SAP Local Version for State of Kuwait

!! Preliminary Version !!

1 Quick Facts

1.1 Key Strengths

- Standard local version since SAP S/4HANA 1511, EC Payroll 1811
- Large customer base in Kuwait.
- Supports legal compliance features and market requirements for various business transactions, enabling businesses to run better.
- Primary support for these features is provided locally from a highly skilled team.
- The localization lead in Kuwait can help with inquiries and direct your queries to the right people.
- Local version for Kuwait is now operational at most of the top corporations in Kuwait, including global business giants across various industries.
- SAP is also the software of choice in the Public sector

1.2 Challenges

- Kuwait has a relatively stable regulatory framework; however, several laws apply to specific business sectors such as public and private.
- Legal changes: The Announcement of Legal Change
- Legislative reforms are often planned, applied on short notice and in some cases applied retroactively.
- Interpretation of the law is sometimes open and often the technical specification is not always available for development on time.
1.3 Legal Compliance

<table>
<thead>
<tr>
<th></th>
<th>FI / Logistics</th>
<th>Human Capital Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law Complexity Ranking</td>
<td>Medium Complexity</td>
<td>Medium Complexity</td>
</tr>
<tr>
<td>Frequency of Legal Changes</td>
<td>Dynamic, over the year</td>
<td>Dynamic, over the year</td>
</tr>
<tr>
<td>Official Local Language</td>
<td>Arabic</td>
<td>Arabic</td>
</tr>
</tbody>
</table>

1.4 Language

- Arabic is the first language in Kuwait, with English widely spoken and used in business. Any correspondence with the Government bodies, however, should be in Arabic e.g. business agreements, contracts, court report ....
- All core modules are translated into Arabic
- All Local Product Managers are Arabic speakers, thus customer communication about latest features or roll-in of customer needs can be handled smoothly.

1.5 Internationalization

- It provides the technical environment to operate globally.
- The SAP system supports many languages and currencies and different time zones.
- The calendars support both Gregorian and Hijri formats. The Hijri calendar is an Islamic calendar that depicts the duration of each month based on the lunar eclipse.

2 Recommendations and General Information

- Kuwait is a member of Cooperation Council for the Arab States of the Gulf (GCC).
- Currency: Kuwaiti Dinar (KWD) is the legal reporting currency
- Exchange Rate: Fixed exchange rate against USD (1 USD = 0.29963 KWD)
- Accounting Principles/Financial Statements: IFRS financial statement must be filled annually
- Bank Master Data: IBAN & Account number are mandatory for all payment methods.
- The tax year is generally the same as the calendar year. The first taxable period can, however, be a minimum of six months and a maximum of 18 months. The DIT may also agree to a written request from the taxpayer to change the year-end to a date other than 31 December.
- Date Format: DD.MM.YYYY
- Decimal Format: 1,234,567.89
- Calendar: Gregorian calendar for private companies January to December, and for government early April to ends of March
3 Supported Legal Requirements

3.1 Financial Accounting (FI)

3.1.1 General Ledger Accounting

Withholding Tax:

- As per the legislation in Kuwait, a 15% withholding tax is levied on dividends distributed to shareholders by fund managers, investment custodians and corporate bodies.
- This tax is withheld and settled by the dividend paying company. As the dividend paying company, you are required to submit this payment to the tax authorities along with a settlement form notifying them of the:
  - Check number, amount, bank drawn on
  - Name and Nationality of the shareholding body
  - Address of the shareholding body inside and outside Kuwait
  - Date of dividend
  - Profit value
  - Tax due
- SAP provides withholding tax settlement form. Transaction code: KW_DIVIDEND
- For more information, see Withholding Tax for Kuwait

