

Specialist, advisory and implementation workshop for management, business owners and finance professionals

Decree-Law No. 78 of 2026 on Combating Commercial Concealment

State of Kuwait

A comprehensive guide to the new legislative framework, the prohibitions, criminal liability, the criminal and administrative penalties and the compliance and settlement mechanisms, the financial and accounting dimensions, and the roadmap for corporate compliance and risk management.

A professional edition, updatable in line with later implementing decisions.

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Workshop topic
**Combating commercial concealment —
Decree-Law No. 78 of 2026**



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Workshop objectives and themes

1 Understanding the legislation

An introduction to the terms, the prohibition and the main forms of commercial concealment.

2 Measuring exposure

Identifying where concealment risks can arise inside the company.

3 Understanding the penalties

Grasping the scope of the penalties, the judicial measures and repeat offences.

4 Practical readiness

Turning the legal text into controls, documents and a checklist.

5 The role of professionals

Defining what the accountant, the auditor and management can do without exceeding their remit.

6 Interactive application

Practical cases and short questions for reaching a decision based on the facts.

Workshop agenda

1 Definitions and key terms

2 The legislation and the objectives of the Decree-Law

3 Timeline and the statutory grace period for regularisation

4 Prohibitions and responsibilities

5 Criminal and administrative penalties

6 Risks to companies and warning signs

7 Settlement and whistleblower rewards

8 Oversight and judicial enforcement powers

9 Effect of the Decree-Law on companies, and the financial and accounting indicators of concealment

10 Compliance roadmap and the role of audit firms

11 Questions, discussion and interactive cases

01

PART 1

Definitions and key terms

- Key definitions
- The legal concept of commercial concealment
- The elements of commercial concealment

Key definitions (1 of 2)

The conceptual framework of the Decree-Law: understanding the precise legal terms is the basis of proper compliance.

The Law

The Law on Combating Commercial Concealment.

The competent Ministry

The Ministry of Commerce and Industry.

The competent Minister

The Minister of Commerce and Industry.

Commercial concealment

Enabling a natural or legal person to carry on an economic activity prohibited to that person under the laws, for that person's own account, in partnership with others, or by circumventing the ownership percentages prescribed by law for foreigners.

Economic activity

A commercial, investment, industrial, agricultural, service or professional activity, or any activity of an economic nature, that aims to make a profit and requires a licence or an approval.

Key definitions (2 of 2)

The core legal concepts in the Decree-Law.



The concealer

The person who enables another to carry on the prohibited activity, whether by providing their name or licence or by any other means.



The concealed party

The person who carries on the economic activity in breach of the law, hiding behind the concealer to get round the restrictions imposed on them.



Economic activity

Any commercial, investment, industrial, agricultural or service activity that aims to make a profit, regardless of its nature or size.

The legal concept of commercial concealment

What is commercial concealment?



Legal definition

Enabling any person to carry on an economic activity that is prohibited to them by law, whether directly or indirectly or by any means whatsoever, with the aim of circumventing the laws and legislation in force.



Common forms of concealment

- **Direct concealment:** using another person's name to obtain the licence (a trade name, a licence or another person's identity used to carry on a prohibited activity).
- **Indirect concealment:** a fictitious partnership or a sham power of attorney.
- Concealment by electronic and digital means.



The direct, prohibited aim

Circumventing the laws and legislation in force and evading government oversight.

The elements of commercial concealment



The concealer (the licensee)

- A licensed Kuwaiti natural or legal person.
- Enables a non-Kuwaiti to carry on the activity.
- Allows the use of their trade name, licence or commercial registration.
- Helps to circumvent the ownership percentages prescribed for foreigners.



The concealed party (the unlicensed party)

- Any person who carries on an activity prohibited to them by law.
- Acts for their own account or in an unlawful partnership.
- Runs the activity in practice and in full, economically and financially.
- Disposes of the revenue and profits as the real owner.

02

PART 2

The legislation and the objectives of the Decree-Law

- The legislative context: why this Decree-Law now?
- The Decree-Law, its basis and practical scope, and the “hidden beneficial owner” test
- The main objectives of the Decree-Law

The legislative context: why this Decree-Law now?

Overview of Decree-Law No. 78 of 2026 and its effect on the State's business environment and commercial compliance.



