Kuwait was the only GCC country to post a fiscal surplus at 1.5% of the GDP during 2017 while others recorded a deficit. Despite having strong financial buffers, uncertainty in oil prices and rise in interest rates are expected exert pressure on credit growth and thus on the private sector growth. As per IMF's estimates, the oil price is expected to rebound and break the USD 70 barrier by 2019 resulting in steady economic growth. Despite the nationalization efforts, number of expats and remittance in expected to rise till 2020 backed by the positivity of economic conditions.

Figure 3.3: Oil Price & Kuwait GDP Growth



Source: IMF, EIA; Note – GDP growth estimates begin from 2015 and Oil price estimates from 2018

Expatriate male population

The size and growth of expat male population is a key component of total remittance flow. Due to declining oil price and growing unemployment, Kuwait has been implementing several programs and taking measures over the years aiming to reduce expat population and increase job opportunities for Kuwaiti nationals. As part of the Kuwaitization plan launched in 2017, government bodies have been advised to reduce the number of expats employed, in order to reach a designated percentage share of nationals to expats by 2022 for each category of jobs. The plan also envisions to achieve 100% Kuwaitization of jobs in sectors areas such as IT, Marine Services, Arts, Public Relations, Statistics and Administrative support by 2022. Majority of Kuwaiti nationals are currently employed in the public sector, while their presence remains low in the private sector. Hence, the government has been taking initiatives to make the private sector more attractive for nationals as the public sector alone would not be sufficient to satisfy the growing workforce in the nation. The Government and Manpower Restructuring Program aims to replace 80,000 expatriates with Kuwaitis in the private sector in the coming years by creating more job opportunities and training nationals to acquire specific skillsets.

A supreme committee tasked with reducing Kuwait's foreign population proposed new fees, fines and limits with a particular focus on domestic workers. The new measures included reducing the number of domestic visas issued per person from five to three and doubling fines for residency law violations. Kuwait's manpower authority also issued an administrative decision that took effect in 2018 banning the recruitment of expatriate who are under 30 years of age. Despite the sanctions, expat male population in the country has seen growth of 5.16% in the past five years increasing from 1.8 million in 2013 to 2.2 million in 2017. As per Marmore's estimates, Kuwait male expatriate population is expected to marginally grow at a CAGR of 1.7% to reach 2.3 million in 2020.

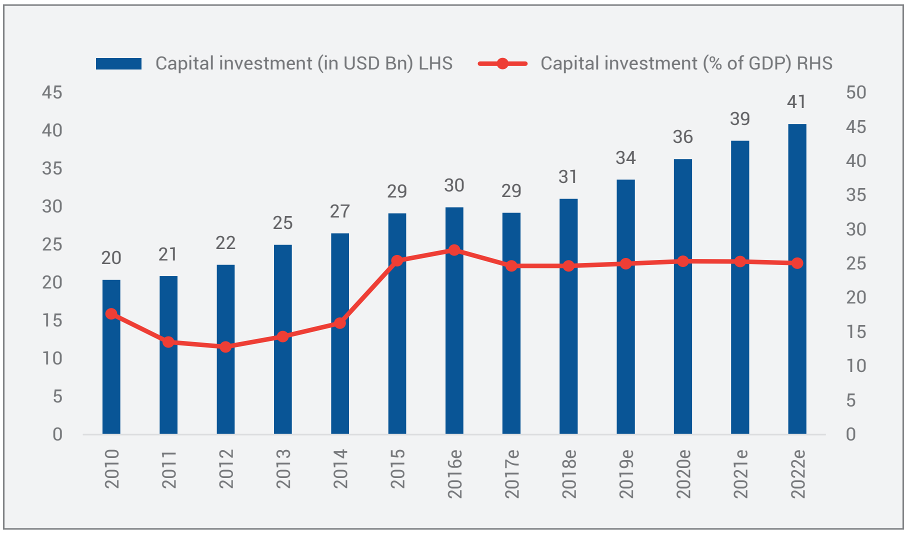
Figure 3.4: Kuwait's Expatriate Male Population (in Millions)

