



French Iraq Business Council
مجلس الاعمال العراقي الفرنسي

IFBC



***DOING BUSINESS IN IRAQ
A LEGAL AND FINANCIAL GUIDE FOR INVESTORS***

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Iraq, officially established as a modern nation-state in 1932, is a country located in the heart of the Middle East. It is composed of 18 governorates, including major regions such as Baghdad, Basra, Erbil, Mosul, and Najaf. With a population of approximately 44 million, Iraq is a diverse nation comprising various ethnic and religious groups, including Arabs, Kurds, Turkmen, and Assyrians. While the majority of the population are Iraqi nationals, there is also a notable presence of expatriates employed across sectors such as oil, construction, education, and healthcare. As one of the world's leading oil producers, Iraq's economy is heavily reliant on petroleum exports. However, efforts have been made in recent years to diversify the economy and promote investment in sectors like agriculture, infrastructure, and tourism. Arabic and Kurdish are the official languages of Iraq, with English commonly used in business, education, and government-related interactions.





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INTRODUCTION:

Iraq's strategic location at the crossroads of the middle east gives it a unique advantage as a regional commercial hub. Situated between asia, europe, and the arab gulf states, iraq has the potential to serve as a vital transit route for international trade. The country also possesses abundant natural resources – with over 145 billion barrels of proven oil reserves (the fifth-largest in the world)– and remains opec's second-largest oil producer. This petroleum wealth underpins iraq's economy and offers a strong energy export base. At the same time, iraq is beginning to tap into other strengths, from vast natural gas reserves to rich mineral deposits awaiting development its fertile lands between the tigris and euphrates rivers once earned iraq the title “breadbasket of the region,” underscoring significant agricultural potential alongside its oil-driven economy. These geographic and economic fundamentals position iraq as an attractive, strategically situated market in the heart of the region.



INTRODUCTION

Recent years have brought a wave of legislative and regulatory reforms in Iraq aimed at improving the business environment and encouraging foreign investment. The government has enacted new policies to increase transparency, strengthen legal protections, and streamline bureaucracy. Notably, Iraq ratified the key international treaty on arbitration (the **New York Convention** on foreign arbitral awards) and eased entry by waiving pre-arrival visa requirements for investors from dozens of countries. Financial and administrative systems are being modernized: tax laws have been reformed and accounting standards are gradually aligning with International Financial Reporting Standards (IFRS), while company registration and other business processes are moving onto digital platforms for greater efficiency. Reforms in labor law and social security have clarified employer obligations, and the banking sector is undergoing restructuring to meet international compliance norms. Collectively, these measures signal Iraq's commitment to creating a more transparent and investor-friendly climate, making it easier to establish and operate a business than in the past.

Despite this progress, understanding Iraq's legal, tax, and operational landscape remains essential for any foreign investor. Success in "doing business" here requires familiarity with the local regulatory framework and business practices. Key considerations include investment licensing procedures, corporate structures, and compliance with Iraqi commercial laws, as well as the taxation system governing corporate profits and other revenues. Companies must also navigate practical matters such as employment visas and work permits for expatriate staff, local labor and employment regulations, and the adoption of Iraqi accounting standards (now influenced by IFRS reforms) for financial reporting. Additionally, Iraq's customs duties and import/export regulations can impact operations, especially for firms involved in trade or construction, so understanding border compliance is crucial. Being well-informed about these legal and operational factors is vital to mitigate risks and ensure smooth day-to-day business functioning.

2- ESTABLISH BUSINESS IN IRAQ

- Any company intending to operate in Iraq must first complete a formal registration process. This can be done either by establishing a
 - foreign branch office or
 - by incorporating an Iraqi company, which may be a limited liability company (LLC) or a
 - Joint stock company (JSC).

It is important to note that, when incorporating an Iraqi company, foreign ownership is generally limited to a maximum of 49%, unless an exception applies under Iraqi law.



PROCESS AND TIME FOR ESTABLISHMENT IN IRAQ

The process and timeframe for establishing a company in Iraq depend on several factors, including (i) the legal structure of the company; (ii) the type of business activity; and (iii) whether the investors are local or foreign.