The problem

Carrying on economic activities without a licence gave rise to disorder and upset the stability and order of the market, which harmed fair competition and the rights of investors who operate lawfully.



The legislative solution

Regulating the business environment and ensuring transparency and fairness through an integrated legislative framework that defines responsibilities and establishes a culture of compliance.

The legislative context: the Decree-Law, its basis and practical scope



The Decree-Law

Decree-Law No. 78 of 2026 on Combating Commercial Concealment was issued.



The basis

The explanatory memorandum explains that the draft addresses the phenomenon of commercial concealment and strengthens oversight, transparency and equal opportunity.



Practical scope

The focus is on preventing a person from being enabled to carry on an economic activity in breach of legislation, including circumvention of the ownership percentages prescribed by law.

The legislative context: the “hidden beneficial owner” test

 The law goes beyond the traditional concept of concealment and moves to the “**hidden beneficial owner**” test. The offence consists of enabling a non-citizen to carry on an activity that is prohibited to them or that exceeds the prescribed percentages.



First party: the concealer (the licence holder)

- Grants their name or licence to another in return for a lump sum.
- Gives up actual management and the risks entirely.
- This includes relatives’ licences used to avoid the government-employment prohibition, if it is proven that the relative is only a front.



Second party: the concealed party (the expatriate / the actual party)

- Keeps all operating profits and surplus returns for themselves.
- Runs the entity’s bank accounts alone through unrestricted powers of attorney.
- Has full control over contracts and appointments, without the slightest involvement of the Kuwaiti partner.

The main objectives of the Decree-Law



Tackling commercial concealment

Tackling commercial concealment and unlicensed activities comprehensively and at the root.



Transparency and fairness

Ensuring transparency, fairness and equal opportunity among all market participants.



Stronger oversight

Strengthening the State's capacity for oversight, regulation and effective tax collection.



Protecting public order and the business environment, and promoting economic transparency

Protecting public order and the public interest and safeguarding the national business environment.

🎯 The new legislation aims to eliminate the hidden economy, stop unqualified labour from competing with the national sector, collect the State's tax and customs dues, and create a fair investment environment that attracts eligible capital.

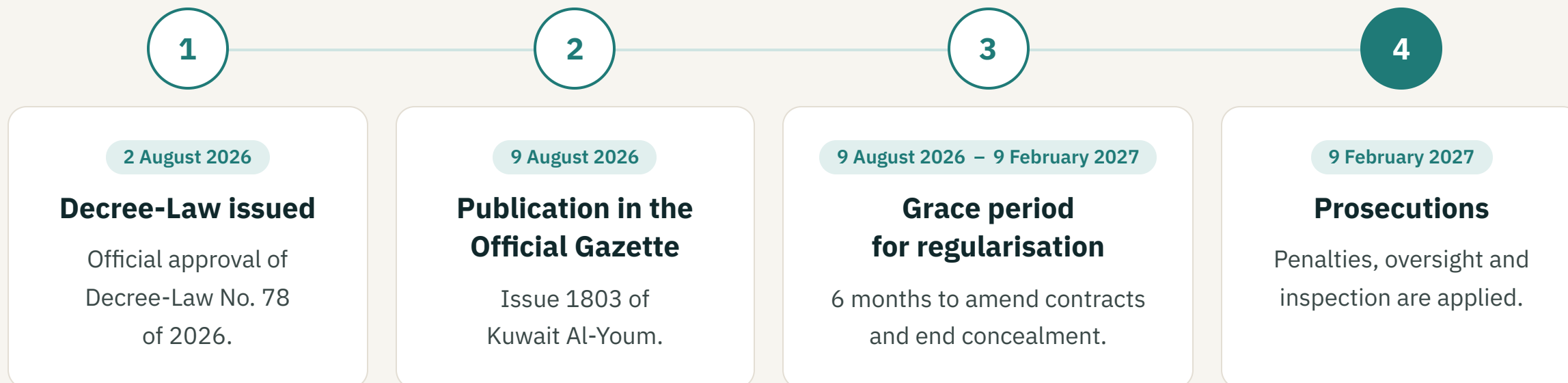
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PART 3

Timeline and the statutory grace period for regularisation

- Timeline for applying Decree-Law No. 78 of 2026

Timeline for applying Decree-Law No. 78 of 2026



 The Decree-Law comes into force 6 months after the date of its publication (Article 14); this period is available for regularisation before the offences and penalties begin to apply.

