

178

Enabling Digital Prosperity for All

# STARTUP Country Guide 2023

THE STATE OF KUWAIT

# **Table of Contents**

Chapter 1: Exploring the startup sphere	4
I. The Kuwaiti entrepreneurial ecosystem	5
1. Startup definition	5
2. Promising sectors in Kuwait	6
3. Kuwait's startup scene	8
Chapter 2: Beginning your entrepreneurial journey	9
I. Guiding steps to launch a startup in Kuwait	10
1. Country specific legal structures	10
2. Legal steps	10
II. Other country specific considerations	21
1. Considerations for foreigner investors	21
2. Filing obligations	22
3. Financial reporting and auditing regulations	22
Chapter 3: Navigating startup regulations and incentives	23
I. Government incentives	24
1. Tax incentives	24
2. Non tax financial incentives	
3. Special Economic Zones (SEZs)	26
II. Labor and immigration regulations and facilitations	27
1. Business visit visa	27
2. Work visa	27
III. Data protection	28
IV. Intellectual property	29
1. Patents	29
2. Trademarks	30
3. Industrial designs	31
V. Key support organizations and initiatives (not exhaustive)	33
Reference list	34
Appendix	
Appendix 1: Launching your startup: key success factors	36

Appendix 2: What	type of sur	port to expect a	t each stage of a	startun lifecycle	
Appendix 2. What	type of sup	port to expect a	it each stage of a	i startup thecycle	57



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# CHAPTER 1 Exploring the startup sphere

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# I. The Kuwaiti entrepreneurial ecosystem

The Kuwaiti startup landscape is both vibrant and resourceful, offering promising opportunities for entrepreneurs and investors. The country provides a strong foundation for startups, benefitting from robust funding options and commercial infrastructure. Notably, in the Global Startup Ecosystem Index 2023, Kuwait made a significant leap, standing 8th in the Middle East.

This notable progress can be attributed to various factors. Firstly, the Kuwaiti government has played a pivotal role, implementing impactful measures and legislative reforms (e.g., freedom of competition, financial obligations, bankruptcy laws, transparency, etc.) within the business sector, ensuring a conducive environment for startups to thrive. Additionally, the introduction of accelerator and incubator programs by ecosystem enablers has further fueled the growth of some innovative ideas and budding entrepreneurs.

Kuwait's focus on nurturing its startup ecosystem extends beyond its immediate achievements. The nation is actively working towards enhancing its position for investors and boosting the productivity of its non-oil economy, aiming to position itself as a regional innovation hub. With robust governmental support and a rapidly developing startup culture, Kuwait is poised to continue its trajectory toward becoming a key player in the global entrepreneurial landscape.



# 1. Startup definition

Overall, a startup is an innovative venture with the potential for high growth, driven by technology and characterized by having a functional prototype and a scalable, repeatable business model. Startups are founded to explore creative ideas, often centered around technology, and to capitalize on emerging market opportunities.

Whilst Kuwait lacks a specific legal framework defining startups in its legislative ambit, a working definition from the local context can be deduced. Any early-stage business could be considered a startup by default and could fall within the category of Small and Medium Enterprises (SMEs). Generally, SMEs are commonly understood as companies with fewer than fifty (50) employees and an annual revenue below 1.5 million Kuwaiti Dinars (KWD) (4.85 million USD).

# 2. Promising sectors in Kuwait

Kuwait boasts a robust economy primarily fueled by its abundant petroleum resources, making it one of the wealthiest nations globally. It ranks as the **5th richest country in the world** in terms of gross national income per capita according to The World Bank. The Kuwaiti dinar stands as the **highest-valued currency unit** internationally, underscoring the nation's economic strength.

Strategic diversification efforts by government in recent years have been pivotal, with petroleum constituting 43% of the total Gross Domestic Product (GDP) and a substantial 70% of export earnings in 2019 and the rest from other sectors of economy. In its pursuit of environmental sustainability, Kuwait has actively engaged in several megaprojects focused on biofuel and clean fuel production. Although the nation is striving to position itself as a pivotal global hub within the petrochemical industry, it has also put in place a plan to boost the **renewable energy** sector, a sector that could offer tremendous opportunities to the entrepreneurial ecosystem.

Furthermore, the country has made remarkable strides in the **tourism** sector, earning recognition from the World Travel and Tourism Council (WTTC) as one of the world's fastest-growing countries in travel and tourism GDP. Amidst global challenges in 2020 due to COVID-19, tourism remained active, constituting 6.9% of the GDP. Kuwait holds a prominent position in the **financial industry** within the Gulf Cooperation Council countries (GCC). Despite the COVID-19 crisis, the financial sector has demonstrated resilience. The banks remained well-capitalized and maintained high liquidity levels, contributing to their stability amid the pandemic.

Moreover, Kuwait has experienced a notable surge in entrepreneurship via the establishment of small businesses over the past five (5) years. Small and Medium Enterprises (SMEs) have emerged as significant contributors, constituting an estimated 3% of the GDP in 2022. Entrepreneurial activities thrive in e-**commerce & retail**, software & data, and fintech sectors. E-commerce & retail benefited from online marketplaces and mobile platforms, ensuring broad customer reach. **Software** startups innovated in Artificial Intelligence (AI) and data analytics, collaborating on government initiatives, and fostering a smart city vision. **Fintech** transformed the already-strong finance sector with digital payments and peer-to-peer lending, emphasizing accessibility and user convenience.

These sectors exhibit traits of technological progress and collaboration, shaping Kuwait's thriving startup scene. This diversification positioned the nation as a key player in regional and global economies, fostering economic growth and innovation.



Below are some of the key areas where startups are thriving, along with key strategic sectors under which startups may evolve.

#### E-commerce & Retail

<u>Boutiqaat</u> stood out in Kuwait's e-commerce scene by integrating social influence. It collaborates with Gulf and Arab celebrities, enabling consumers to shop directly from their virtual stores within the platform. What started in 2015 as a simple ecommerce cosmetics and fashion retailer has evolved into the Middle East's premier destination for trendy makeup and a popular beauty hub, offering unparalleled experiences to enthusiasts of the art and beauty. The company also secured a significant total funding of USD 45 million, marking it as one of Kuwait's most funded startups.