Generally, the steps for registering a company in Iraq include:

- submitting an application to the Companies Registrar at the Ministry of Trade;
- reserving a trade name; and
- providing the necessary documentation, which typically includes: (i) identification documents of the shareholders; (ii) draft articles of association; and (iii) resolutions approving the company formation.

For foreign investors, additional approvals may be required from relevant ministries, particularly if the company operates in a regulated sector. The process for establishing a company in Iraq typically takes **between 4 to 8 weeks**, depending on the nature of the business and whether any third-party or governmental approvals are involved

WHAT YOU NEED TO REGISTER A FOREIGN BRANCH OFFICE IN IRAQ:

The Registrar of companies requires multiple documents that need to be prepared by the company, these requirements must be prepared by the parent company .
for example of these requirement are but not limited to:

- Incorporation documents of the parent company.
- Registration certificate from the home country.
- The Audit financial Statement.

3- BUSINESS VISA OPTIONS FOR IRAQ:

a. Electronic Visa (e-Visa)

Iraq has implemented an electronic visa system for business travelers. Applicants can apply online through the official e-Visa portal. The e-Visa is typically valid for 30 days and may be extended upon application. However, journalists and NGO workers are not eligible for the e-Visa and must obtain a visa through an Iraqi embassy or consulate.

b. Multiple Entry Visa to Iraq for 3 months, 6 months, or 1 year can be issued through the Ministry of Interior.

c. Emergency Visa may be granted with the approval of the Minister of Interior.

4- WORK PERMITS FOR FOREIGN EMPLOYEES IN IRAQ:

According to the Iraqi Labor No. 37 for 2015 To legally employ foreign nationals in Iraq, obtaining a work permit is mandatory and governed by the Ministry of Labor and Social Affairs (MoLSA):

- International workers must secure official work permits through the Ministry of Labor before beginning employment.
- employment contract from the registered company specifying terms and conditions.
- The employee must hold a valid entry visa and residency permit before applying for a work permit.
- It usually takes 4- 8 weeks to issue work permit, depending on the completeness of documentation and administrative workload.
- Work permits are generally valid for one year and can be renewed annually. Employers should initiate the renewal process at least one month before expiration to avoid legal issues.
- Iraq promotes the employment of its citizens by encouraging businesses to maintain a workforce that includes a significant proportion of local employees. In certain industries, specific ratios between local and foreign staff are legally required.
- Under Prime Ministerial Decision No. 64 of 2012, any foreign company that employs a foreign national is obliged to hire a local Iraqi employee in parallel
- In Kurdistan Region, any foreign company that employs a foreign national is obliged to hire three Kurdish employees in parallel.

5- PENSION & SOCIAL SECURITY COMPLIANCE:

- Ensuring that your employees are properly enrolled in Iraq's pension and social security system is not only a legal requirement — it is critical for maintaining regulatory compliance and avoiding potential penalties. The Iraqi government enforces strict rules that apply to both local and foreign employees, with specific conditions and certain exemptions that must be carefully managed.

Required Documents for Pension & Social Security Enrollment:

- Branch Registration License or Certificate
- Power of Attorney
- Company registration documents
- Employee identification (ID cards or passports)
- Employee payroll records
- *Additional requirements may apply depending on the specific case.*

6- TAX COMPLIANCE IN IRAQ

Registering with the Iraqi tax authority is a fundamental step for any company operating in the country. Beyond registration, maintaining tax compliance requires ongoing submissions and accurate documentation. Every Foreign Branch office has to be registered with the General commission of Taxes withing 30 days from its registration date to avoid penalties and tax interests

Ongoing Tax Compliance:

To maintain a good standing with the tax authority, companies are required to submit various documents on a monthly basis. These typically include:

- Updated payroll reports
- Monthly tax withholding statements
- Submit audited financial statements annually
- Pay Corporate Income Taxes .
- Pay personal Income Taxes for your Employees

TAX COMPLIANCE IN IRAQ

Iraq provides a business-friendly tax environment for foreign investors, particularly in strategic sectors.