Source: PACI, Marmore Research

Capital Investments

Investment spending is a key source of employment for both expats and locals. In the past, high levels of investment spending have resulted in the quick expansion and growth of expat population, especially male. Kuwait's capital investments have been steady over the years despite running budget deficits. Capital investments slowed down with a CAGR of 3.3% between 2014 and 2017 (compared to a CAGR of 6.8% between 2010 and 2014) owing to the drop in oil prices and amounted to USD 29.2bn during 2017. Kuwait ran a budget deficit of USD 6.6bn (before 10% deposits into sovereign wealth fund) in 2017 while the deficit for 2018 is expected to be at USD 16.7bn . In our assessment, we expect the investments to continue through to 2022 and hover at around 25% of the country's GDP, considering the ambitious infrastructure and development projects planned as part of New Kuwait vision 2035.

Figure 3.5: Kuwait Capital Investments



Source: IMF, Marmore Research

Forecasting Methodology

We have forecasted the remittance outflow from Kuwait till 2020 based on the estimation of oil prices, expatriate male population growth and capital expenditure incurred by the Kuwait government. These variables have been chosen mainly due to their strong explanatory results based on statistical tests.

Data for the chosen variables were obtained as below:

- Remittance value as provided by CBK
- Expat population data as provided by PACI and oil prices as per IPE Brent values
- The IMF forecasts for GDP and total investments (as % of GDP) (last updated October 2017)
- The EIA forecasts for the Oil prices (Energy Outlook 2018)

A regression exercise was undertaken using the above variables where

Oil price = Average closing values of oil per year

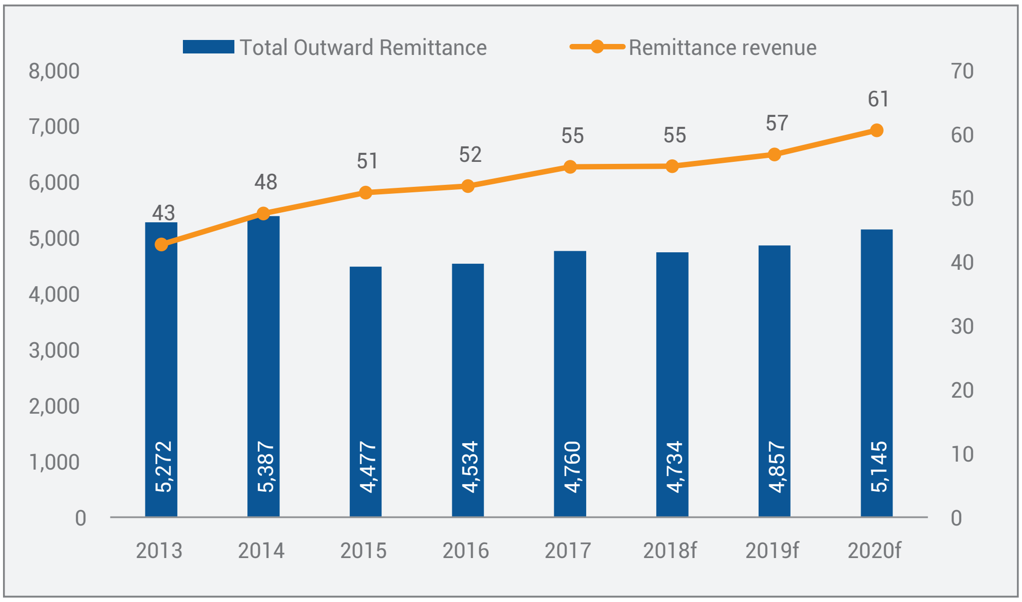
Capital expenditure= Total capital investments per year by Kuwait Government.