#### 🛒 Fintech

<u>Kem</u>, the first peer-to-peer payments app in Kuwait, was founded in 2021. It operates as an instant payment platform, facilitating seamless money transfers through QR codes without the hassle of generating payment links or utilizing traditional accounts. Securing a significant boost with a USD1 million pre-Seed round in 2023, this company is now poised for substantial growth. The newly acquired funding will fuel Kem's app development and pave the way for its expansion throughout the Gulf region, solidifying its position as one of Kuwait's leading startups in the fintech sector.

## C Software

JustClean, a startup established in 2016. established itself as a prominent laundry technology firm that provides comprehensive solutions in the form of marketplace applications, Software as a Service (SaaS), and logistics services to businesses and consumers alike. Their versatile services cater to both B2B and B2C sectors. spanning industries such as delivery service, logistics, marketplace facilitation, and software services. The company has successfully secured significant funding, accumulating a total of USD 20.9 million across four (4) funding rounds.

# 3. Kuwait' startup scene

To provide a comprehensive insight into the startup scene of Kuwait, the data below is built upon a synthesis of data sourced from reputable platforms. It provides an approximate count of the Startup Support Organizations (SSOs), i.e., incubators, accelerators, and coworking spaces, currently in operation.

#### Kuwait' top startup industry sectors by number of startups (2022)<sup>1</sup>

- E-commerce & Retail
- Software & Data
- Fintech

#### Startup ecosystem in numbers

- Funds raised by startups in 2022<sup>2</sup>: USD 22.35 million
- Number of deals in 2022<sup>2</sup>: +6
- Number of operating startups<sup>3</sup>: +240

#### Entrepreneurship and innovation in Kuwait: Rankings (2022)

Indicator	Ranking	Indicator	Ranking
Entrepreneurship policies and culture <sup>4</sup>	50	Business environment <sup>4</sup>	81
Global innovation <sup>4</sup>	62	Political and operational stability <sup>4</sup>	87
Growth of innovative companie <sup>4</sup>	39	Collaboration between companies <sup>4</sup>	44
Knowledge workers <sup>4</sup>	108	Regulatory environment <sup>4</sup>	90
ICT access <sup>4</sup>	8	Market access and infrastructure <sup>4</sup>	36
Mobile application creation <sup>4</sup>	76	Economic freedom <sup>5</sup>	101
Financing of SMEs <sup>4</sup>	42		

# CHAPTER 2 Beginning your entrepreneurial journey

KFAS

# I. Guiding steps to launch a startup in Kuwait

# 1. Country specific legal structures

In the state of Kuwait, entrepreneurs are presented with a range of distinct legal structures. The primary business entities are regulated under Law No. 1 of 2016, known as the Companies Law. Each of these business types is characterized by unique attributes meticulously crafted to align with the specific activities of the company and cater to diverse economic objectives. Presented below are the legal structures entrepreneurs may consider when laying the foundation for their startup ventures:

- Limited liability company
- Shareholding company
- Partnership in commendam (limited partnership)
- Commandite (limited partnership) by shares
- Joint liability company

- Joint venture company
- Joint- stock company
- Branch of a foreign company
- Sole proprietorship

When launching a startup, Kuwait offers many business vehicles to choose from. Some legal structures are inherently more conducive to the entrepreneurial journey than others. It is highly advisable for entrepreneurs to opt for one that provides the essential benefits critical for the success and sustainability of their ventures.

The most prevalent legal structure for entrepreneurs and startups in Kuwait is the **Limited Liability Company (LLC)**. It is also the primary choice for foreign companies or investors seeking entry into the market. The LLC, also known as WLL (With Limited Liability) in Kuwait, is the most common, easy, and fast to incorporate. It provides a balance between the **protection of personal assets** thanks to its limited liability for shareholders, and operational flexibility. This structure is popular because it offers a level of protection for the owners' personal assets while allowing for relatively straightforward administrative processes. A limited liability company shields entrepreneurs from personal financial risks, ensuring they are not accountable for the company's debts. **Operational flexibility** is vital for adapting to market changes, crucial for startups that need to pivot quickly.

Additionally, an **easy setup** process minimizes administrative burdens, letting entrepreneurs focus on core business activities. Thus, it is particularly suitable for small to medium-sized businesses, which often constitute most startups.

By choosing a legal structure that encompasses these benefits, entrepreneurs in Kuwait can lay a solid foundation for their startups, positioning themselves for growth and long-term success in the competitive business landscape.

# 2. Legal steps

In Kuwait, establishing a company involves navigating a multifaceted regulatory landscape, with several key governmental entities playing pivotal roles in the process. The <u>Ministry of Commerce and Industry (MOCI)</u> stands at the forefront, overseeing trade and industry activities, issuing licenses, and ensuring businesses adhere to commercial laws.

The <u>Commercial Registry</u>, a department of the MOCI, serves as the official database for registered businesses, overseeing their legal structures and activities. The <u>Ministry Of Interior (MOI)</u> handles security-related matters, conducting background checks for individuals associated with the company. The <u>Public Institution for Social Security (PIFSS)</u> manages the social security system, necessitating compliance from businesses to secure employee benefits, while the <u>Ministry Of Social Affairs and Labor (MOSAL)</u> oversees labor regulations, employment contracts, and social welfare, playing a vital role in ensuring compliance with labor laws and regulations.

The <u>Public Authority for Civil Information (PACI)</u> provides identity verification and data. Additionally, the <u>Ministry Of Justice (MOJ)</u> ensures legal compliance and oversees contract enforcement and dispute resolution, ensuring businesses operate within the legal framework. Moreover, the municipality regulates local administrative aspects, such as business licenses and zoning regulations. Finally, the <u>Kuwait Chamber of Commerce and Industry (KCCI)</u> provides support to businesses and offers networking, trade information, and advocacy. Entrepreneurs must navigate these entities collaboratively, ensuring their businesses align with Kuwait's regulatory requirements to operate successfully.

The anticipated processing time for setting up your startup in Kuwait is approximately one (1) month. The total estimated cost of this procedure amounts to KWD 323 (USD 1,043).



#### Step 1: Register at the Department of Partnerships of the Ministry of Commerce and Industry (MOCI)

To register a company at the Department of Partnerships of the Ministry of Commerce and Industry in Kuwait, follow the steps below.