Notable features include:

- **Corporate Taxation:** A standard corporate tax rate of 15% applies, while entities operating in the oil and gas sector are subject to a higher rate of 35%.
- **Tax Incentives:** Investment Law No. 13 of 2006 allows eligible foreign companies to benefit from tax exemptions for up to a decade.
- **Repatriation of Profits:** Foreign investors are permitted to transfer profits abroad, subject to compliance with the Central Bank of Iraq's foreign exchange regulations.

7- TRADE FRAMEWORK

Iraq regulates its international trade through the Ministry of Trade and the General Commission of Customs. Businesses engaged in cross-border commerce should note the following:

- **Tariff Structure:** Customs duties vary by product type. As of 2025, the general customs duty rates range from 0% to 30%, depending on the classification of the goods. Essential items, such as food, medicine, and products related to humanitarian assistance, often benefit from reduced or zero tariffs.
- **Special Economic Zones:** Designated free zones provide attractive incentives such as import duty reductions and tax relief for companies involved in production, processing, or distribution. The Kurdistan Region has established four Special Economic Zones in Dohuk, Batifa, Shaqlawa, and Chamchamal. These zones focus on manufacturing sectors such as hydrocarbons, pharmaceuticals, packaged food, and processed food. They account for nearly 30% of all industrial jobs and 40% of industrial revenue and output in the region.
- **Iraq is actively expanding its export base:** creating new avenues for companies seeking global market access.

The Iraq Development Road project is a significant infrastructure initiative aiming to connect the Grand Faw Port in southern Iraq to Turkey's border, and further into Europe. This 1,200-kilometer project, involving railways and highways, is expected to enhance Iraq's position as a transit hub between Asia and Europe, thereby boosting trade and manufacturing opportunities.

8- INCENTIVE FOR FOREIGN INVESTORS.

Iraq's Investment Law No. 13 of 2006 provides a supportive legal framework aimed at fostering foreign direct investment, particularly in sectors critical to national growth. Key advantages for international investors include:

- **Land Use Rights:** The law permits foreign entities to lease land for investment purposes for up to 50 years, with the option to renew, offering long-term security for infrastructure and facility development.
- **Long-Term Tax Relief:** Foreign enterprises engaged in approved development projects may benefit from tax holidays of up to a decade, easing the financial burden during early operations.
- **Capital Mobility:** Profits and capital can be transferred abroad, as long as businesses adhere to the regulations set by Iraq's financial authorities.

9- CONCLUSION

Establishing and operating a business in Iraq involves a clear but structured process, designed to balance regulatory oversight with meaningful incentives for foreign investors. From company formation and work permits to tax registration and compliance, each step requires careful planning and adherence to Iraqi law. Despite regulatory requirements, Iraq offers a promising environment for investment—especially in key sectors such as manufacturing, agriculture, infrastructure, and trade. Supportive policies like tax holidays, land lease options, and profit repatriation rights under the Investment Law No. 13 of 2006 further enhance Iraq's appeal. The country's commitment to economic diversification, coupled with infrastructure developments such as the Iraq Development Road, makes it an increasingly attractive destination for international businesses seeking long-term growth in the region.

THANK YOU

Since 2010, BHC (بيت الحكمة) has served as a trusted advisor at the intersection of law, finance, and strategy—locally and internationally. With offices in Washington, D.C., Virginia, and across Iraq (Baghdad, Erbil, and Basrah), we are strategically positioned to support clients navigating complex legal and financial environments across borders and sectors.

We deliver integrated legal and financial solutions—including company registration, foreign branch setup, work permit acquisition, tax advisory, compliance, and financial reporting. Our deep expertise in public procurement enables us to guide clients through competitive bidding and government contracts with clarity and precision.

Dispute resolution is central to our practice. From civil litigation to alternative dispute mechanisms, we help safeguard our clients' interests while enabling practical, forward-looking outcomes.

At BHC, we don't wait for problems to arise — we anticipate them. By aligning legal insight with financial foresight, we help clients seize opportunity, manage risk, and drive value at every stage of their business journey

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