Remittance Outflow and Revenue Estimates

In order to estimate the remittance outflow from Kuwait, using regression we have identified the relationship between remittances, expatriate population, oil price and capital expenditure incurred by the Kuwait government (explained in detail in box item above). Based on the forecasted investment by the Kuwait Government in the forthcoming years and the expected expat population, the remittance outflow is expected to grow at a CAGR of 2.6% between 2017 and 2020, reaching KD 5.15bn at the end 2020 from KD 4.73bn witnessed at the end of 2017.

The aggregate revenues of exchange companies were forecasted based on weights assigned by taking past remittance outflows and remittance revenues into account. Based on the projections, the aggregate revenue is expected to increase from KD 52mn at the end of 2016 to KD 61mn at the end of 2020.

Figure 3.6: Remittance Revenue Estimates-Kuwait (KD Mn)



Source: CBK and Marmore Research

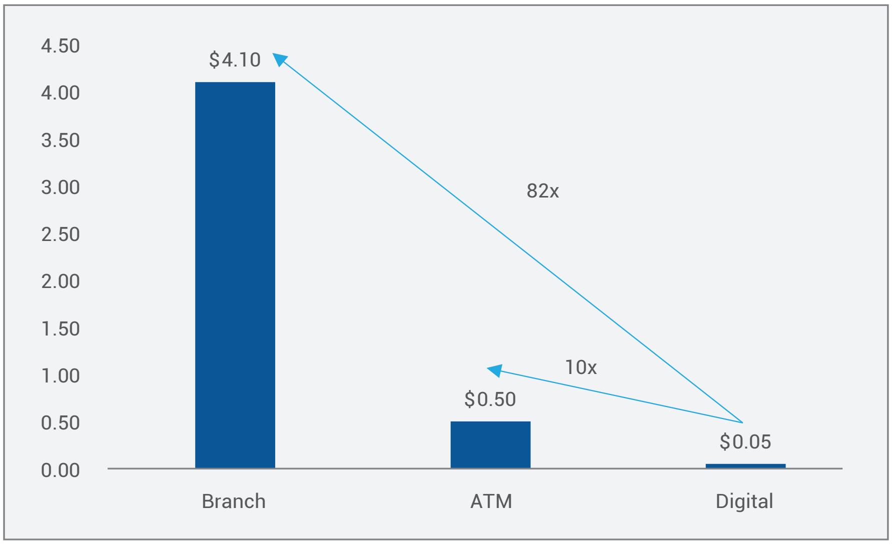
4

Role of Technology (Fintech)

Fintech refers to the companies that use technology to deliver financial services to consumers. Information technology and software firms supporting and facilitating the financial sector firms more so termed as bank technology service providers are also a form of Fintech companies. The other types of Fintech companies are tech-startups and small innovative firms replacing the regular financial intermediary, the ease of accessibility to which can cause disruptions for mainstream banks and banking system. For the mainstream financial institutions, the former type is a complementary service and on the contrary the latter group poses threat their business. The latter groups of Fintech companies are now the focus of financial service organizations across the world, due to its disruptive nature of tearing down existing business models and creating new and efficient means of providing the same services to consumers. The growing prominence of these companies can be assessed by the growth in investments in these companies. From 2009 to 2014, the total global investment in Fintech stood at USD 24.7bn, and in 2015, an estimated USD 40bn was invested into Fintech, a year-on-year growth of 228%.

Fintech players have increased the pressure on traditional remitting companies in terms of fees charging an average of 0.9%, which is four times less than the average for conventional operators. According to the World Bank, the cost of sending money home averages close to 8% globally. India, which receives the highest remittances from the gulf region and worldwide, loses USD 5bn annually in bank transfer costs. Despite regulatory hassles in some places, Fintech companies such as TransferWise and World First have now entered

Figure 4.1: Cost per customer visit (in USD)



Source: Backbase

the remittance space, and are cutting out the middlemen, thereby reducing costs for the remitter to as low as 1% or less, in some cases. Though FinTech players like TransferWise and World First have increased the pressure on banks in terms of fees for the transfer service in other parts of the world. However, they are yet to gain entry in the Middle East region.