04

PART 4

Prohibitions and responsibilities

- The basic prohibition: Article 2 of the Decree-Law
- Persons prohibited from carrying on the activity
- Means of commercial concealment prohibited in practice
- Scope of criminal liability and the roles of the parties

The basic prohibition — Article 2 of Decree-Law No. 78 of 2026

The legal and regulatory framework of the prohibition and how it is applied.



First prohibition

Carrying on any economic activity **without obtaining the required licence** or beyond the limits of the licence granted, regardless of the nature or size of the activity.



Second prohibition

Enabling any person to carry on an economic activity **in breach of the law**, whether directly or indirectly, by any means or method whatsoever.

Detecting the violation

Identifying the unlicensed activity directly.



Investigation and verification

Gathering evidence and confirming the extent of the breach.



Applying the penalty

Imposing clear corrective and punitive measures.



Both parties — the concealer and the concealed party — are legally liable under the provisions of this Decree-Law, and neither is exempt from the penalty.

Persons prohibited from carrying on the activity

Who is covered by the prohibition?

The Decree-Law identifies specific categories prohibited from carrying on certain economic activities; any circumvention of this prohibition is punishable commercial concealment.

1 Foreigners

In the activities prohibited to them under the applicable laws and regulations.

2 Unlicensed persons

Those who have not obtained the necessary licence from the competent authorities.

3 Those exceeding their licence

Those who have gone beyond the limits of their approved licence and carried on activities outside its scope.

4 Those breaching ownership percentages

Those who breach the ownership percentages prescribed by law in companies and establishments.

Important: the prohibition applies to all forms of participation in the prohibited activity, whether direct or indirect, and whether for financial consideration or not.

The Decree-Law places no direct obligation on audit firms; the auditor considers indicators of non-compliance as part of the audit procedures in accordance with International Standards on Auditing.

Means of commercial concealment prohibited in practice (1 of 2)

How can concealment appear?



Use of the trade name

Allowing a non-Kuwaiti to exploit the trade name assigned to the citizen in order to do business for their own account.



Renting out the licence and registration

Enabling an expatriate or an ineligible person to carry on the activity under the licence or commercial registration issued in the Kuwaiti's name.



Providing capital or financing / circumventing ownership percentages

Providing financing, in whole or in part, to a person whom the law prohibits from carrying on the commercial activity, in order to circumvent the statutory percentages.

Means of commercial concealment prohibited in practice (2 of 2)

How can concealment appear?



Actual management for nominees

Leaving management and full control of the activity and the bank accounts to the concealed party, while the nominal concealer is absent.



Actually running the activity

Handing the reins of management and financial supervision to another.



Any means that enables the violation (general rule)

The law makes proof of concealment flexible by covering “any oral or written arrangements or agreements, or other financial and organisational means, that enable others to circumvent the laws and prohibited practices”.



Any other prohibited means that enables a violation of the provisions of this Decree-Law.

Scope of criminal liability and the roles of the parties



The concealer

Citizen / licence holder /
Kuwaiti owner

Criminally liable for enabling
another to commit the violation
using their licence or trade name,
whether for payment or not.



The concealed party

Expatriate / foreigner / operator

Criminally liable for carrying on the
commercial activity by
circumventing legislation or
exceeding the ownership
percentages permitted by law.



The company's de facto manager

Subject to the same penalties if it
is proven that they knew of the
violation, or if it occurred because
they failed in their required duties
and management actions.

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PART 5

Criminal and administrative penalties

- Criminal and administrative penalties
- Administrative violations and the doubling of penalties
- Table of offences and criminal and administrative penalties

Criminal and administrative penalties

A review of Articles 3 and 4 of the law — from the violation to the penalty and the judicial measures.



Imprisonment

1 to 3 years

Applies to the basic concealment violations.



Fine

**KD 10,000
to KD 100,000**

Or the value of the profits obtained
(whichever is greater).



Court's discretion

**Either penalty
or both**

Together with the mandatory
administrative penalties.

