

Republic of Iraq
Presidency of the council of Ministers
National Investment Commission



Investment Law

No. (13) For 2006

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Investment Law

In the Name of the People Presidency Council

Pursuant to what has been decided by the Parliament, pursuant to paragraph one of article sixty one of the Constitution, and the elapse of the legal period stipulated in paragraph (Five / A) of article one hundred thirty eight of the Constitution,

The following law has been issued:

No. (13) of the year 2006 The Investment Law

Chapter One

Definitions

Article 1: The following statements wherever they appear in this law are intended to have the meanings set forth below, unless the context indicates otherwise:

- A. The Council: The Council of Ministers.
- B. The National Investment Commission: Is the Commission that was formed by this law and is responsible for establishing the national policies for investment and the rules and regulations in the area of investment, and monitoring its implementation, and shall specialize in strategic investment projects that are of a federal nature exclusively.
- C. The Region's Commission: The Investment Commission in the region that is responsible for investment planning and granting investment licenses in the region.
- D. The Province's Commission: The Investment Commission in the province that is not affiliated with a region and responsible for the investment planning and granting investment licenses in the province.
- E. The Commission: The National Investment Commission or the Region's Commission or the Province's Commission as applicable.
- F. The Commission Chairman: The Chairman of the National Investment Commission.
- G. The Project: The economic activity covered by the provisions of this law.
- H. The Assets: Machinery, devices, equipment, engines, supplies, tools, means of transportation, and office supplies and furniture, that will be used exclusively in the project, and the furniture, furnishings, and supplies of hotels, tourist cities, hospitals, schools, and colleges.

- I. The Foreign Investor: Is the one that does not hold the Iraqi citizenship in the case of a natural person and registered in a foreign country if it is a judicial or legal person.
- J. The Iraqi Investor: Is the one that holds the Iraqi citizenship in the case of a natural person and registered in Iraq if he is a judicial or legal person.
- K. Taxes and Fees: All types of fees and taxes levied in accordance with the current laws.
- L. Design Capacity: The productivity designed within a specific time unit (an hour, day, etc.) according to what is corroborated in the documents received with the machinery from the supplier and the Feasibility Study for the project.
- M. Investment Portfolio: A number of investments in shares and bonds.
- N. Investment: Utilizing money in any economic project or activity that yields legitimate benefit to the country.

Aims and Means

- Article 2:** The law aims to achieve the following:
- First:** Encourage investment and the transfer of modern technology in order to contribute to the process of developing and advancing Iraq and expanding and diversifying its productivity and service base.
 - Second:** Encourage the Iraqi and foreign private sector to invest in Iraq, by providing the necessary incentives to establish the investment projects, and reinforce the competitiveness of the projects covered by the provisions of this law in the local and foreign markets.
 - Third:** Develop the human resources according to market demands and provide employment opportunities for Iraqis.
 - Fourth:** Protect the rights and properties of Investors.
 - Fifth:** Increase exports and reinforce the Iraqi Balance of Payments and the Trade Balance of Iraq.
- Article 3:** The following means shall be adopted to achieve the aims of this law:
- First:** Grant the projects covered by this law, the privileges and guarantees that are necessary for its continuation and development, by providing support in such a way that will

reinforce the competitiveness of such projects in the local and foreign markets.

Second: Grant the projects that have obtained the Investment License from the Commission additional incentives and exemptions from taxes and fees as stipulated in this law.

Chapter Two

The National Investment Commission And the Investment Commission in the Regions and Provinces

Article 4:

First: In accordance with this law, a Commission called (The National Investment Commission) shall be formed, with an artificial personality, and represented by the Commission Chairman or whomever he authorizes, and shall be responsible for establishing the national investment policies and establishing the plans, systems, and rules for it, and monitoring the implementation of these rules and regulations in the field of investment, and shall specialize in the strategic investment projects of a federal nature exclusively.

Second: The Commission will be directed by a Board of Directors consisting of nine members with a minimum of ten years experience and specialization, and a university degree that is suitable to the Commission's field of work, and is not convicted of any felony or immoral offense or has declared bankruptcy.