According to Marmore's report on Fintech in GCC, it is still early days for the digital platforms, which account for only 6 per cent of the overall industry. While startups are undercutting the incumbents' fees in a few corridors, the latter have also tried and matched up prices in others. The incumbents are already adjusting their strategies to respond to the digital threat, but face lower margins if they continue to compete with the digital startups on pricing.

In case of Kuwait, the implementation of FinTech has been relatively slow, but new initiatives designed to enhance the business environment, reform regulatory support and access to capital are all emerging in the region. While the established institutions compete, and sometimes cooperate, to serve the remittance market, the advent of fintech is expected to increase competition among existing players and bring in more service providers thereby decreasing the cost of remittance. However, adoption of fintech by low-skilled and technologically challenged expatriates could be a dampener. A fact reiterated by the poor adoption of mobiles for online transactions in Kuwait despite boasting high mobile penetration levels.

5

Threat of Remittance Tax

Remittances and Policies

Since oil prices began to drop in mid-2014, fiscal and current-account surpluses turned to deficits. This has forced the Kuwait government to embark on fiscal consolidation and target to increase non-oil revenues.

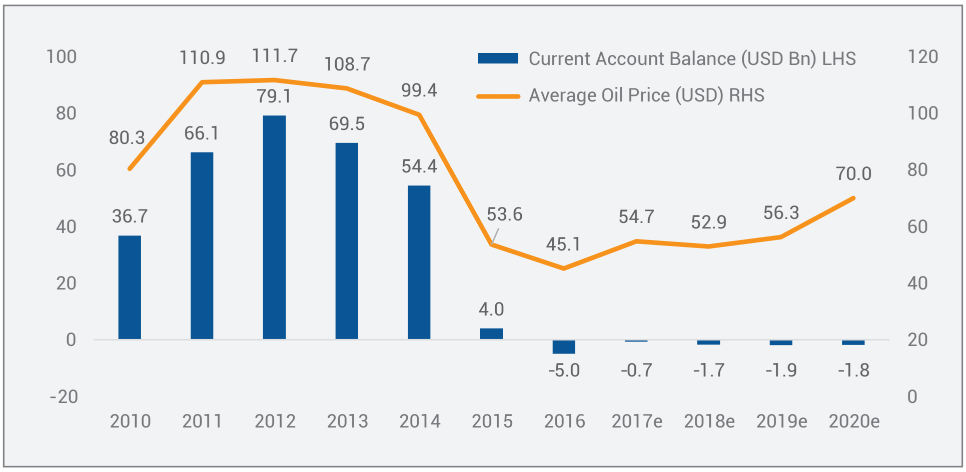
The ambitious Kuwait budget plan has earmarked 18% of the outlay for capital expenditure. Despite a projected deficit of USD 17bn, the Kuwait government has laid focus on infrastructure development in the country. The government will also be looking to the private sector to play an integral part in national infrastructure projects through Public-private partnerships.

Kuwait aims to promote diversification by boosting the private sector and also focusing on the tourism sector for generating revenue. Both these focus areas form an important part of Kuwait's vision for 2035 as it looks to strengthen the economy by diversifying its source of revenue away from oil. Fiscal consolidation measures have also been adopted ever since the price of oil started to fall. The government's decision to make cuts to Kuwait's petrol subsidy system, the impending implementation of VAT in 2019 and several other reforms are expected to boost state coffers.

With governments viewing remittance outflow as a leakage of wealth that permanently exits the economy, there have been calls to consider taxation on remittances.

Most laborers in the GCC region work for an average monthly wage of approx. USD 1,500. The introduction of remittance taxes could drive people to change their behavior by avoiding official channels of remittances

Figure 5.1: Current Account Balance & Oil Price - Kuwait



Source: IMF and Marmore Research

such as banks or financial institutions. They could instead prefer to remit through their friends, relatives or colleagues who are traveling. The chances of people resorting to illegal channels are also high.

In the long-term, the reduced opportunity to send money back home could dissipate the attractiveness quotient of Kuwait labor markets for Asian migrants. This could have significant implication for labor movement across the region. Dis-incentivizing such a large component of the economy may impose long term costs that can far outweigh the short term benefits.

