

# Kuwait: The Kuwaiti Government proposes an economic transformation plan as an enhancement to the legislative framework

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## In brief

On 4 January 2022, Al Qabas Newspaper published the main features of the Cabinet's latest meeting through edition no. 172944.

According to the article, the government is looking to restructure the public sector making it more agile and efficient, as well as enhance the national economy and reduce deficit in the budget. It is also seeking to develop human capital and enhance the country's infrastructure.

As a result, the government has set 12 legislative requirements including the incorporation of new tax laws.

## In detail

The government's work program (which remains unchanged) will include a number of reform programs including:

- Restructuring the public sector
- Enhancing the national economy and reducing deficit
- Developing human capital
- Enhancing Infrastructure

The government wants to focus on national economic reform (based on 10 pillars) in order to avoid an expected deficit that can reach between 45 and 60 billion Kuwaiti Dinars within five years if the reform is not adopted.

The legislative requirements for the implementation of the work program were previously set as follows:

### Legislative requirements:

1. Development plan bills 2020/2021 – 2024/2025
2. Restructuring of public sector wages (the strategic alternative)
3. Election law amendment
4. Foreigners Residence Law
5. Traffic Law amendment
6. Real Estate Finance Law
7. Public debt Law
8. Amending the provisions of Decree-Law No. 31 of 1978 regarding the rules for preparing the state budget and monitoring its implementation and the balance sheet
9. Amending some provisions of Law 79 of 1995 regarding fees and financial costs in exchange for the use of public utilities and services
10. Excise Tax Law
11. Value Added Tax law
12. Unified Tax Procedures Law



The 10 economic reform pillars are:

#### Economic Reforms:

1. Addressing economic imbalances
2. Improving the business environment
3. Public finance sustainability
4. Labor market development
5. Public sector restructuring
6. Addressing the weak productivity of the public sector
7. Integrity promotion
8. Fighting corruption
9. Developing the administrative structure
10. Diversification of financial resources

In addition to the legislative requirements and reforms determined, the article also indicated and confirmed the following reforms and transformations:

#### Education Reform

One of the most important items that the government's work program will focus on is the development of a national strategy reforming education in order to match the spending in that sector while raising the quality indicators.

#### Digital transformation

Digital transformation will be one of the most prominent pillars of the government's work program in order to develop services and simplify procedures, as government agencies move towards greater automation of their services.

### How does this Impact businesses in Kuwait?

While your organization should continue to take all possible measures and respond decisively, with a sense of urgency to the rapid and significant changes that are taking place, you need to be prepared for the proposed legislative requirements in these areas:

- Digitalization
- Excise Tax
- Value added Tax
- Unified Tax Procedures Law

The new proposed changes, the increasing compliance tasks as well as the diverse interpretations of the Tax Authority and Ministry of Finance will have a direct impact on your organization's strategy and its overall direction. You need to undertake diligent tax planning, effective tax governance and put a proper strategy in place.

# The way forward

In light of the above, you need to assess the impact on your business and your organisation's readiness for implementation. You must:

- Conduct Gap Analysis assessment on the impact of the proposed new tax laws
- Assess your organisation's digital platform and ensure it is in line with the new changes
- Assess the applicability of such laws on your organisation and its impact
- Prepare/train your resources for the proposed compliance obligations
- Raise awareness around the upcoming changes with your stakeholders

We will be happy to discuss how these new legislative changes will impact your business and help your organisation understand the strategic tax direction and impact on your long-term objectives.

Kindly note that the above has been published by a known and reputable newspaper where no formal decisions have been made in this regard. We will be in constant follow up with the related authorities to obtain the needed insights on the subject and the respective implementation strategy.

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## Let's talk

For a deeper discussion of how this issue might affect your business, please contact:

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# Thank you