Administrative violations and the doubling of penalties (1 of 2)



Obstructing inspection and false information

Obstructing MOCI staff or judicial enforcement officers, or providing misleading information, is a separate offence:

- **Imprisonment:** up to 6 months.
- **Fine:** up to KD 10,000.
- Or one of these two penalties.



Multiple activities and repeat offences

Rules on heavier penalties and repeated violations:

- **Multiple fines:** fines are multiplied by the number of offending activities or of concealers.
- **Doubled penalty:** the prescribed penalty is doubled for a repeat offence within 5 years.
- **Without prejudice:** to any more severe penalty laid down in the Penal Code.

Administrative violations and the doubling of penalties (2 of 2)



Closure of the establishment

Permanent closure of the establishment.



Confiscation of tools

The tools, equipment and means used in the offending activity.



Confiscation

The funds or profits resulting from the offence, with due regard to the rights of bona fide third parties.



Deportation of the foreigner

The court orders the deportation of the foreign offender after the penalty has been enforced, and the final judgment is published by the prescribed means.



Cancellation of the licence

Cancellation of the licence linked to the offending activity.

Table of offences and criminal and administrative penalties

A review of Articles 3, 4, 5, 6 and 7 of the law.

No.	Violation / type of offence	Article	Type of penalty
1	Practising or enabling commercial concealment	Article 3	Imprisonment / Fine / Judge's discretion
2	Obstructing the work of judicial enforcement officers	Articles 4 and 11	Judge's discretion
3	Repeat offence within 5 years	Article 7	Imprisonment / Fine

 The next two slides give, for each violation, the details of the prescribed criminal penalty, the notes and conditions of application, and the financial and administrative effect and administrative measures.

1. Practising or enabling commercial concealment (Article 3)

Type of penalty	Details of the prescribed criminal penalty	Notes and conditions of application
Imprisonment	Imprisonment for 1 to 3 years.	Applies to the concealer, the concealed party and the de facto manager.
Fine	A fine (KD 10,000 to KD 100,000) or an amount equal to the value of the profits obtained, whichever is greater.	The fine is multiplied by the number of offenders or of offending activities.
Judge's discretion	One of the two penalties (imprisonment or fine), or both together.	According to the seriousness of the violation and the profits made.



Financial and administrative effect and administrative measures

- Confiscation of the funds and profits obtained and of the tools.
- Permanent closure of the establishment; cancellation of the licence.
- Deportation of the foreigner / expatriate after the penalty has been enforced.

2. Obstructing judicial enforcement officers · 3. Repeat offence

No.	Violation / type of offence	Type of penalty	Details of the prescribed criminal penalty	Notes and conditions of application	Financial and administrative effect and administrative measures
2	Obstructing the work of judicial enforcement officers Articles 4 and 11	Judge's discretion	Imprisonment for not more than 6 months and a fine of not more than KD 10,000, or one of these two penalties.	According to the seriousness of the violation and as the court orders on conviction.	Joint and several liability of the de facto manager + corporate accountability of the legal entity.
3	Repeat offence within 5 years Article 7	Imprisonment Fine	Mandatory doubling of the penalty prescribed for the offence.	According to the seriousness of the violation and as the court orders on conviction.	No settlement permitted in any circumstances + the mandatory administrative deportation of the expatriate.

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PART 6

Risks to companies and warning signs

- Risks to companies
- The main red flags for internal audit
- Prohibited activities

Risks to companies

Risks arising from the penalties and the judicial measures.



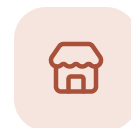
Criminal risk

Personal and direct criminal liability for the owners of the establishment and its de facto management.



Financial risk

Fines of up to KD 100,000 and full confiscation of funds and profits.



Operational risk

Permanent closure of the establishment, cancellation of the commercial licence, and deportation.



Reputational risk

The company's reputation, business relationships and bank credit are affected.

The main red flags for internal audit

1 Unclear ownership

Sham partners, or intermediaries not identified in the books.

2 Suspicious transfers

Profits transferred regularly to foreign partners with no supporting basis.

3 Dominance by foreign employees

Sole control over decisions on the accounts and over bank signatures.

Prohibited activities



Import trade

100% prohibited
without a Kuwaiti.