Third:

- A. The Council of Ministers, and per request from its President, nominates a Chairman for the Commission, at the rank of a Minister, and a Deputy Chairman, at the rank of a Deputy Minister for a period of five years, and shall be presented to the Parliament for approval.
- B. The President of the Council of Ministers shall appoint four of the members for a period of five years at the level of General Director.
- C. The President of the Council of Ministers shall select three members from the private sector for a period of five years after being nominated by the Chairman of the National Investment Commission and their compensation shall be determined according to the bylaws.
- D. Upon the expiration of the term of any member of the National Investment Commission mentioned in (A, B) of this article, and with the exception of deposition or resignation, the President of the Council of Ministers shall place them in any other government entity, while

preserving their employment rank, and those mentioned in paragraph (A) of this article shall retire when they are not placed in a position equivalent to their employment rank.

- E. The Parliament has the right to depose the Chairman of the National Investment Commission and his Deputy directly, or per request from the President of the Council of Ministers, for due cause.
- F. The Council of Ministers has the right to depose any of the other members of the National Investment Commission or replace them, in the event they fail to adhere to the standards and bylaws of the Commission.
- G. The Commission Board of Directors shall meet at the invitation of its President. A quorum shall be established and decisions and recommendations shall be made by an absolute majority vote, and the workflow shall be organized by the bylaws issued by the Commission.
- H. The National Investment Commission shall report to the President of the Council of Ministers.
- I. The salary and benefit structure of the Commission personnel shall be set based on a proposal by the Chairman of the National Investment Commission, and by a decision of the President of the Council of Ministers.

Fourth:

The headquarters of the Commission shall be in Baghdad. The Commission has the right to appoint its representatives in the Regions and Provinces.

Fifth:

The National Investment Commission shall establish a general national strategic policy for investment, and will determine the priority sectors, and will develop the investment projects map in Iraq in light of the information obtained from the Region and Province Investment Commission. It will also prepare lists of investment opportunities in the strategic and federal investment projects with preliminary information about these projects and providing it to those interested in investment.

Article 5:

First:

The Regions and Provinces that are not affiliated with a region have the right to establish Investment Commissions in the areas under their jurisdiction, which will have the right to issue Investment Licenses and conduct investment planning and encourage investment and establish branches in their areas of jurisdiction in consultation with the National Investment Commission to ensure that the legal requirements have been met.

- Second:** The Region's and Province's Commissions shall consist of at least seven members including the Chairman and his Deputy, with a minimum of seven years experience, and holding a university degree suitable with the specialty of the Commission, and not convicted of any felony or an immoral offense, or has declared bankruptcy.
- Third:** The Region's and Province's Council not affiliated with a region will determine the mechanism of establishing the Region's and Province's Commissions and deposing a Commission member in the event of his failure to adhere to the standards and bylaws of the Commission.
- Fourth:** The Region's and Province's Commissions shall coordinate its work with the National Investment Commission and will coordinate and consult with the local governments in regards to the investment plans and incentives.
- Fifth:** The Region's and Province's Commissions shall establish its investment plans in a manner that does not contradict with the federal investment policy, and shall prepare lists of investment opportunities in their area of jurisdiction, with preliminary information of these projects and providing it to those interested in investment.
- Sixth:** The Region's Commission shall report to the Region's Prime Minister and will be monitored by the Region's Council. The Province's Commissions shall report to the Governor, and shall be monitored by the Provincial Council in a manner that does not contradict with the provisions of this law.
- Seventh:** The Board of Directors for the Region's and Province's Commissions shall meet at the invitation of its President. A quorum shall be established, and decisions and recommendations shall be decided with an absolute majority. The workflow shall be organized by the Commission's bylaws.
- Article 6:** The Commission will adopt electronic communications in addition to regular communications with other government entities, as it relates to the work and activity of the Commission, via local and international networks and according to rules set by the Commission.
- Article 7:** A. The Commission shall accept applications for investment licenses for projects with a minimum capital no less than the minimum determined by the Council of Ministers of the Region's Council of Ministers as applicable, according to regulations issued by a proposal from the Commission.