# Steps Visit the Department of Partnerships (DOP) at the premises of the Ministry of Commerce and Industry (MOCI) Submit a completed standard application form Submit the necessary documents Upon approval, the application is stamped and signed by the DOP The application is assigned a reference number The MOCI electronically sends an inspection request to the municipality The Municipality examines the company's premises

#### **Requirements**

- The application must include the following:
  - Names of the founding partners and their respective shares
  - The capital, scope, and objective of the company
  - The name of the manager
- A minimum of two (2) partners
- <sup>-</sup> All partners must possess a clean criminal record without any prior convictions
- <sup>-</sup> The share of the non-Kuwaiti partner cannot exceed 49%
- <sup>-</sup> Non-Kuwaiti partners must hold a valid residency visa
- <sup>-</sup> The managing partner must not be a government employee
- Each partner is required to provide evidence of their contributed share in the capital
- <sup>-</sup> The company cannot be solely formed by a husband and wife unless a third partner is involved
- <sup>-</sup> The appointed manager must be a Kuwaiti or a GCC national

#### Documents

- An application form
- A copy of identity cards
- Certificate issued by the <u>Public Institution for Social Security (PIFSS)</u> attesting that the Kuwaiti partners are not civil servants
- Lease contract
- A receipt of rent payment
- A certificate from the Public Authority for Civil Information (PACI) confirming that the premises are registered
- An authorization letter, if needed

#### **Ouration**

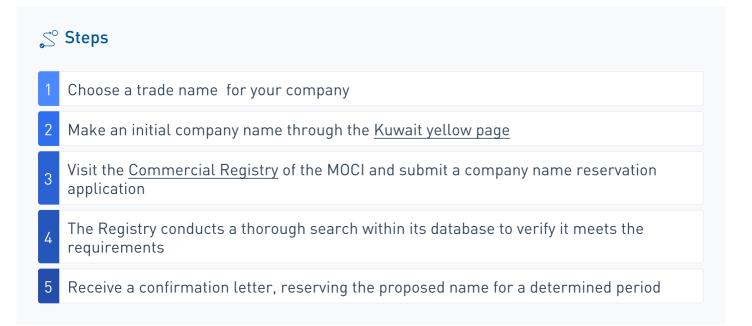
One (1) day

#### S Cost

Free

#### Step 2: Reserve a unique company name

To reserve a unique company name in Kuwait, an entrepreneur needs to submit a company name reservation application to the Commercial Registry. The Commercial Registry will search for the availability of the proposed name and reserve it if it is unique. Once the name is reserved, the entrepreneur can proceed with the incorporation process.



#### Requirements

- The chosen name must not conflict with existing or reserved names
- The chosen name must not violate public morals

#### **U** Duration

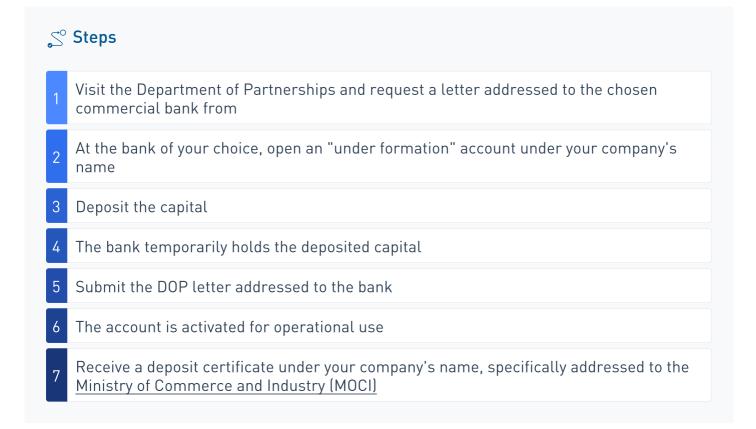
- Application process: One (1) day
- Name reservation: Three (3) months

#### S Cost

Free

# Step 3: Retrieve the letter addressed to the bank and deposit your capital

This letter confirms the designated commercial bank where the company's paid-in capital will be deposited, and can be obtained through these steps:



#### Requirements

The Department of Partnerships may issue supplementary letters directed to various government authorities, contingent upon your company's scope and activities, e.g., businesses in the gastronomy and food sector necessitate a letter addressed to the Ministry of Health (MOH), companies in the oil industry require a letter directed to the Ministry of Oil and Energy (MOO), etc.

#### Documents

- A notarized deed of incorporation
- A commercial license of your company

#### ( **Duration**

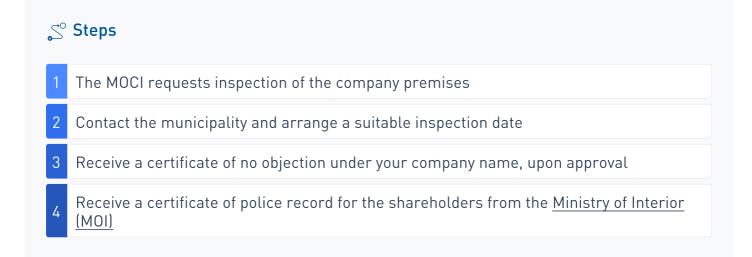
Up to two (2) days

#### S Cost

Free

#### Step 4: Expect Municipality inspection

The purpose of this inspection is to ensure compliance with municipal health and safety regulations.



#### ( **Duration**

- <sup>-</sup> Overall process: Five (5) to fourteen (14) days
- Criminal record certificate: Up to two (2) days
- Municipality certificate: Up to seven (7) days

#### s Cost

Free

#### **Step 5**: Obtain approval of the Memorandum of Association (MoA)

The Memorandum of Association is a legal document that outlines the constitution of a company and defines its relationship with shareholders. To obtain approval of the Memorandum of Association in Kuwait, the entrepreneur needs to submit the required documents to the Department of Partnerships of the Ministry of Commerce and Industry.