Statement of Subcontractor Retention

- In Kuwait, as a business entity you must retain 5% of all invoices paid to subcontractors with whom you conduct business.
- You retain this amount until the subcontractor provides you with a clearance certificate issued by the Kuwaiti Tax Authority authorizing you to release the amount retained.
- This retention amount needs to be calculated at the time of invoicing and it should be possible to pay this retention amount at a later point of time
- SAP delivered this functionality to enable you to generate a statement that lists the subcontractors with whom you have posted a tax retention.
- It includes the following information:
  - Contract value
  - Amount billed in previous year
  - Cost for current year
  - Total billed to date
  - Retention to date
- For more information, see Statement of Subcontractor Retention for Kuwait

Company Certificates:

- In Kuwait, companies are required to have numerous certificates that are issued by various government ministries. These certificates are typically valid for a limited period and must be renewed periodically.
- SAP delivered this functionality to enable you create your company certificates, monitor status, and trigger notifications when certificates are approaching expiry or have expired.
- Report: Check Certificate Statuses: This report allows the view of all certificates assigned to the company. The report can be used to send notifications to a specified user that informs them when a certificate is approaching its expiry date or has expired. Transaction code: CRCHECK.
- For more information, see Company Certificates for Kuwait
3.1.2 Banks Accounting

Bank Reconciliation

- SAP delivered the Bank Reconciliation report `RE RPFIKW_BANK_RECONCIL` to reconcile the difference between the balance shown in the bank statements you receive from your banks, and the corresponding amount shown in your own accounting records at a particular point in time.
- For more information, see [Processing of Customer Payment].

3.1.3 Accounts Receivable / Payable

Vendor Certificate

- SAP delivered this functionality to enable you to capture the various certificate validity periods of your vendors. Vendors with expired certificates can be blocked from being involved in business activities within the system and can be unblocked when they have submitted a valid certificate.
- For more information, see [Vendor Certificate]

3.2 Public Sector

3.2.1 Accounts Payables

Payment Form for Public Sector

- When you generate payment forms in Accounts Payable (FI-AP) using the standard transactions, you can print the required documents using PDF forms that have been designed to meet the requirements of government organizations in Kuwait.
- To do so, use the `KWFM_FI_FPAYM` form. You can use this payment form in the standard payment medium creation program `SAPFPAYM`.
- For more information, see [Kuwait Payment Form]

3.2.2 Funds Management

The local version covers the most important laws and business practices specific to Kuwait

3.2.3 Master Data

- In addition to the generic master data for Funds Management, Kuwait local version comes with Kuwait public sector unified standard accounts, budget chapters and commitment items
- see [Master Data]

3.2.4 Budget preparation Form

- Budget & Expenditure Reporting
  - Budget and Expenditures by Chapters
  - Budget and Expenditures by item
  - Budget and Expenditures by Commitment groups and items
- Revenues Reporting
  - Revenues for all Chapters
  - Revenues for all Chapters - by commitment items
  - Revenues by Commitment Items and Types
• Programs / Projects Reporting  
  o Budget by Programs in Chapter level  
  o Budget by Groups/Items in Program Level  
  o Construction Projects, Maintenance & Public Acquisitions by Groups/Items  
  o Group 1 - Construction Projects, Item 01 - Projects take place during the Fiscal Year  
  o Group 1 - Construction Projects, Item 02 - Projects take Several Years  
  o Group 2 - Small Construction Works and Maintenance of Installations & Facilities  
  o Group 3 - Public Acquisitions  
• For more information, see Kuwait Budget Reporting  

3.2.5 Earmarked Funds Reporting  
• Kuwait local version comes with a report that you can use to extract the funds reservation information (reservation order) from the system. Another report allows you to extract the funds commitment information (agreement order) from the system with appropriate header and item information  
• For more information, see Kuwait Earmarked Funds Reporting
Human Capital Management Requirements and Payroll for [Kuwait/MENA] Private sector