- B. The Commission must obtain approval from the Council of Ministers before granting the license if the value of the investment project exceeds two hundred and fifty million dollars.
- C. The Commission must address the applications for the Investment License within a period of (45) forty five days from the date of submitting the application.
- D. The resolutions by the Commission that pertain to the investment project shall be binding for the purpose of this law.

Article 8: The Commission shall have an annual independent budget, with its resources comprised of the sums of money allocated to it from the General Budget of the State.

Article 9: The Commission aims to encourage investment by doing the following:

First: Reinforcing confidence in the investment climate and identifying investment opportunity in it and promoting it.

Second: Simplifying the registration procedures and license for investment projects, and monitoring those that have already begun, and giving priority in processing at the official entities and completing the procedures for addressing the applications by Investors and obtaining the necessary permits for the Investor and the project.

Third: Establishing the One Stop Shop at the National Investment Commission and the Region's and Province's Commissions that include authorized representatives from the Ministries and members nominated by the Region's and Province's Councils as applicable, as well as relevant entities, which shall be responsible for issuing the license and obtaining the approval from the other entities according to the law.

Fourth: Offer consultation, information, and data to the Investors, and issuing special related bulletins.

Fifth: Establish programs to promote investment throughout Iraq to attract Investors and execute projects.

Sixth: Facilitate the allocation of the required lands and leasing it in order to establish the projects, for an amount determined by the Commission in coordination with the relevant entities.

Seventh: Work towards establishing safe investment zones with the approval of the Council of Ministers.

- Eighth:** Support Iraqi Investors by offering them easy loans and financial incentives in coordination with the Ministry of Finance and seeking assistance from the financial institutions, provided that the Investor receiving the loan will employ a number of unemployed Iraqis proportionate with the size of the loan.
- Ninth:** Any other duties related to the nature of work and mandated by the Council of Ministers.

Chapter Three

Benefits and Guarantees

- Article 10:** The Investor and regardless of his nationality shall enjoy all the benefits, incentives, and guarantees, and shall be subject to the same commitments stipulated in this law. In the case of housing projects, both the Iraqi and foreign Investor retain the land for an amount determined between him and the owner of the land without trading with the land, according to rules set by the National Investment Commission and with the approval of the Council of Ministers. The Commission will facilitate allocating the necessary land for the housing projects and provide ownership to the Iraqis after the completion of the project.
- Article 11:** The Investor shall enjoy the following benefits:
- First:** Transferring abroad the capital which he brought into Iraq and its revenue according to the provisions of this law and the regulations of the Central Bank of Iraq in convertible currency after meeting all its commitments and paying off all its debts to the Iraqi government and all other entities.
- Second:** The foreign Investor has the right to:
- A. Trade in Iraq Stock Exchange in the shares and bonds listed in it.
 - B. Create investment portfolio in shares and bonds.
- Third:** Renting the required lands for the project or Surface Contract for the duration of the investment project, provided that it does not exceed (50) renewable years with the approval of the Commission, and whereby the nature of the project and its benefit to the national economy is taken into consideration.
- Fourth:** To insure the investment project with any national or foreign insurance company that he sees fit.
- Fifth:** To open a bank account in the Iraqi or foreign currency or both at one of the banks in Iraq or abroad for the approved project.

- Article 12:** This law provides the following guarantees to the Investors:
- First:** The Investor has the right to employ and hire non-Iraqi workers if it was not possible to hire an Iraqi that has the required qualifications and is able to perform the same duties according to the rules issued by the Commission.
- Second:** Granting the foreign Investor and non-Iraqis working in the investment project the right to reside in Iraq and facilitate their entry and exit to and from Iraq.
- Third:** There shall be no confiscation or nationalization of the investment project covered by the provisions of this law in whole or in part, except by a final court ruling.
- Fourth:** The non-Iraqi technicians and administrators working in the project have the right to transfer their salaries and compensations outside of Iraq according to the law, having met their commitments and paid their debts to the Iraqi government and all other entities.
- Article 13:** Any amendments to this law will not have a retroactive effect on the guarantees and exemptions and the rights decided thereupon.