Commercial agencies

Compliance with the
partnership ratios is
required.



Professional services

Consultancy, legal
practice and audit.



Real estate activities

Unlawful management
and ownership of real
estate.

i Illustrative examples: these restrictions come from the laws regulating each activity, not from Decree-Law No. 78 of 2026; refer to the law regulating each activity before assessing any case.

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PART 7

Settlement and whistleblower rewards

- Settlement mechanisms and whistleblowing rewards
- The settlement regime (Article 8)
- Whistleblower reward (Article 9)

Settlement mechanisms and whistleblowing rewards

An analysis of Articles 8 and 9 of the Decree-Law.

 **Settlement:** the competent Minister, or the Minister's delegate, may settle the stipulated offences before proceedings are brought, while they are being heard, or before a final judgment is issued in them.



Payment

Not less than half the maximum of the prescribed fine.



Condition

Removing the violation and regularising the legal position.



Effect

Settlement extinguishes the criminal proceedings.



Key restriction

Settlement may not be accepted for a repeat offence.

 This does not prevent the measure of administrative deportation from being taken where the national interest so requires, and settlement may not be accepted for a repeat offence.

The settlement regime (Article 8)

An analysis of Articles 8 and 9 of the Decree-Law.



Conditions

Payment of an amount not less than half the maximum fine (a minimum of KD 50,000 under Article 3).



Mandatory condition

Removing the violation and fully regularising the legal position.



Timing

Before proceedings are brought, or while they are being heard and before the final judgment.



Legal effect

The criminal proceedings are extinguished.



Caution: settlement is not permitted for a repeat offence.

Whistleblower reward (Article 9)

An analysis of Articles 8 and 9 of the Decree-Law.



Who is entitled

Any person other than the offenders who provides serious evidence in support of a report.



Amount of the reward

A percentage of not more than 10% of the total fines collected.



Conditions

- Filing a report containing information and evidence that lead to the violation being uncovered.
- A final judgment of conviction based on the resulting evidence.



Several whistleblowers

Where there are several whistleblowers, the reward is shared equally.



Legal protection

Full protection of the whistleblower against any retaliatory or arbitrary action.



Absolute confidentiality

Strict commitment to keeping the whistleblower's identity and personal data confidential.

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PART 8

Oversight and judicial enforcement powers

- Expanded powers for MOCI inspectors
- The establishment's duties and the competent Ministry staff
- What must employees not do?

Expanded powers for MOCI inspectors

An analysis of Articles 10 and 11 of the Decree-Law.

Decree-Law No. 78 of 2026 gives staff of the Ministry of Commerce and Industry **judicial enforcement powers to trace suspected concealment, through:**



Monitoring economic establishments



Entering premises



Examining bank accounts and accounting records

⦿ These measures aim to regulate the investment environment and to secure fairness and equal opportunity for competing investors and traders in the State of Kuwait.

The establishment's duties and the competent Ministry staff

An analysis of Articles 10 and 11 of the Decree-Law.



What must the establishment do?

Provide the facilities, data, information and documents required for inspection and oversight work and for establishing violations.



The competent Ministry staff

They are designated by a decision of the competent Minister or the Minister's delegate, and hold judicial enforcement powers to detect offences committed in violation of the Decree-Law and its implementing decisions.



Operating rule: do not leave regulators' requests to an employee's own judgement; set up an internal channel and system for receiving, reviewing, submitting and documenting them.

What must employees not do?

An analysis of Articles 10 and 11 of Decree-Law No. 78 of 2026.



Prohibited

Preventing or obstructing the competent staff who hold judicial enforcement powers.



Prohibited

Refusing to provide the information or documents requested.



Prohibited

Providing incorrect or misleading data or information.



Prohibited

Hindering oversight or inspection work by any means.

09

PART 9

Effect of the Decree-Law on companies, and the financial and accounting indicators of concealment

- Effect of the Decree-Law on companies: where is the company affected?
- Financial and accounting indicators of concealment
- Risk indicators: governance and ownership, accounting, banks and cash flows, operations and employees

Effect of the Decree-Law on companies: where is the company affected?



Banks

Who owns the accounts? Who operates them? Who benefits from the cash flows?



Licences

Matching the actual activity to the licensed activity and the limits of the licence.



