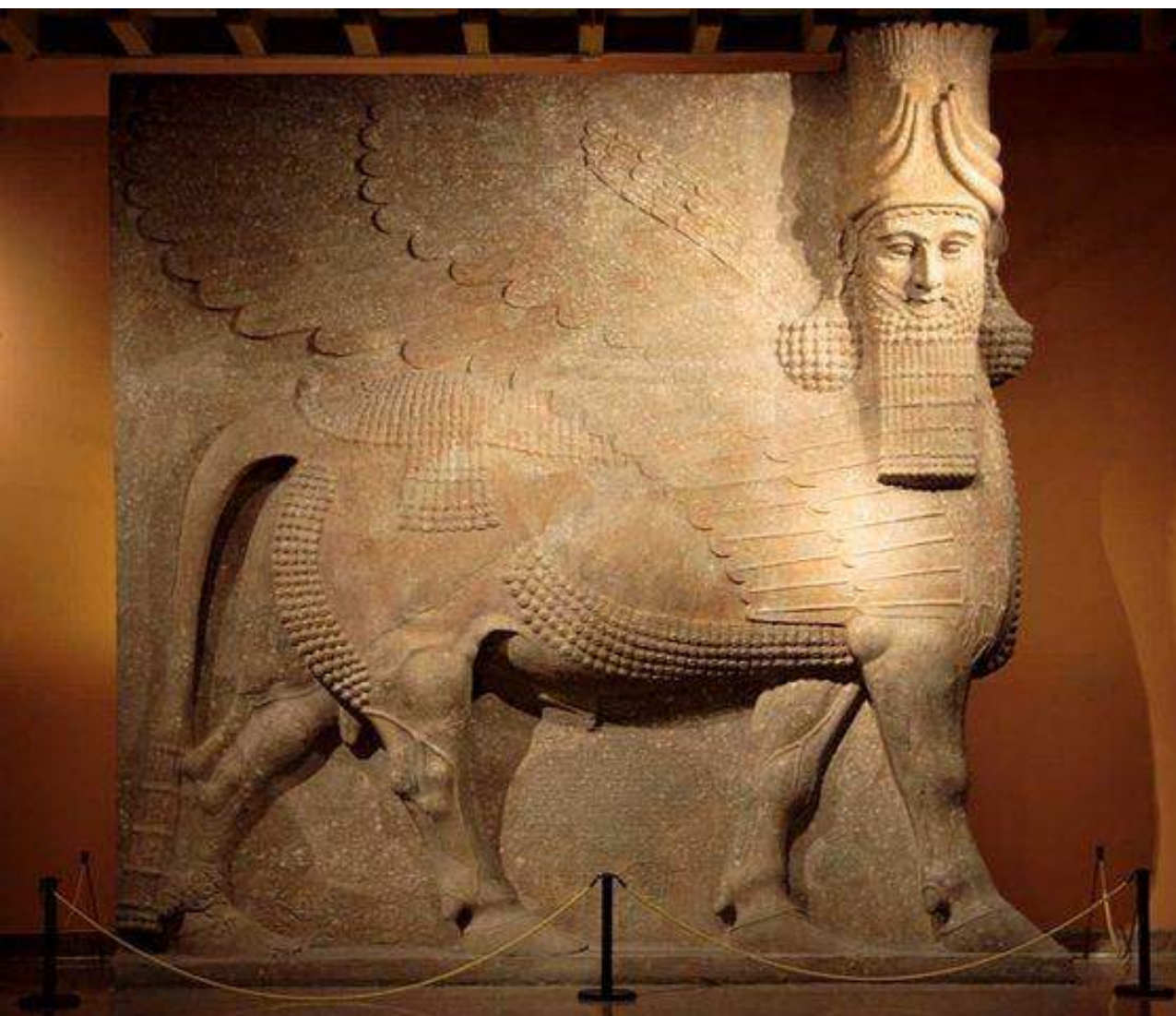


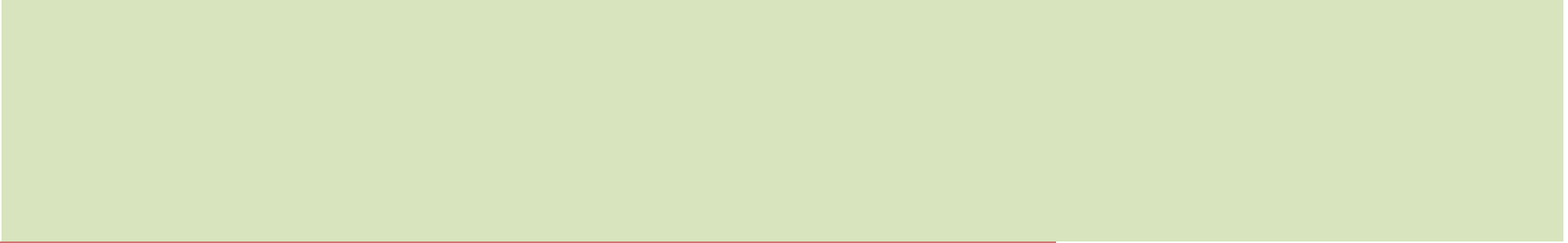
# Doing Business in IRAQ



2014 Exploring Business


STA Law Firm





At STA, a business set up does not only mean a company incorporation process. It means the start of new relationship with a client. Our team of lawyers in Dubai and offices across the United Arab Emirates take care to ensure your business set up is hassle-free and efficient.