Chapter Four

The Investor's Obligations

Article 14:

The Investor commits to the following:

- First:** Notifying the National Investment Commission or the Region's or Province's Commission as applicable and in writing as soon as the assets have been installed and prepared for the purpose of the project and the date of starting the commercial activities.
- Second:** Maintaining accounts according to a due process that is audited by the certified legal accountant in Iraq according to the law.
- Third:** Presenting the Feasibility Study and Technical Study for the project and any other information or data or documents requested by the Commission or other specialized entities as it pertains to the project budget and the progress achieved in the project.

- Fourth:** Maintaining special records in the imported material for the project which is exempted from the fees according to the provisions of this law, and determining the depreciation period for that material.
- Fifth:** Maintaining the safety of the environment and adhering to the quality assurance systems followed in Iraq and the accredited international systems in this field and the laws pertaining to security, health, public order, and the values of the Iraqi society.
- Sixth:** At a minimum, the Investor must adhere to the current Iraqi laws as it pertains to salaries, time off, hours of work, and work conditions.
- Seventh:** Adhering to match the work schedule presented by the Investor with the reality on the ground, provided that the time gap does not exceed more than six months, and the National Investment Commission must impose sanction measures if the period exceeds six months. The Commission also has the right to revoke the license.
- Eighth:** Training his Iraqi employees and rehabilitating them and increasing their competency, their level of skills and their abilities. The priority will always be for employing Iraqi workers.

Chapter Five

Exemptions

Article 15:

- First:** The project that obtains the Investment License from the commission will be exempt from the taxes and fees for a period of (10) years, commencing on the start date of commercial operations and according to the development areas that is set by the Council of Ministers via a proposal from the National Investment Commission which is based on the level of economic development for the area and the nature of the investment project.
- Second:** The Council of Ministers has the right to propose laws to extend or grant additional exemptions in addition to the exemptions stipulated in paragraph (First) of this article or offer incentives or guarantees or other privileges for any project or sector or area and the periods and percentages that they see fit according to the nature of the activity and its geographical location and the extent of its contribution in creating employment and supporting economic development, for considerations dictated by the national interest.

Third: The National Investment Commission has the right to increase the number of years of exemptions from taxes and fees in direct proportion with the percentage of sharing by the Iraqi Investor in the project for a maximum of (15) years and provided that the percentage of sharing by the Iraqi Investor in the project exceeds 50%.

Article 16:

If the project was moved during the exemption period from a development area to another development area, and for the purposes related to the exemptions listed in paragraph (First) of article (15), for the remaining period, the project will be treated the same way as the projects in the area to where it was transferred, provided that the project notifies the National Investment Commission.

Article 17:

The project that has received an Investment License shall also enjoy the following:

First: The imported assets required for the expansion or development of the investment project shall be exempted from fees, provided that it is brought into Iraq within (3) three years from the date of granting the Investment License.

Second: The imported assets required for the expansion or development or modernization of the project shall be exempted from fees if this was to cause an increase in the Design Capacity, and provided that it is brought into Iraq within (3) three years from the date of informing the Commission of the intent to expand or develop. For the purpose of this law, expansion means to add fixed capital assets for the purpose of increasing the Design Capacity for the projects of goods or services or materials with a percentage over (15%) fifteen percent. For the purpose of this law, development means replacing the project's machinery with advanced machinery in whole or in part, or performing upgrades for the current devices and equipment in the project, by having new machinery or devices or parts of it in order to increase the productivity efficiency or improve and develop the type of products and services.

Third: Imported parts for the purpose of the project shall be exempt from fees, provided that the value of said parts will not exceed 20 percent of the value of the assets and provided that the Investor will not use it for purposes other than what it was originally imported for.

Fourth: Projects for hotels, tourist establishments, hospitals, health organizations, rehabilitation centers, educational and scientific organizations, shall receive additional exemptions on import

fees for the furniture, furnishings, and supplies for the purpose of modernization and renovation once every (4) four years at least, provided that it's brought into Iraq or used in the project within (3) years from the date of issuing the resolution of the Commission to approve the list of items being imported and their quantities, and provided that it's not used except for the purposes it was brought for.