4.1 Personal Administration

4.1.1 Country specific fields added:

- **Persona Data** like Full Arabic Name, Sponsor ID, Legal Profession, Home Airport, 2nd & 3rd nationalities, blood group, profession, academic degree, sponsor ID
- **Personal IDs** like Kuwaiti ID Card, Driven License, Health Card and Work Permit
- **Original Personal IDs. Kept by** like the original passport or any other ID’s is kept by whom
- **Leave Passage** like Tickets Class and No. of Tickets for Employee and Dependents
- **Social Insurance** like General Retirement & Pension Authority (PIFSS) start contribution date and Social Insurance Number
- **Others** like IBAN generation in Bank Info and Address details settlement

4.1.2 Personal Actions:

- Actions templates for Hiring, Termination, Organization Re-Assignment, Rehiring, Promotion
- All actions are also available as HR Processes based on Roadmap Forms (to learn more about these, please read SAP information about HR Renewal 2.0)

4.2 Time Management

4.2.1 Absences

- **Leave Types**
  - Pre-defined leave types
  - Leave conditions check, to set rules for leaves eligibility
- **Annual Leave**
  - Accruals starting from probation period end
  - Annual Leaves provisions calculation every month based on accruals and usage
- **Sick Leave**
  - Employee shall be entitled to sick leave with pay for each year of his service.
  - Absence distribution predefined rules (paid and partial paid)
  - Sick Leave, Absence distribution predefined rules is delivered like 100% paid, 75% Paid, 50% paid, 25% Paid and unpaid
- **Maternity Leave**
  - Customization is delivered to control payment based on seniority
- Delivered other absence types as well like Hijri Leave, Work Injury.
- **Leave Conditions Check** that can help in setting validation rules for any absence type in general

4.2.2 Leave Passage

- Cover contractual part related to tickets entitlement for the employee and his dependents having the following features
  - Flight tickets provisioning based on ticket fare
  - Ticket fare is per class and destination to home airport
  - Flight tickets value can be issued or in-cashed
4.3 Payroll

- Standard wage types defined as per Kuwait norms such as: Basic pay, Housing allowance, Transportation allowance
- Payroll rounding and rounding recovery
- End of service calculation per Kuwait labor law including provisioning calculation on monthly regular payroll
- Overtime calculation with different rates based on the day type on monthly regular payroll
- Net deductions and Arrears to applying net deductions limits and Arrears carryover are also supported
- General Retirement & Pension Authority (PIFSS) Social Insurance deduction calculation for Kuwait and GCC nationals
- Off-cycle payroll, including for advance leave payments, including all recovery options and scenarios
- Petty Cash maintains and settlement calculation against all spent records type.
- New Local Version on Employee Central Payroll (June 2018) – The new local version includes the replication of country specific employee master data from EC to EC Payroll and country-specific mashups.
- Forms according to Ministry of Social Services and Labor (MOSL)
4.4 Reporting

4.4.1 Legal Forms

- PIFSS Form 55 - List of Monthly Contributions
- PIFSS Form 103 - Statement of Status Change
- PIFSS Form 168 - Employee Status Change
- PIFSS Form 166 - Monthly Summary of Payments to PIFSS

4.4.2 Other Reports

- Personnel Actions Tracker
- Document Expiration Verification
- Generation of Statement of Work Experience
- Advice Letter of Delayed Return from Vacation
- Statutory Form of Multiple Usages – Kuwait
- Generation of Passport Application Form
- Monthly Bank Transfer Report
- Monthly Cash Payment Report
- Visa Management for Kuwait
- Kuwaitization Report

4.4.3 Employee Central Payroll

- New local version on Employee Central Payroll (November 2018) – The new local version includes the replication of country specific employee master data from EC to EC Payroll and country-specific mashups.
5 Information Repositories

- MENA Localization Special Interest Group - SIG Jam Page
- SAP Globalization Services Local and Language Versions for SAP Products [https://support.sap.com/en/product/globalization.html]
- The latest legal changes delivered under: The Announcement of Legal Change
- Kuwait local version documentation SAP S/4HANA OP, SAP ERP HCM
- SW components
  - FIN Incidents: FI-LOC-FI-KW
  - Payroll Incidents: PY-KW
  - HR Incidents: PA-PA-KW