

Iraq

1. Government requirements

Registration requirements

In order to legally carry out work in Iraq, it is a requirement under Iraq's companies' law that a company must be registered with the Iraqi Ministry of Trade. Depending on the proposed activities, additional or alternative registrations may be required, e.g., with the Iraqi Central Bank or with the Communications and Media Commission. The two most common forms of registration vehicles for companies intending to carry out commercial activities in Iraq are:

Limited liability company

A limited liability company in Iraq can conduct a wide range of activities and is generally not limited to the activities it was initially established to undertake. In addition, until recently, foreign investors were permitted to hold 100% of the shares of an LLC. On 9 September 2019, the Iraqi Federal Government released amendments to its Companies Law that introduced a 51% Iraqi ownership requirement for LLCs.

A limited liability company in Iraq is independent of any other affiliated entity registered within Iraq or outside Iraq and has its own identity for tax and legal purposes.

Registration can take up to a whole year to complete as it is a highly cumbersome legal process.

Branch office

A branch office in Iraq may be set up to conduct a specific set of objectives and is granted a license to conduct commercial activities if it meets certain conditions.

A branch office in Iraq does not have a separate legal existence. It is an extension of its head office company and carries out business under its name.

Registration takes four to eight weeks if all required documents are readily available in the required state of notarization, legalization and authentication.

Tax registration

All companies registered in Iraq are required to register with the General Commission for Taxes for tax filing, reporting and payment purposes. Upon successful registration, the company will obtain a single Tax Identification Number (TIN) for all types of taxes administered by the General Commission for Taxes, including corporate income tax and employee income tax.

Ongoing compliance requirements¹

Employee income tax

Iraqi nationals and foreigners working in Iraq are subject to tax on their income derived from Iraq. In addition, Iraqi nationals are subject to tax on income earned from all sources (Iraqi and foreign-sourced income). The General Commission for Taxes does not currently require each employee to be registered with the tax authority or to have a unique TIN for employee income tax filing and payment purposes.

Under Iraq's Income Tax Law No. 113 of 1982 (as amended), the employer is the party responsible for deducting the employee income tax from its employees' salaries and wages, filing the periodic returns, and remitting the deductions to the General Commission for Taxes.

The periodic returns include the monthly withholding declaration, the annual employee income tax return (form D/4A), and the annual summary schedule.

The employee income tax is levied according to the following scale:

D/4A form		
From IQD	To IQD	Rate %
0	250,000	3
250,001	500,000	5
500,001	1,000,000	10
1,000,001	No upper limit	15

The payment of the employee income tax liability has to be made in Iraqi dinars via wire transfer or a certified check issued to the benefit of the Direct Deductions Department or the Large Taxpayers Department at the General Commission for Taxes (depending on the classification of the taxpayer) as per the current method of payment acceptable to the Iraqi governmental authorities.

The filing and payment of the monthly employee income tax liability is due by the 15th day of the month which follows the month of the deduction.

The annual employee income tax return (D/4A form) for each employee, along with the annual employee summary sheet, should be filed with the GCT by 31st March of each year.

2. Pension requirements

Registration requirements²

Social security

All companies registered in Iraq are required to register their employees (Iraqis and non-Iraqis) with the Department of Retirement and Social Security for social security filing, reporting and payment purposes. Upon successful registration, each employee of the company will be issued a social security number. A key requirement in order to be able to register employees for social security purposes is for the company's employment to be made up of at least 50% Iraqi nationals. The company should also ensure that its non-Iraqi employees have valid work permits.

Ongoing compliance requirements

Social security

According to Social Security Law No. 39 of 1971 (as amended), employees (Iraqis and non-Iraqis) should pay into social security. The general rates of social security are 12% for employers and 5% for employees. For oil and gas companies, the rates for social security contributions are 25% for employers and 5% for employees. An exemption from Iraqi social security may be available to non-Iraqis working in Iraq, after obtaining the authorities' approval.

It is the responsibility of the employer to withhold the social security contributions from the employees' income for each month of the fiscal year and file a monthly contributions form to the social security authority. An annual social security filing must also be made by the employer.

The payment of social security has to be made in Iraqi dinars via wire transfer or a certified check issued to the benefit of the Department of Retirement and Social Security, as per the current method of payment acceptable to the Iraqi governmental authorities.

The monthly social security contributions and filings are due by the 30th day of the month which follows the month of the deduction. Whereas the annual social security forms are due before the end of February of each year.

3. Employment obligations

Iraq's labor regulations are governed by the Labour Law No. 37 of 2015 (the "Labour Law"). The provisions of this law apply to all workers (Iraqis and non-Iraqis) employed in the private sector.

The contract of employment largely determines the terms and conditions of employment. When drafting an employment contract, an employer must comply with the requirements set out in the Labour Law, guaranteeing certain employee rights and benefits. The Labour Law includes a number of requirements to which an employer must adhere when dealing with employees. Some of these requirements include:

- Arabic must be used in all employment relationships, including contracts and other related documents.
- An employer must ensure sufficient health and safety measures are in place.

Annual leave

Employees are entitled to annual leave after a period of one full year of employment. The annual holiday is 21 days per year and is increased by 2 days for every 5 years of employment with the same employer up to 10 years, and 3 days for every 5 years after the first 10 years of service with the same employer. According to Article 79 of the Labor Law, any agreement to waive or abandon the annual holiday, in whole or in part, for compensation or other advantage, is null and void.

Sick leave

Sick leave is 30 days per year based on a valid medical report.

Maternity leave

Maternity leave is 14 weeks.

Marriage leaves

Marriage leave is five weeks.

Bereavement leave

Bereavement leave is five days.

Pilgrimage leave

Employees are entitled to an unpaid pilgrimage leave once during the period of their service.

Unpaid leave³

When necessary, the employer may grant the employee, upon request, unpaid leave.⁴

4. Payroll requirements

According to the Labour Law, an employer is required to maintain a wage and overtime register that includes all details of its employees' wages, wage deductions, and net wages paid. The wage register is subject to verification and inspection by an Iraqi Ministry of Labour inspector.

5. Banking requirements related to payroll

All companies in Iraq are required to open a bank account with a bank authorized in Iraq in order to make their payments due to the government authorities. Wages are to be paid in Iraqi dinars, unless otherwise stated in the employment contract. Wages may be paid by checks, bank transfers or payment orders.

Payment of the employee income tax liability and social security contribution has to be made in Iraqi dinars via wire transfer or a certified check issued to the benefit of the relevant government authority, as per the current method of payment acceptable to the Iraqi governmental authorities.