



# COUNTRY GUIDE: KUWAIT

[global@zapeo.net](mailto:global@zapeo.net)

<https://zapeo.net/kuwait/>

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# ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record ( EOR ) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

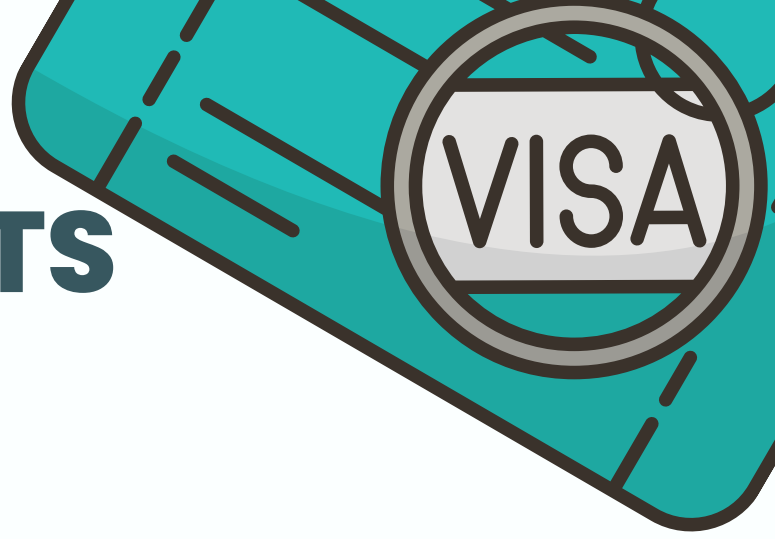
We also assist with onboarding and termination of both local or expatriate employees.

## BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



# WORK PERMITS AND VISAS



Kuwait work visas are conditional on a job offer from a Kuwait-based company. Once this is finalized the employer will be responsible for handling the employees residence/work visa application.

The authorities will provide a document known as a No Objection Certificate once the application has been processed. This allows the employee to enter Kuwait, and a residence visa will be issued upon arrival.

# EMPLOYMENT CONTRACTS



## **Probation period**

An employee can be hired on probation for up to 100 days (maximum), and this must be specified in the employment contract.

## **Notice period**

The employer must give three months notice, with reasons, before the termination of the employees contract. The same goes for the employee.

## **Minimum wage**

The monthly minimum wage in Kuwait is 60 KWD per month.

## **Working hours and overtime**

The working week in Kuwait ranges from 40 to 48 hours per week, depending on the company's policy. Overtime is limited to 2 hours per day and 180 hours per year. Distributed three times a week for 90 days a year. A 25% increase in overtime means multiplying the hourly rate by 1.25.

## **Termination**

- A fixed-term employment contract expires at the end of the fixed term.
- A definite-term employment contract may be terminated for cause by either the employer or the employee, but if such termination is found to be without legal justification, the party who terminated the contract must compensate the other party for damage suffered.
- An indefinite-term employment contract may be terminated by either party by providing the other party with prior written notice. In the case of employees paid on a monthly basis, such notice must be provided at least three months before the effective date of termination, and at least one month before the effective date of termination for all other employees.

The employer may excuse the employee from work during the notice period, but such time must be counted as work service. During this time, the employee is still entitled to his or her salary and benefits.

# EMPLOYMENT CONTRACTS



## **Severance**

Severance pay in Kuwait is determined by the employee's length of service.

Employees paid on a monthly basis are entitled to 15 days of pay for each year of service for the first five years, increasing to one month per year of service after that, up to a maximum of 1.5 times the annual salary.

## **Non-compete clause**

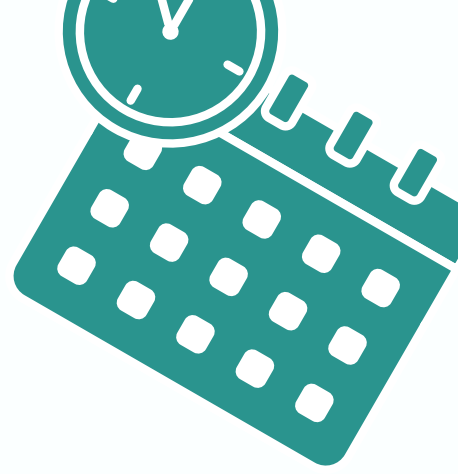
Any non-compete clause or CNC is viewed as a restriction on a person's right to work or practice their trade under Kuwait law, and as such is unenforceable both under the law and as a matter of public policy.