Thus, the remittance tax at best is largely cost-elastic and introduction of the same would be regressive for the economy. Moreover, studies that have been done on remittances outflow in the region [Ali Termos & others, 2013] portray it to be advantageous, as it acts as a significant deflationary force. One by keeping consumer demand at check as expatriate laborers often lead a frugal life to save more to increase their remittances and two by providing a constant flux of low-wage expatriates, cost pressures have been minimal. In this context, the socio-economic impact of introducing remittance tax could be better researched before arriving at a decision. Also, if Kuwait introduces a remittance tax, it will be the first one to do so in GCC and this may be more contentious.

Would Kuwait Tax Remittance

The Parliamentary Financial and Economic Affairs Committee of Kuwait had recently approved bills for imposing tax on remittances of expatriates, based on their income level. The bill approved by the financial committee has been opposed by the legislative committee. 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 be dissuaded from pursuing long-term stint in Kuwait and this could constrain their supply. This may be counterproductive 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.

6
Appendix

Table 6.1: List of Exchange companies in Kuwait (Large scale operations)

Name	Established	Branches	Notes
Almuzaini Exchange Company	1942	86	In addition to remittance, offers additional services such as currency exchange and selling gold
Al Mulla International Exchange Company	2001	77	Offers services through multiple channels such as Mobile App (Al Mulla Exchange), Online, KIOSK (InstaRemit)
Bahrain Exchange Co.	1992	40+	Has partnered with MoneyGram, EzRemit and Transfast for international money transfer,
Joyalukkas Exchange Company WLL	2006	11 in Kuwait 11 in UAE 15 in Oman	In addition to remittance, offers services of currency exchange, payroll and payment solutions. Has partners with several banks and Western Union to offer the money transfer services
Kuwait Bahrain International Exchange Company	1980	28	Offers remittance services in partnership with Western Union and several international banks. Additionally offers the services of Electronic Fund Transfer (EFT), Telex Transfer (T.T), Demand Draft (DD), Cash Currencies And Courier (DHL) Service
United Arab Emirates Exchange Center	1986	23	The service portfolio of the brand includes money transfer, foreign exchange and bill payments

Source: Central Bank of Kuwait

Table 6.2: List of Exchange companies in Kuwait (Medium scale operations)

Name	Established	Branches
Al-Ansari Exchange Company		14
Oman Exchange Company	1960	13
Havana Exchange Company	1998	11
Lulu Exchange Company WLL	2009	9
Al-Ektisad United Company Ltd.	1993	6
Al-Sultan Exchange Company	2011	4
Aman Exchange Company WLL		
City International Exchange Company	1984	8+4 mobile branches
Kuwait India International Exchange Company	1979	8+2 mobile branches
International Trust Group For Exchange Precious Metals & Currencies	2014	1
Sulaiman Ali Almakhazem Exchange Co.		
Wall Street Exchange Company/Mohammed Mostafa Abazaid and His Partner LLC		