Ownership and structure

Ownership percentages, partners, beneficial owners, side agreements.



Employees and management

Who actually runs the business?
And who holds operating authority?



Contracts

The contracting party, the beneficiary, the signature, actual performance.



Accounting

Are the revenue, expenses and assets really linked to the licensed entity?

Financial and accounting indicators of concealment

Red flags in the financial statements and the cash flows.



Analysis of the financial statements

- The company's expenses and revenue differ from the sector averages.
- High profits that are not reflected in the partners' official accounts.
- No regular accounting records are kept at the company's premises.



Contracts and authorisations

- Absolute, irrevocable administrative and financial powers of attorney.
- Supply and lease contracts issued in the names of outside persons.
- The Kuwaiti partner has no right to sign or to operate the accounts.



Fund movements and transfers

- Profits transferred to the personal accounts of individuals who hold no shares.
- Sudden, very large cash withdrawals without supporting documents.
- Bank accounts opened with sole authorisation given to a foreign person.

Risk indicators — governance and ownership

Risk indicators — 1 of 4



Governance and ownership



Accounting



Banks and cash flows



Operations and employees

- ⚠ A clear difference between formal ownership and actual control over decisions.
- ⚠ Undocumented agreements or arrangements relating to ownership or profits.
- ⚠ A person who does not appear in the structure takes the main operating decisions.
- ⚠ The company relies materially on a person not registered as a partner/manager.
- ⚠ Cash flows or economic benefits go, unjustifiably, to a party outside the structure.



Review principle: the presence of an indicator does not prove a violation, but it sets the priority for examination and for gathering evidence.

Risk indicators — accounting

Risk indicators — 2 of 4

 Governance and ownership

 **Accounting**

 Banks and cash flows

 Operations and employees

-  Material expenses paid by a third party with no clear commercial explanation.
-  Revenue collected in accounts that do not match the licensed entity.
-  Related-party loans or credit/debit balances without clear contracts or settlements.
-  Partner/manager accounts inconsistent with the ownership or the formal decisions.
-  Accounting entries or documents of unclear source or prepared at a later date.
-  A material gap between who actually signs or manages and what the records show.

 **Aim:** to link the “economic reality” to the licence, the structure and the financial records.

Risk indicators — banks and cash flows

Risk indicators — 3 of 4

 Governance and ownership

 Accounting

 **Banks and cash flows**

 Operations and employees



Where do the profits go?

The actual beneficiaries of the cash flows.



Who funds the business?

The source of the funds and its relationship to the company.



Who has signing authority?

The authorised signatories, changes in them, and their powers of disposal.



Who owns the account?

The account holder's name and legal capacity.

Risk indicators — operations and employees

Risk indicators — 4 of 4

 Governance and ownership

 Accounting

 Banks and cash flows

 **Operations and employees**



Control question

Who approves payments and transfers?



Control question

Who sets prices and concludes contracts?



Control question

Who negotiates with customers and suppliers?



Control question

Who receives the profits or controls their use?



Control question

Who deals with government bodies?



Control question

Who has access to the accounting systems?

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PART 10

Compliance roadmap and the role of audit firms

- Roles within the compliance framework
- Compliance roadmap, practical steps and timeline
- Alternative legal routes to immediate correction
- The audit firm's protocol for protecting companies and clients

Roles within the compliance framework



Management

Assigns responsibilities, approves policies, provides resources and remedies violations.



Finance / accounting functions

Document transactions, reconcile accounts, retain evidence and monitor indicators.



Internal audit / compliance

Independent internal testing and follow-up of corrective actions.



External audit firm

When engaged: performs a defined, agreed professional scope in accordance with the standards and the engagement, with due regard to independence.

 **Important:** whether “commercial concealment” exists is a legal / factual question; an audit firm should not present it as a legal opinion unless it is authorised and engaged to do so.

Compliance roadmap and regularisation

1

Audit accounts and cash flows

Examine bank accounts to confirm there are no fixed lump-sum transfers that suggest sham leasing.

2

Review the partnership agreement

Amend ownership and management percentages to comply with the legislation governing foreign capital investment.

3

Document actual management

The Kuwaiti partner or the authorised manager carries out their administrative and executive duties in practice and on record.