#### \_S<sup>°</sup> Steps

Initiate the MoA approval process at the Department of Partnerships

2 Receive authentication of the company incorporation from the Ministry of Justice (MOJ)

#### Requirements

 If edits are made to the MoA, modifications must be subject to approval of the <u>Ministry of Commerce</u> and Industry (MOCI)

#### Documents

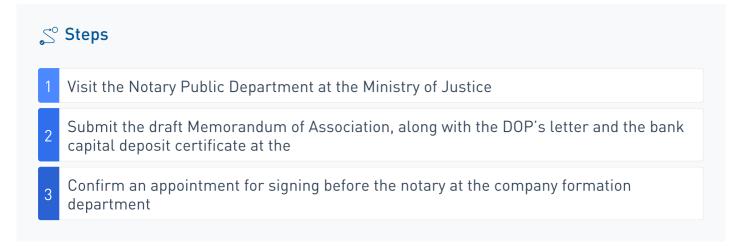
- A draft Memorandum of Association



Free

#### Step 6: Notarize the Memorandum of Association

The process of notarizing the Memorandum of Association in Kuwait involves visiting the Kuwait Foreign Ministry and recording the act in a notary journal. The constitutional documents of the contracting parties must be verified, and the document must be printed in Arabic.



#### Requirements

- <sup>-</sup> The memorandum of association is signed by the founding partners and notarized
- Following notarization, you receive three (3) original copies: one (1) for the company, one (1) for the Ministry of Justice, and one (1) to be filed at the Ministry of Commerce and Industry (MOCI)

#### Documents

- The draft Memorandum of Association
- <sup>-</sup> The Department of Partnerships' letter
- The bank capital deposit certificate

#### ( **Duration**

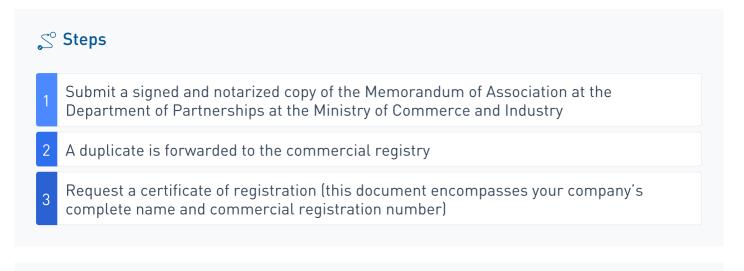
One (1) day

#### S Cost

20 KWD (64.65 USD)

## Step 7: Register with the Commercial Registry

In order to receive a commercial registration certificate, which is a legal document that confirms the company's existence and its right to conduct business in Kuwait, the entrepreneur needs to follow the below steps:



#### Documents

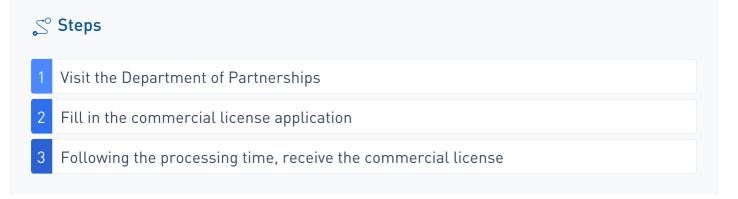
- A signed and notarized copy of the Memorandum of Association

#### **O Duration**

One (1) day

## Step 8: Obtain the commercial license

A commercial license is required to conduct business activities legally. The commercial license is issued by the Ministry of Commerce and Industry and is necessary for all types of businesses, whether they are owned by Kuwaiti nationals or foreigners.



#### **U** Duration

Two (2) days

#### S Cost

Commercial license: 30 KWD (96.97 USD)

#### Step 9: Register with the Kuwait Chamber of Commerce and Industry

The company is required to seek membership at the <u>Kuwait Chamber of Commerce and Industry (KCCI)</u>. This membership serves as a prerequisite for engaging with other government authorities, and banks, and participating in public tenders.

#### *S*<sup>°</sup> Steps

- 1 Fill in the membership application form
- 2 Submit the necessary document copies to the Chamber of Commerce and Industry
- 3 Submit a specimen signature form signed by the company's authorized signatories

#### Documents

- An application form
- A signed specimen signature form
- A copy of the company's commercial license
- <sup>-</sup> A copy of the memorandum of association
- <sup>-</sup> An identity document/s

#### ( **Duration**

One (1) day

#### S Cost

- Initial registration: Approximately 70 KWD (226.27 USD)
- Yearly membership: Approximately 60 KWD (193.94 USD)

#### **Step 10:** Register at the Ministry of Social Affairs and Labor

Note that the Ministry of Social Affairs and Labor is responsible for regulating the labor market in Kuwait and ensuring that employers comply with labor laws and regulations

#### \_S<sup>°</sup> Steps

Visit the Ministry of Social Affairs and Labor (MOSAL)

Fill in the required form and register your company

#### Requirements

- The ministry may conduct inspections to assess compliance to the specified requirements
- The size of your company premises and activity need to be commensurate with the number of employees declared to the Ministry, if any

#### **Ouration**

Fifteen (15) days

#### S Cost

Free

# 1. Considerations for foreigner investors

Investment by foreign individuals and entities in Kuwait, excluding GCC nationals, is primarily regulated by two (2) key laws: Law No. 74 of 1979, known as the 'Real Estate Ownership Law', prohibiting foreign individuals and entities from owning real estate in Kuwait, and Law No. 68 of 1980, referred as the 'Commercial Law,' restricting foreign participation in Kuwaiti businesses:

- Foreign entities are subject to income tax at rater of 15% on income earned from their business activities in Kuwait. However, foreign individuals are exempt from annual tax. Likewise, income from offshore activities in area under control of Saudi Arabia are taxable only 50% of those profits. Since concept of permanent establishment is not defined under income tax law hence foreign entities income is taxable in Kuwait including that r from royalties even in the cases where they do not have permanent establishments in Kuwait.
- Foreign individuals and entities are prohibited from owning real estate in Kuwait
- Participation in Kuwaiti business ventures is limited to foreign entities and individuals up to 49%. Non-nationals can only engage through a Kuwaiti agent or a Kuwaiti company where a minimum of 51% of the equity is owned by GCC nationals

Investing under the Foreign Direct Investment Law No. 8 of 2001, is designed to facilitate and encourage direct foreign investment in Kuwait. This legal framework enables foreign investors to hold full ownership, up to 100%, of business entities operating in specific sectors, subject to the issuance of a license by the Ministry of Commerce and Industry (MOCI).