Article 18:

If it appears that the assets exempted from taxes and fees for the project, either in whole or in part have been sold or used in violation of the provisions of this law, or was used in illegitimate acts, or was used in a way contrary to its declared purpose, the Investor shall pay the taxes, fees, and fines due according to the law.

Chapter Six

The Procedures for Granting the Investment License and Establishing the Projects

Article 19:

First: The Investor shall receive the license in addition to obtaining the rest of the licenses for the purpose of enjoying the benefits and exemptions offered by the Commission.

Second: The Commission grants the Investment License or establishment of the project based on an application presented to it by the Investor according to the simple terms prepared by the Commission. The application presented by the Investor shall contain the following:

- A. Completing the Investment Application prepared by the Commission.
- B. Proof of Financial Competency from an accredited bank.
- C. The projects performed by the Investor in and out of Iraq.
- D. Details of the intended investment project and its Feasibility Study.
- E. Timetable for executing the project.

Article 20:

First: The Commission has the right to issue a Certificate of Incorporation by establishing the One Stop Shop in the Region or the Province not affiliated with a Region that consists of authorized representatives from the Ministries and relevant

entities. The Commission shall grant the license to establish the project and obtain approvals from other entities according to the law.

Second: The Commission may assist the Investor in obtaining the Certificate of Incorporation by taking on the responsibility of initiating contact with the official entities and explore the view of these entities regarding the issuance of the Certificate of Incorporation, and such entities must issue its resolution of approval or rejection, or request amendment within (15) days from the day it was notified. Lack of response by the respective entity where a response is required shall be considered an approval. In the event of rejection, their rejection must include an explanation.

Third: In case of a conflict between the National Investment Commission and the other concerned entity in issuing the Business License with the exception of a Region's Commission, the dispute will be presented to the Prime Minister for resolution.

Fourth: When rejecting the application for the Business License, the applicant may file a complaint with the Chairman of the concerned Region's or Province's Commission within (15) days of the date he was informed of the rejection. The Chairman of the concerned Commission shall address the complaint within (7) days. The complainant has the right to object to the decision by the Chairman of the concerned Commission by filing his complaint with the entity to which the concerned Commission reports to within (15) fifteen days from the date of rejecting the complaint. That decision will be binding.

Chapter Seven

General Provisions

Article 21:

The capital of the project covered by the provisions of this law consists of:

First: The cash transferred into Iraq via banks and financial institutions or any other legal means in order to invest it for the purposes of this law.

Second: In-kind funds and artificial rights brought into Iraq or bought from the local markets using cash transferred into Iraq, and they are:

A. In-kind funds related to the project.

- B. Engines, machinery, equipment, buildings, constructions, means of transportation, furniture, and office supplies required for the project.
- C. Artificial rights which include patents, registered trademarks, technical knowledge, as well as engineering, administrative and marketing services and the like.

Third: Profits and revenues and reserves resulting from the investment of the capital in Iraq in the project in the event that the capital was increased or if it was invested in another project covered by the provisions of this law.

Article 22:

The foreign Investor enjoys additional benefits according to international agreements between Iraq and his country or multilateral international agreements in which Iraq is a signatory.

Article 23:

If the ownership of the project was transferred during the exemption period that's offered, the project will continue to enjoy the exemptions, incentives, and guarantees that was extended to it, until that period expires, provided that the new Investor will continue to work on the project in the same specialty or in another specialty after obtaining the approval of the Commission, and will replace the former Investor in the rights and commitments that are in place as a result of the provisions of this law.

Article 24:

First: The Investor, with the approval of the Commission, has the right to sell the exempted assets or relinquish it to another Investor benefiting from the provisions of this law, provided that he will use it in his project.

Second: The Investor, after informing the Commission, has the right to sell the exempted assets to any person or another project not covered by the provisions of this law, after paying the due fees and taxes.

Third: The Investor with the approval of the Commission has the right to re-export the exempted assets.