4

End sham arrangements

Cancel licence-leasing contracts or sham undisclosed agency arrangements before the 6-month grace period ends.

Practical compliance steps and the audit firm's role (1 of 2)

Compliance steps required of clients

Immediate verification	Confirm that every economic activity carried on has a valid, approved licence.
Comprehensive audit	Audit and review contracts, agency arrangements and bank accounts.
Governance update	Amend the financial authority matrix and signing authorisations so that they agree with the registered ownership percentages.
Ownership structure review	Examine the actual partners' percentages and compare them with what happens in practice.
Regularisation	Remedy any violations or sham contracts before the grace period ends (February 2027).
Documentation and registration	Keep all compliance records and the officially notarised memoranda of association.
Control of financial statements	Document all cash flows and profit distributions through the officially audited financial statements.

Practical compliance steps and the audit firm's role (2 of 2)

The role of the audit firm

Comprehensive diagnostic review

Assess how far the company complies with the requirements of the new law.

Comprehensive review

Carry out a due-diligence review (Legal & Financial Audit) of contracts, agency arrangements and bank accounts.

Authority matrix

Prepare the financial authority matrix and the delegations of authority.

Risk report

Deliver a detailed report that identifies the legal and financial gaps and risks.

Recommendations

Draw up an integrated corrective plan to restructure contracts and activities.

Periodic follow-up

Oversee implementation of the corrections and ensure continuing compliance.

Control and preparation of financial statements

We provide internal audit services to companies, in addition to reviewing and approving companies' financial statements.

Roadmap timeline and action plan for full compliance

Applying the phased compliance schedule before 9 February 2027

Phase	Period	Main actions and tasks	Responsible party
Phase 1: assessment and audit	Now – October 2026	Comprehensive review of contracts, licences, accounts and the current partner structure.	Audit firm + compliance team
Phase 2: technical planning	November – December 2026	Identify the gaps and design the legal and financial restructuring plan.	Senior management + the appointed lawyer
Phase 3: implementation and correction	January – February 2027	Amend ownership percentages, notarise new contracts and end any existing concealment.	All company departments concerned
Phase 4: final verification	February 2027	Comprehensive review to confirm that the entity fully complies with the provisions of the law.	Audit firm
Phase 5: ongoing monitoring	After February 2027	Management training, periodic documentation and follow-up to maintain compliance.	Internal compliance officer

✓ **Final deliverable:** a compliance file that can be reviewed and updated, not merely a policy on paper.

Alternative legal routes to immediate correction

1 **Route 1: conversion to the Direct Investment Law (KDIPA)**

Enables the foreign investor (formerly the concealed party) to own up to 100% of the entity lawfully, with the possibility of obtaining tax benefits and exemptions, subject to the rules of the Kuwait Direct Investment Promotion Authority (Law No. 116 of 2013).

2 **Route 2: forming a genuine limited liability company (W.L.L)**

Redraft the memorandum of association to reflect a real partnership (a maximum of 49% for the foreigner and 51% for the citizen), cancel all powers of attorney and secret side agreements, and structure a profit distribution that reflects effort and management as documented in the official accounting books.

3 **Route 3: settlement under Article 8 of the Decree-Law**

The Decree-Law allows the competent Minister, or whoever the Minister delegates, to settle before the case is brought or while it is being heard and before a final judgment is issued, in return for an amount of not less than half the maximum fine (KD 50,000), together with removal of the violation and rectification of the legal position. Settlement is not accepted in the case of a repeat offence. Assessing this option is a matter for the company's legal adviser.

The audit firm's protocol for protecting companies and clients

How can the audit firm help the client?



Gap Assessment

An initial assessment of gaps against the Decree-Law's requirements.



Risk & Controls Review

Identifies risks, controls and weaknesses.



Transaction Testing

Tests a defined scope of transactions under a clear professional engagement.



Documentation Review

Reviews licences, contracts and financial records for consistency; cancels all unrestricted bank and administrative powers of attorney given to foreign managers; drafts balanced powers.



Management Reporting

A report to management on observations, priorities and corrective actions.



Training

Awareness workshops for management, finance and staff.

 Any actual engagement must define its objective, scope, assessment criteria and deliverables, the parties' responsibilities and professional independence.