The assessment criteria for proposed investments in Kuwait encompasses several factors, including the anticipated job opportunities for Kuwaiti nationals, the transfer of technology and know-how, training programs for Kuwaiti citizens, engagement with local small and medium enterprises, and the potential impact on economic diversification. The evaluation process involves a decision matrix:

- Applications scoring below 59% result in rejection
- Scores above 60% secure a foreign investment license without tax incentives such as the exemption from income tax or any other taxes for a period not exceeding ten (10) years
- Scores above 70% secure a foreign investment license along with an incentive
- Those scoring above 80% receive a foreign investment license and all incentives available under the Foreign Direct Investment Law

# 2. Filing obligations

#### Social security contributions

Kuwaiti employees contribute monthly under the Social Security Law. On a monthly basis, Kuwaiti employers contribute with 11.5% of their employees' salaries, up to a limit of KWD 2,750 (USD 8,892) per month, while employees contribute with 8%. Expatriates do not have social security obligations; however, terminal indemnity payments are typically made, calculated at fifteen (15) days' pay per year for the first three (3) years and two to three (2/3) month's pay per year thereafter. The social security is administered and collected by the Public Institution for Social Security (PIFSS).

#### Corporate income tax return

Although local companies incorporated in Kuwait and other GCC countries are exempt from income tax, foreign corporate entities engaged in commercial activities in Kuwait are liable to income tax return to pay corporate income tax in proportion to component of foreign investment. The Tax Inspection and Claims Department at the Ministries Complex is the institutions administering and collecting this tax. Tax is due within three (3) months and fifteen (15) days from the end of the taxable period. Capital gains are generally treated as normal business profits. No withholding taxes are imposed in Kuwait.

#### Zakat

Kuwaiti shareholding companies, both listed and closed (excluding government companies), are required to pay zakat at the rate of 1% of net profits after reducing the share of profit pertaining to foreign ownership. The tax is administered by the <u>Zakat House</u>. Non-Kuwaiti GCC companies also have to pay zakat.

Companies regulated by the law shall file the financial declaration as audited by an audit firm, not later than the 15th day of the 4th month following the end of the reporting period.

# Contribution to the Kuwait Foundation for the Advancement of Sciences (KFAS)

After transfer to statutory reserve transfers and adjustment of carried forward losses, Kuwaiti shareholding companies must allocate 1% of their net profits, to the <u>KFAS</u> for scientific advancement.

#### Value Added Tax

Kuwait currently does not have VAT in its tax structure.

## 3. Financial reporting and auditing regulations

Entities established in Kuwait are mandated to conduct annual audits and adhere to International Accounting Standards (IASs). Foreign contractors are required to substantiate their income tax submissions by furnishing audited financial statements for their operations in Kuwait.

Individual companies in Kuwait must submit their audited financial statements to the <u>Ministry of Commerce</u> and <u>Industry (MOCI)</u> annually within three (3) months from the end of their financial year. Public shareholding companies are obligated to provide quarterly unaudited financial statements to the <u>Kuwait</u> <u>Stock Exchange Authority (i.e., Boursa Kuwait)</u> within forty-five (45) days after the quarter's end. Subsequently, listed companies need to submit their audited annual financial statements to both the MOCI and the Kuwait Stock Exchange upon approval from the <u>Central Bank of Kuwait (CBK)</u> or <u>Capital Markets</u> <u>Authority (CMA)</u>.

# CHAPTER 3 Navigating startup regulations and incentives

# I. Government Incentives

# 1. Tax incentives

The <u>Kuwait Direct Investment Promotion Authority (KDIPA)</u> was established under Law No. 116 of 2013, focusing on promoting direct investment in Kuwait. Its duties include attracting high-value direct investments, showcasing Kuwait as an appealing investment hub, processing investment license applications, providing incentives to investors, offering investor services, and improving the business environment to enhance Kuwait's competitiveness. The following are the tax concessions available to entities licensed under this law.

- Imports required for Direct Investment purposes, i.e., machinery, tools, equipment, transport vehicles, spare parts, maintenance supplies, raw materials, partially manufactured goods, packaging, and wrapping materials, are either partially or fully exempted from taxes, customs duties, and other applicable fees, as per the Unified Customs Code for the Gulf Cooperation Council Countries (Law No. 10 of 2003).
- Investment entities are granted an exemption from income tax and other taxes for up to ten (10) years from the actual commencement of their operations
- Expansion projects of licensed investment entities are exempt from taxes, mirroring the duration of the original entity's exemption, starting from the date of the expansion's actual production or operation commencement



# 2. Non tax financial incentives

This section delves into the wide array of non-tax incentives in Kuwait, ranging from financial support for entrepreneurship to initiatives fostering innovation and investment. These programs collectively boost the nation's economic vigor and enhance its global competitiveness.

#### **Direct Investment Promotion Law**

Kuwait has introduced Direct Investment Promotion Law that allows 100% foreign ownership in some forms of entities. This can be beneficial for non GCC national investors who want to set up a business in Kuwait. The decree also sets up the Kuwait Direct Investment Promotion Authority (KDIPA), which is responsible for promoting and streamlining investments through a "One-Stop Shop" approach. Foreign investors can benefit from this law if approved by the KDIPA. It aims at job creation, technology transfer, support for smalland medium-sized enterprises, diversification of national income sources, and contribution to exports when approving foreign investments seeking 100% ownership.

# The Kuwait Foundation for the Advancement of Sciences (KFAS)

Its goal is to foster modernization, enhance the quality of life, and pave the way for a sustainable future for the Kuwaiti people. KFAS offers financial support and grants for research and development initiatives in crucial sectors such as technology, energy, and healthcare.

This support encompasses:

- **Research Grants:** KFAS provides funding for scientific research projects across diverse fields, fostering scientific excellence and innovation in Kuwait
- Innovation and Entrepreneurship Programs: KFAS supports innovation and entrepreneurship through diverse initiatives, including startup funding, incubation programs, and competitions

#### Kuwait National Fund for SME Development

The Kuwait National Fund for Small and Medium Enterprise Development (SME Fund) extends financial aid, training initiatives, and business development services to small and medium-sized enterprises (SMEs) in Kuwait. Operating as an autonomous public corporation with a total capital of KWD 2 billion (USD 6.464 billion), the SME Fund can finance up to 80% of the capital for viable small and medium projects proposed by Kuwaiti nationals. Eligible SMEs are businesses employing one (1) to fifty (50) Kuwaiti workers, with financing needs not surpassing KWD 500,000 (USD 1.616 million). This initiative aims to significantly contribute to supporting youth, addressing unemployment, and empowering the private sector to bolster economic growth in the country. The National Fund for SME Development focuses on fostering an inclusive, collaborative, and innovative ecosystem for entrepreneurs. This approach aims to establish a solid foundation for economic opportunities in the State of Kuwait.