## **Collective bargaining**

Collective contracts are acknowledged by the Kuwaiti Labor Law.



# PAID TIME OFF



## Annual Vacation

Employees are entitled to a 30 days paid annual leave after they have been employed for at least 9 months. This leave should be taken within one year of accrual, unless otherwise agreed upon with the employee's manager.

## Sick

Employees are entitled to the following sick leave if accompanied by a doctor's medical report:

- 15 days paid in full
- 10 days with a salary of 3/4
- 10 days at half pay
- 10 days at a quarter salary
- 30 days without pay

## Maternity

Female employees are entitled to 30 days of maternity leave prior to the expected due date and 40 days following the child's birth.

Pregnant women are also entitled to 100 days of unpaid leave, consecutive or not, following their maternity leave. A medical certificate as proof of inability to work must be presented.

## Paternity

N/A

## Family

Leave of compassion

An employer may grant a three-day special leave to an employee in the event of the death of a first- or second-degree relative.

## National Holidays

There are in total 9 paid public holidays.

## Other Paid Time Off

Leave Iddah - Muslim women are entitled to 4 months and 10 days while Non-Muslim women are entitled to 21 days.

# EMPLOYEE BENEFITS



## Statutory

### Unemployment

Employees pay 0.5% of their monthly covered earnings. Employer: 0.5% of covered monthly payroll.

The maximum monthly earnings for contribution purposes are 2,750 dinars.

### Workers compensation

Employer bears total cost. Injury or disease must first be assessed.

### Social Security

The employer contributes 11.5% and the employee contributes 8% of monthly salary, up to a monthly cap of 2,750 Kuwaiti dinars (KWD).

### Retirement

Covered by Social Security.

### Health

Kuwait has a state-funded healthcare system that provides free treatment to Kuwaiti passport holders. There is a public insurance scheme in place to provide low-cost healthcare to non-citizens.

## Private

### Workers compensation

No private workers compensation available.

### Retirement

No private retirement schemes available.

### Health

Private health insurance available.

### Life

Private life Insurance available.



# TAX



## Personal Income Tax ( PIT )

- **Tax year** : 1st April to 31st March.
- **Tax rate** : Individuals in Kuwait are not subject to personal income tax (PIT).
- **Tax method** : Individuals in Kuwait are not subject to personal income tax (PIT).
- **Tax residency requirements** : The concept of a tax residence is not defined in Kuwaiti law.
- **Double taxation agreements ( DTA's )** : Kuwait has signed double taxation agreements with a number of nations.

## Investment Income Tax

Capital gains on the sale of any asset or share by a foreign shareholder will be treated as a normal business profit and therefore subject to tax at 15%.

## Taxable Income

Only capital gains made by investment are taxable at 15%.

# PAYROLL



## Payroll Elements

- **Income:** Basic salary, housing allowance, transport allowance, living contribution, overtime, sales commission, bonuses or incentives.
- **Deductions:** Social security contributions, retirement fund contributions as well as healthcare contributions in the case of foreigners. Loan repayments, salary advances and other deductions agreed upon in employment contracts are allowed.
- **Benefits in Kind:** Kuwaiti labor law regulates benefits in kind. Employers are required to provide their employees with benefits in kind such as : housing/accommodation, transportation, food.
- **Employer contributions:** Unemployment, Workers compensation and Social security.

## Payroll Taxes

Employers pay 11% while employees pay 7.5%. Employees in Kuwait are not subject to a personal income tax. In most cases, corporate tax in Kuwait is 15%. Zakat, a 1% religious tax, is also levied.

## Payroll Calendar

Employees hired on monthly pay should be paid at least once a month. Other types of employees must be paid at least once every two weeks or as stated in their employment contract.

# LEGISLATION AND STATUTORY BODIES



## LEGISLATION

- Kuwaiti Constitution of 1962, restored in 1992
- Private Sector Labor Law (Law No. 6 of 2010)

## STATUTORY BODIES

- Ministry of Social Affairs and Labor
- The Public Authority for Manpower
- Public Institution for Social Security



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global@zapeo.net

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