11

PART 11

Questions, discussion and interactive cases

- Practical cases, examples and a test of legal characterisation
- Interactive quizzes
- A client checklist and messages for management
- Summary and recommendations

Practical case 1: circumventing ownership



Scenario

The apparent ownership structure keeps to the registered percentages, but side arrangements give another person economic control or a right to profits in a way that may go beyond the formal position.



Examine

- Side agreements
- Correspondence
- Voting rights



Analyse

- Sources of financing
- Profit distribution
- Management powers



Document

- Facts
- Documents
- Professional conclusions

Practical case 2: the inspection visit



Scenario

Competent officials from the Ministry arrived to carry out a supervisory check and asked for documents. One of the employees asked to delay handing them over and to hide a file until management had reviewed it.



The correct response

Receive the request, document it and refer it to the person responsible.



The risky response

Hiding the document or obstructing the officials.



The control

A single oversight channel, with a copy of the response kept.

 Article 11 makes it an offence to obstruct oversight work, to refuse to provide information / documents or to provide misleading data.

Interactive quiz 1

❓ Which statement is the most accurate under Article 2?

A There is no problem if the activity is profitable.

B The activity may be carried on without a licence if the owner of the establishment agrees.

C It is prohibited to enable others to breach the prohibition through commercial concealment. ✓ Correct answer

D Concealment concerns companies only.

💡 Answer: (C)

Interactive quiz 2

? What is the maximum whistleblower reward as a percentage of the fines collected?

A 5%

B 10%

✓ Correct answer

C 15%

D 25%

💡 **Answer: (B)** — taking into account the conditions set out in Article 9.

Interactive quiz 3

 What is the minimum discretionary settlement amount before the final judgment under Article 8?

 A KD 10,000

 B KD 25,000

 C KD 50,000 (half the maximum fine) ✓ Correct answer

 D The full KD 100,000

 Answer: (C)

Interactive quiz 4

? Which of the following is among the measures the court may order on conviction?

A Confiscation of the funds or profits resulting from the offence

B Permanent closure of the establishment

C Cancellation of the licence

D All of the above ✓ Correct answer

💡 Answer: (D) All of the above — under Article 6.

Client checklist

Suggested template

Area	Document	Test	Result	Follow-up
Licences	Commercial licence	Match to the actual activity	☐	
Ownership	Memorandum of association / amendments	Match percentages and control	☐	
Banks	Account statement + signatures	Match authorised signatories and cash flows	☐	
Transactions	Contracts and invoices	Link the party, the entity and the benefit	☐	
Management	Minutes / authorisations	Identify actual responsibility	☐	

 **Note:** this is a suggested working template, not a form issued by the government authority.

A message to the client

Five messages for management

- 1** A licence does not permit going beyond the limits of the activity or enabling others to carry it on in breach of the law.
- 2** The reality of control, management and cash flows matters when assessing risk.
- 3** Liability may extend to the person responsible for de facto management and to the legal person, subject to the legal conditions.
- 4** Obstructing an inspection, withholding information or providing misleading data carries criminal risk.
- 5** The best preparation is a documented system: licences + ownership + contracts + banks + accounting + control + training.

Summary and recommendations

Summary and critical recommendations for clients



Key points of the Decree-Law

- ✓ **Strict, serious provisions:** criminal penalties of up to 3 years' imprisonment, mandatory confiscation and closure.
- ✓ **The opportunity:** make full use of the 6-month grace period to correct before February 2027.
- ✓ **Comprehensive legislation:** the law applies to all economic activities and sectors.
- ✓ **Legal settlement:** settlement is available before the final judgment by paying at least KD 50 thousand.



Recommended immediate actions

- ✓ **Immediate comprehensive review:** carry out an urgent internal audit of all activities and partnerships.
- ✓ **End sham transactions:** unwind side contracts that enable non-Kuwaitis in breach of the law.
- ✓ **Train staff and management:** hold awareness workshops for executives and compliance officers.
- ✓ **Engage a licensed auditor:** document approved compliance files to protect the company legally.

End of the workshop

Questions and enquiries

Thank you for your attendance and interest.

Move towards full compliance today and protect your business

Use the statutory grace period before the penalties begin to apply to secure your position and regularise your commercial establishment.



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