#### The <u>Kuwait Direct Investment Promotion</u> Authority (KDIPA)

Investment entities can utilize land and real estate under the Authority's supervision or management.



# 3. Special Economic Zones (SEZs)

The <u>Kuwait Direct Investment Promotion Authority (KDIP)</u> is spearheading the development of the <u>Kuwait</u> <u>Economic Zones (KEZs)</u> strategically positioned in the North, West, and South of Kuwait, covering a total area of 19 sq km. Aligned with <u>Kuwait National Vision 2035</u>, KEZs aim to achieve diverse economic growth, superior infrastructure, urban advancement, environmental preservation, job creation, and private sector empowerment. KEZs offer exceptional business prospects across various sectors, emphasizing investments in technology and innovation to stimulate economic activities. This approach creates competitive industrial and service hubs within Kuwait and enhances connectivity with global value chains. Attracting diverse investors, KEZs ensure mutual benefits, boosting Kuwait's competitiveness and ensuring a sustainable, prosperous future. The details of the main zones developed for encouraging investments in diverse economic sectors are given below.

#### Abdali Economic Zone

#### "A Northern Gateway for International Trade"

In its thematic position as an **export industries** hub, Abdali Zone will serve as a pivotal trade and industrial center, connecting industries across borders to leverage the growing local and regional opportunities. The creation of an economic zone with comprehensive amenities and a wide array of activities encompasses all aspects of economic and social life, ensuring self-sufficiency by offering practical, social, and recreational services for both residents and visitors. This initiative includes around 22,000 diverse housing units, catering to private, investment, and workers' housing needs, and providing residents with modern, sustainable living facilities and services. Within this economic zone, the first smart city in the country is established and offers the following unique features:

- Solid waste management
- Water resources department
- Energy efficiency
- Green spaces
- Transportation

The initiative incorporates cutting-edge technologies to optimize value addition and uphold environmental conservation efforts.

#### Kuwait Free Trade Zone (KFTZ)

Established in 1999 at Shuwaikh port, the Kuwait Free Trade Zone (KFTZ) was the country's first free zone, spanning 1.5 million sq meters. Businesses operating within the KFTZ are granted tax exemptions for specified operations, and foreign entities have the privilege of full ownership of these businesses. However, it's important to note that the Kuwaiti Government has currently **stopped** the issuance of new KFTZ licenses.

#### Al Na'ayem Economic Zone

# "A Central Location for the Expansion of Core Industries"

Strategically positioned as a **core industries** hub, Al Na'ayem is seamlessly linked to a proposed GCC Rail line and vital highway networks, notably the Al Salmi Highway leading to the Saudi border. This area is poised to foster land-intensive industrial endeavors and renewable energy technologies, strategically positioned to harness burgeoning regional prospects in these expanding sectors.

#### Al Wafra Economic Zone

# "A Southern Gateway to Cross-Border Economic Growth"

In its role as a **clean industries** hub, Al Wafra Economic Zone offers a conducive workspace for investors seeking placement within a range of highvalue business clusters conveniently situated near urban hubs. Positioned as an incubator, Al Wafra is set to nurture and launch **innovative enterprises**, linking them seamlessly to crucial regional and global markets. Serving as a pivotal export hub between Kuwait and the GCC, Al Wafra Economic Zone will play a crucial role in manufacturing, logistics, and retail trade, enhancing the region''s connectivity with nearby land and seaports, thereby bolstering the area''s overall success.

# II. Labor and immigration regulations and facilitations

Foreign workers in Kuwait must adhere to immigration laws by obtaining appropriate visas and work permits. Work permits are essential and should be sponsored by a locally licensed and incorporated entity. Visas in Kuwait are valid for up to three (3) months and are granted for visit or business purposes. They must be sponsored either by a company or a relative residing in Kuwait. Kuwait offers visas upon arrival to citizens of thirty-four (34) countries and GCC nationals. Other nationalities need to apply for a visa before arrival. Entrepreneurs may find more information about the requirements for labor immigrants in the private and public sectors in this <u>Regulatory framework</u>.

# 1. Business visit visa

This is a type of visit visa designed for business visitors sponsored by a Kuwaiti company. To obtain the visa, potential visitors can complete the visa processing and stamping at the nearest Kuwaiti embassy. Sponsors can initiate the process in-country through the General Department of Residency under the Ministry of Interior.

#### Documents

- A valid passport with a minimum of six (6) months prior to the expiration date
- Two (2) completed current visa application forms
- A security form filled in by the sponsor
- Two (2) photographs
- A letter from the sponsor
- A vaccination certificate at the entrance, for visitors from areas infected by a viral disease

#### S Cost

3 KWD

# 2. Work visa

This visa is a type of residence visa (i.e., iqama) that requires a sponsor and is designed for people going to Kuwait for employment. A Kuwaiti employer sponsor is responsible for submitting the work permit application to the Ministry of Social Affairs and Labor. The Ministry of Foreign Affairs in Kuwait will dispatch a copy of the work visa to the Kuwaiti Embassy in the employee's country of residence for authentication. Simultaneously, the sponsor or employer is responsible for providing the employee with a copy to present at the embassy. The employee is then required to initiate the application process for a Kuwaiti entry visa.

#### Documents

- A valid Passport with a minimum of six (6) months prior to expiration date
- <sup>-</sup> A completed visa application form
- A passport-size photo
- HIV/AIDS test
- A health certificate obtained from an embassy- accredited clinic or doctor certifying that the patient is in good health and free from contagious diseases
- Lab test results for the following: Hepatitis B & C, Malaria, Filariasis, Syphilis and Chest X-Ray for Tuberculosis
- <sup>-</sup> For some nationalities, a good conduct certificate, sometimes referred as a security clearance
- A No Objection Certificate (NOC)
- A work permit
- Vaccination certificate at the entrance, for visitors from areas infected by a viral disease
- Two (2) completed current visa application forms

# **III.** Data protection

Numerous laws in Kuwait offer robust data protection provisions. For instance, Law No. 63 of 2015 Regarding Anti-Information Technology Crime safeguards data and information, stipulating imprisonment or fines for violations. Law No. 37 of 2014 establishes the Regulatory Authority for Telecommunication and Information which protects personal data, photos, and videos. Moreover, Law No. 1 of 1970 on Protection of Public Funds ensures the confidentiality of all mail. Special laws also exist to maintain the secrecy of banking information, communications between clients and their attorneys, and medical records shared between patients and doctors.