Article 25:

If two or more companies or organizations merged, the resulting new company or new entity is obligated to organize separate accounting for each project before the merger in order to register and implement the exemption or the incentives stipulated in this law during the remaining period of exemption.

Article 26:

Any project that has been approved according to the provisions of the former laws shall continue to benefit from the exemptions granted to it according to that law until the expiration of the exemption period and according to its conditions.

Article 27:

The conflicts arising between the parties subject to the provisions of this law will be adjudicated under the Iraqi law, unless the parties agreed otherwise, in cases other than the ones that are subject to the provisions of the Iraqi law exclusively, or falls under the jurisdiction of the Iraqi courts.

1. The conflicts arising from the work contract will be adjudicated exclusively under the provisions of the Iraqi law and the court jurisdiction will be for the Iraqi courts, with the exception of the non-Iraqi worker if the work contract states otherwise.
2. If the opposing parties are non-Iraqis and in conflict other than those arising from a crime, both parties may agree on the law that must be implemented and the court of jurisdiction or any other agreement to resolve the dispute between them.
3. If the conflict between the partners or between the project owner and others in a project that is subject to the provisions of this law resulted in stopping the work for a period exceeding three months, the Commission may revoke the license and request from the owners of the project to settle the matter within a period not exceeding three months. If that period expires without a resolution between the partners or between the project owner and others, the Commission has the right to take legal action to liquidate the project while informing the project owner or one of the partners of the decision, and the amount resulting from the liquidation will be deposited in one of the banks after settling the rights owed to the State or any rights for others and after issuing a legal decision indicating that it is owed.
4. If the opposing parties were subject to the provisions of this law, they may agree on a mechanism to resolve the dispute when entering into the contract, including resorting to arbitration according to the Iraqi law, or any other internationally recognized entity.
5. The conflicts arising between the Commission or any other government entity and any of those subject to the provisions of this law in matters not related to violations of one of the provisions of this law, shall be adjudicated by the Iraqi courts, and law pertaining to civil matters. As for the commercial disputes, the parties may

resort to arbitration, provided that it is stipulated in the contract organizing the relationship between the parties.

Article 28:

If the Investor violates any of the provisions of this law, the Commission may warn the Investor in-writing to eliminate the violation, within a specific period of time. If the Investor fails to eliminate the violation within the specified period, the Commission will invite the Investor or his representative to explain their position and give him another period to settle the matter. When the violation is repeated or if it's not eliminated, the Commission has the right to revoke the license that was issued to the Investor and stop the work in the project, while the State will reserve its right to deprive the Investor from the exemptions and privileges that was extended to him starting on the date of occurrence of the violation, and while others preserve the right to demand compensation for damages that resulted from this violation and without any interference with any other penalties or compensation stipulated in the current law.

Article 29:

All fields of investment are subject to the provisions of this law except:

First: Investment in the field of oil and gas production.

Second: Investment in the banking sector and insurance companies.

Article 30:

The Council of Ministers has the right:

First: Issue regulations to facilitate the execution of this law.

Second: Issue bylaws that determine the divisions and departments of the Commission, its missions, its workflow, its authorities, affairs pertaining to financial and human resources, and any other matters.

Article 31:

The Commission has the right to issue regulations to facilitate the execution of regulations issued by the Council of Ministers according to the provisions of this law.

Article 32:

The provisions of this law are applicable in the case of mixed sector projects and private sector that is established and operating with a request from its management and the approval of the Commission and not retroactively.

Article 33:

No provision shall be used if it's in contradiction with this law.

Article 34:

The Coalition Provisional Authority (dissolved) order No. 39 of 2003 shall be cancelled.

Article 35:

The Arab Investment Law issued by the dissolved Revolutionary Command Council No. (62) of 2002 is cancelled.

Article 36:

This law goes into effect from the day it's published in the official Gazette.

Due Causes

This law has been enacted in order to push forth the process of economic and social development, acquire the technical and practical expertise, develop human resources, and creating employment opportunities for Iraqis by encouraging investment, supporting the establishment of investment projects in Iraq, expanding it, and develop it in all sectors of the economy, and grant privileges and exemptions for these projects.