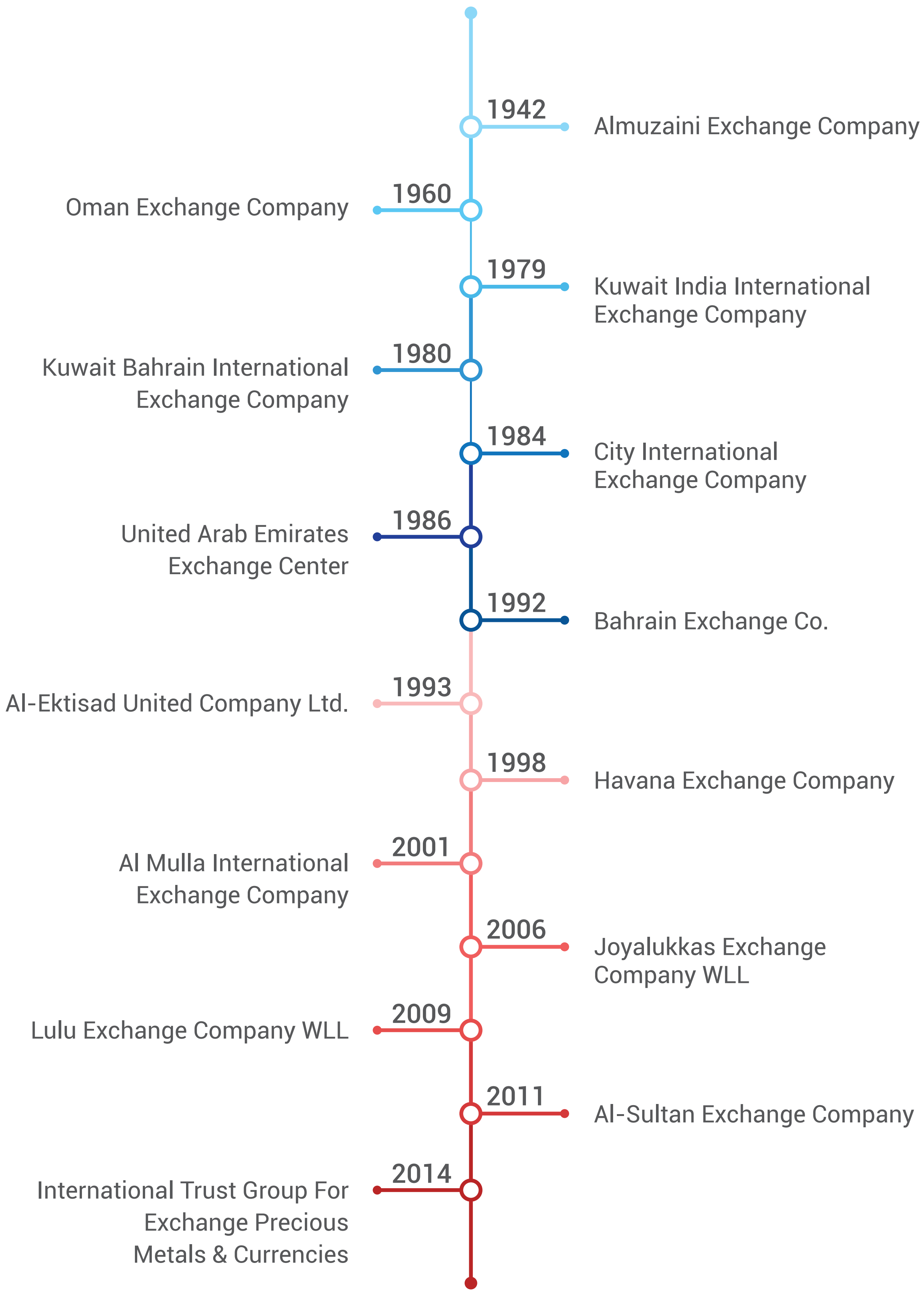
Source: Central Bank of Kuwait

Table 6.3: List of Exchange companies in Kuwait (small scale operations)

Name
Al Asema Exchange Co.
Al Nada International Exchange Company
AlDhary Exchange Company
Aljazira Exchange Co.
Al-Safaa Al-Alamiah Exchange Company
Al-Tawoos International Exchange Company
Al-Zamel Exchange Company
Cooperation Exchange Company
Dollarco Exchange Company
Duaij Aljary Exchange Co.
Etemadco Exchange Company Ltd.
Grand Exchange Company WLL
International Financial Line Company
Kuwait Asian International Exchange Company
Kuwait National Exchange Co.
Kuwait Prestige Exchange Co
Money Basket International Exchange Company
National Exchange Co.
National Money Exchange Company
Riyal Exchange Co
Safir Exchange Co.
United Gulf Exchange Company
Yousef & Esra Exchange Co. W.L.L.
Zajil Exchange Company

Source: Central Bank of Kuwait

Figure 6.1: Timeline of Exchange companies Establishment



Source: Marmore Research

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 economics, 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 consultiong services

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.

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