Violating these data protection laws, including unauthorized use, forgery, or destruction of data, constitutes a crime punishable by imprisonment or fines. Data protection in Kuwait covers:

- Personal information, medical records, personal photos, videos
- Governmental information

 Electronic documents, signatures or records, processing systems, websites, computer systems and other electronic systems

To learn more about data protection conditions and details, please consult <u>The Data Privacy Protection</u> <u>Regulations</u>.

# **IV. Intellectual property**

Intellectual property rights in Kuwait are safeguarded by the application of domestic legislation as well as the adoption of the GCC trademark and patent laws. There are four (4) common types of intellectual property rights: patents, trademarks, industrial designs, and copyrights. In the section below, we will cover the steps entrepreneurs need to know, to receive protection under three (3) types based on their relevance to startups.

# 1. Patents

Under Kuwaiti law, a patent refers to a document issued by the Gulf Cooperation Council (GCC) Patent Office, granting legal protection to the inventor in accordance with Patent Law No. 71 of 2013, known as the GCC Patent Law. An invention is defined as an idea conceived by the inventor, providing a solution to a specific problem, or introducing a new technological feature. Penalties for infringement may involve imprisonment for up to one (1) year, a financial fine not exceeding KWD 5,000 (USD 16,155) or both. Please note that startup owners can also safeguard their invention via the <u>GCC Patent Office</u>.

#### **S**<sup>°</sup> Steps

Visit the patent office of the Ministry of Commerce and Industry

2 Start a new application by filling the required forms handed at the office

#### Documents

- A Copy of the detailed description of the invention and its drawing
- <sup>-</sup> Application form
- A "To whom it may concern" certificate
- A brief statement of the invention's description
- <sup>-</sup> Certificate of commercial register, Memorandum of Association, or Articles of Association
- Authorization contract to register the foreign patents, if applicable
- Arabic translation of the authorization contract, approved by the Ministry of Justice
- <sup>-</sup> Determination of the protection elements for the patent
- <sup>-</sup> CD of the required documents

#### S Cost

Registration application: 10 KWD (33 USD)

# 2. Trademarks

As per Law No. 13 of 2015 for GCC countries, a trademark is a distinct representation that can include names, words, images, signatures, letters, symbols, numbers, addresses, stamps, drawings, inscriptions, packaging, holographic elements, shapes, colors, groups, or any combination thereof. Additionally, any signal or group of signals, intended to differentiate a company's or entity's goods or services from those of another, or to signify a service's performance, or the inspection of goods or services, can be classified as trademarks. This classification extends to symbols representing sound or smell. The protection period is ten (10) years, and the registration process is overseen by the trademark control department within the <u>Ministry of Commerce and Industry (MOCI)</u>.

#### **S** Steps

- 1 Visit the trademark control department
- 2 Fill in a registration application
- 3 Submit the necessary documents

#### Requirements

- The required documents must be submitted in three (3) formats: hard copy, electronic format, CD
- If foreign language words are included, the applicant must provide an officially certified Arabic translation, along with a pronunciation guide for the words
- You must adhere to the conditions specified in the trademarks law and its executive regulations while filing the renewal request

#### Documents

- A trademark application form
- <sup>-</sup> Twelve (12) images of the trademark
- A copy of the commercial license
- <sup>-</sup> A copy of the commercial register certificate
- <sup>-</sup> A copy of the authorization
- A copy of the signature authorization
- <sup>-</sup> If submitted through an agent, a copy of the agency agreement must be attached

#### S Cost

- Deposit of the trademark: 45 KWD (145.4 USD)
- Publishing the brand: 25 KWD (80.78 USD)
- Registration of a trademark and issuance of a certificate: 241 KWD (778.7 USD)

## 3. Industrial designs

The Industrial Design registration process in Kuwait is regulated by Law No. 4 of 1962 Relating to Patents, Designs, and Industrial Models. According to this law, a design or industrial model encompasses any arrangement of lines or shapes, with or without colors, intended for industrial production through mechanical, manual, or chemical methods.

A single application could be filed for one (1) to fifty (50) designs if they are in the same class. Designs are protected for a period of ten (10) years starting from the filing date.



#### Requirements

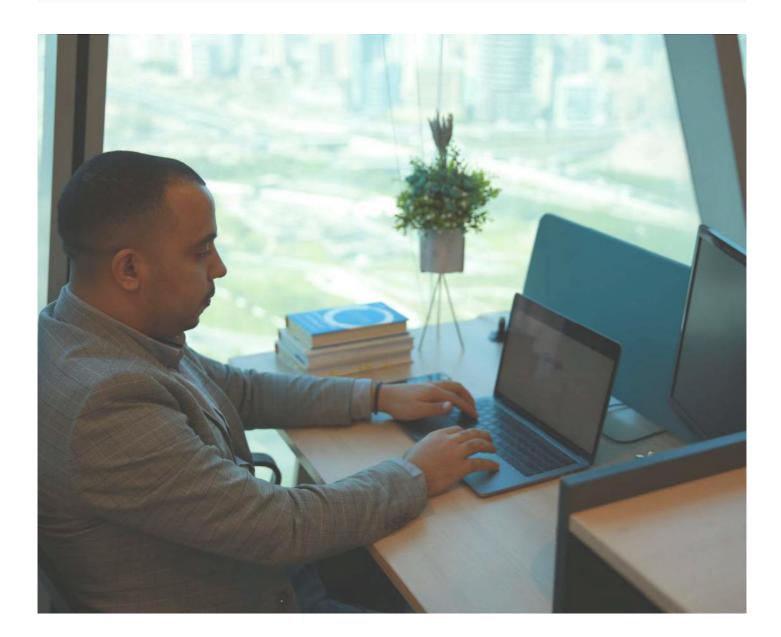
- Designs can be submitted as drawings or photographs, limited to a maximum of fifty (50 designs), each not exceeding the size of 21 x 21 cm
- Deed of Assignment (DOA) must be legalized at the Kuwaiti embassy, if applicable, if you are not the designer
- Power of Attorney (POA) must be notarized and legalized locally or at the Kuwaiti embassy, if applicable

#### 🖹 Documents

- Design Drawings from all different angles
- A deed of assignment
- <sup>-</sup> A power of attorney
- <sup>-</sup> A copy of the commercial certificate translated into Arabic
- A certified copy of the priority document translated into Arabic

#### **Ouration**

- Examination: Within a period of one (1) to two (2) months
- Margin to file a reply to the opposition: Thirty (30) days from the official notification date
- Overall registration process: Up to six (6) months



# V. Key support organizations and initiatives (not exhaustive)

#### **Accelerators and Incubators**

**Brilliant Lab** 

<u>Creative Startups</u> Kuwait

<u>Cubical Services Business</u> Incubator

**FasterCapital** 

Fikra Program

**Makebusiness** 

Savour Ventures

SIRDAB Lab

The National Fund

<u>Waslaah</u>

ZAIN Great Idea

#### Funding programs/institutions

Alarabi Venture Capital

Angel Investment Network

**Boubyan Bank** 

Doha Tech Angels

Kuwait National Fund

Plus Venture Capital (+VC)

The National Fund For Small And Medium Entreprise Development

#### **Coworking spaces**

NIU Collaborative Community

**Regus** 

Servcorp Al Sahab Tower

SIRDAB Lab

TRIBE

<u>Weco</u>

#### **Competitions and Awards**

Hult Prize

Injaz Kuwait

Kuwait Business Award

Middle East Startup Awards

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# Appendix 1: Launching your startup: key success factors

#### Addressing market demand

Your startup should provide a compelling solution to a specific problem within a large and eager market. Think of it as a puzzle piece that fits perfectly into the demand landscape. Steve Blank's <u>Customer</u> <u>Development Model</u> can guide you in creating a product or service that customers cannot resist.

#### **Feasibility analysis**

Conduct a thorough feasibility analysis. This process empowers you to make informed decisions, spot areas needing improvement, and allocate resources effectively. It is your tool for maximizing your chances of crafting a successful, long-lasting venture.

# د المعالم Market insights

Dive deep into market analysis. Understand the current state of your industry segment and define your target market. A strong grasp of market dynamics is essential for positioning your product or service effectively.

#### Building a stellar team and network

Source and group a team of multitalented experts. This is one of the fundamental steps to scale a startup. These diverse talents will complement each other and will help you access a strong, interconnected network that can be your secret weapon for gaining support, mentorship, and continuous learning.

#### Analyzing the competition

Competitive analysis is not just about sizing up rivals; it is a vital part of your strategic planning, systematic research and evaluation of your competitors' strengths and weaknesses. It will guide you into finding your competitive edge and creating your added value ion the market.

### د Legal Flexibility

The legal form of a startup must allow for flexibility. Choose a legal structure for your startup that offers the flexibility needed for growth. Make it easy for shareholders to join and leave the company and ensure your memorandum of association can adapt to your evolving needs. In fact, the memorandum of association must be drawn up freely and allow the opening of share capital.

# Appendix 2: What type of support to expect at each stage of a startup lifecycle

	Startup development stages	Government support	Funders support	SSOs support
Outreach	<ul> <li>Idea formation</li> <li>Problem validation</li> <li>Team establishment</li> </ul>	<ul> <li>Promote entrepreneurs hip education</li> <li>Facilitate Ideation: Hackathons, startup Weekends, etc.</li> <li>Promote innovation and entrepreneurs hip culture</li> </ul>	<ul> <li>Financial literacy and entrepreneurs hip awareness programs</li> <li>Networking opportunities to connect with potential mentors, advisors, and industry experts</li> </ul>	<ul> <li>Access to experienced mentors who provide guidance and advice on various aspects of startups</li> <li>Provision of office space, shared facilities, and infrastructure to support the early-stage development of the business</li> </ul>
Pre start	<ul> <li>Idea development</li> <li>Business modeling</li> <li>Problem/Solution fit: prototyping</li> <li>Team Formation: access to training and mentorship</li> </ul>	<ul> <li>Offer entrepreneurs hip training and education</li> <li>Facilitate Proof of concept and proof of Business</li> <li>Facilitate Business Modeling</li> <li>Validate MVP</li> </ul>	<ul> <li>Seed funding for idea validation and product development</li> <li>Coaching to refine business ideas and plans</li> <li>Access to incubators or accelerators providing resources, infrastructure, and networking opportunities</li> </ul>	<ul> <li>Assistance in refining the product/service, pricing strategies, and go-to-market plans</li> <li>Support in conducting market research and understanding the target market, customer needs, and competitors</li> </ul>

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G

	Startup development stages	Government support	Funders support	SSOs support
-aunch	<ul> <li>Business Creation</li> <li>Early-stage fundraising</li> <li>Initial Go-To market: MVP development</li> </ul>	<ul> <li>Provide Early-Stage Financing</li> <li>Facilitate access to client and Go-To -Market</li> <li>Strategic partnerships</li> <li>Housing</li> <li>Operation set up and labeling</li> </ul>	<ul> <li>Seed funding to launch the business</li> <li>Cover initial operational costs</li> <li>Access to angel investors or venture capital firms</li> <li>Guidance on legal and regulatory compliance</li> <li>Support in building a strong founding team and advisory board</li> </ul>	<ul> <li>Guidance on company registration, intellectual property protection, and legal compliance</li> <li>Support in identifying funding sources, preparing investor pitches</li> <li>Connecting with potential investors</li> </ul>
Growth	<ul> <li>Product/Market Fit</li> <li>International Go- To-market</li> <li>Expansion and scaling</li> </ul>	<ul> <li>Facilitate access to Finance</li> <li>Facilitate internationalizat ion via events, strategic partnership, etc.</li> <li>Provide operational support</li> </ul>	<ul> <li>Series A, B, or C funding rounds for scaling operations and market expansion</li> <li>Strategic guidance and industry insights from investors</li> <li>Assistance in negotiating partnerships and strategic alliances</li> <li>Exit strategies and assistance with mergers, acquisitions, or public offering</li> </ul>	<ul> <li>Assistance in scaling operations, managing growth, and overcoming operational challenges</li> <li>Access to industry experts</li> <li>Provide sector-specific knowledge and guidance</li> </ul>



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