We don't just set up companies in haste, we ensure that we understand your business and commercial objectives and offer you the right advice. We have experienced team of professionals, who can offer quality legal advice on complex regulatory compliances, structuring shareholding distribution, choosing the right form of legal entity, defining shareholders rights and obligations, and provide general legal advice on company formations





# Economic and Geographical Overview: Iraq



Iraq Officially the Republic of Iraq is the 58th largest country in the world and composed of a federal parliamentary Islamic republic.



Baghdad is the capital and largest city of Iraq. Mosul, Basra, and Arbil also rank as largest cities. Iraq is composed of 18 governorates (or; provinces).



Iraq's GDP as of 2013 was recorded at US\$ 127.6 billion with increased growth rate of 9.9% and 5 year CAGR compounded to 5.1% at US\$ 3886 per capita. FDI inflow in 2013 was recorded at US\$ 1.6 billion.



Currency Conversion: 1\$ = 1,161.40 Iraqi Dinar  
Iraq has a small coastline measuring 58 kms. along the Persian Gulf.

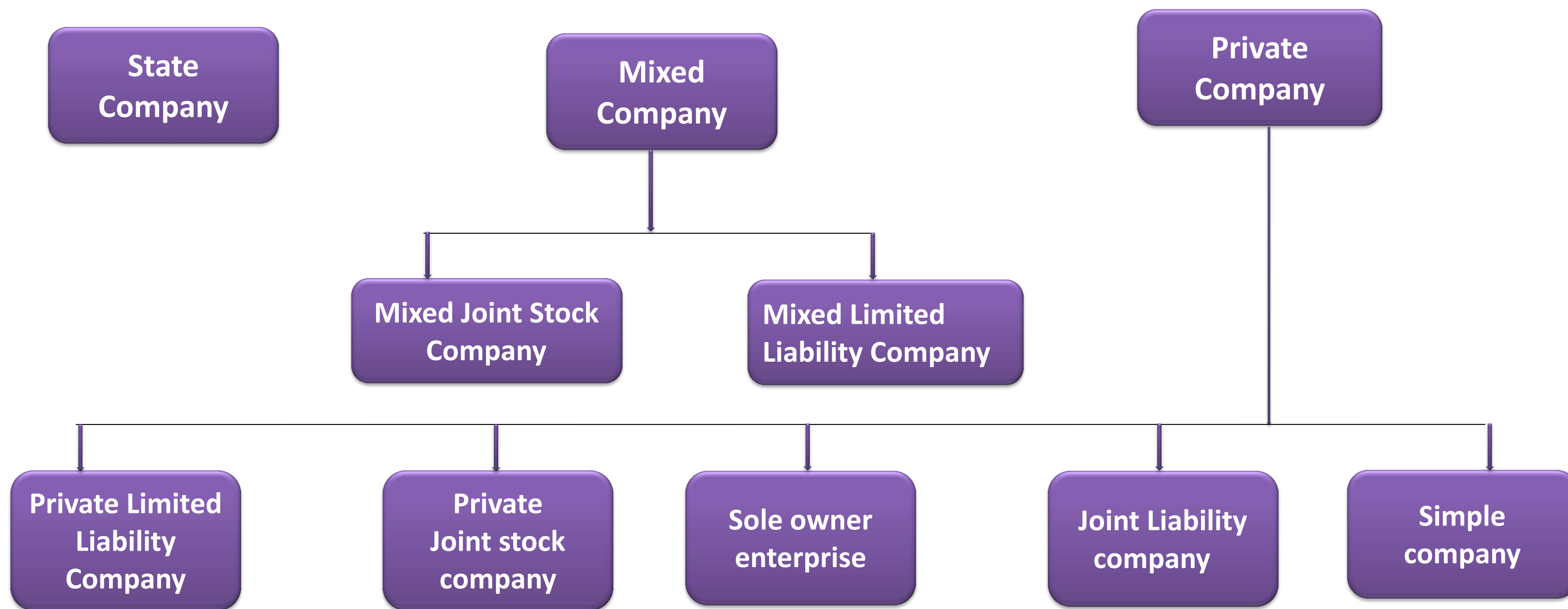


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# Attractive Legal Forms For Setting up Presence in Iraq



## Procedures involved

- Applicants must carry out initial search before Baghdad Chamber of Commerce to ascertain whether desired company name is available for registration. The company name should be an Arabic name.
- Applicants must obtain services of a law firm for vetting company's constitutive documents, namely the memorandum and articles of association.
- Applicants must deposit initial capital at commercial bank and the deposit receipt along with the application and other documents must be filed with the Companies Registrar.
- Applicants should file for registration at commercial registry upon payment of fees. The fee charged by Registrar is determined by taking in to account various determinants such as Registrar's fee, stamp duty, filing fees, etc. Registration certificate is circulated to bank, tax authorities, and other relevant agencies.
- Applicants must make/order a company seal
- The Companies Registrar issues the certification of registration and publishes a Bulletin circulated internally. On the date of issuance of certificate, the company acquires its legal personality. A registration circular is then sent to all entities concerned.
- Report to tax authority to establish tax registration. The initial tax registration is important to commence company operations. On a date set by the tax authority, the company must submit its first balance sheet to the tax authority, which will then provide the company its tax identification number on the same day
- Legalize accounting books : The General Body of Taxes must notarize the accounting books
- Register employees for social security: The cost for social security registration depends on the number of employees. Any company employing more than three employees is bound, under the Social Security Law, to enroll their employees into the social security insurance program. The employer will deduct 5% from the employee's salary and add to it an amount equal to 12% of the employee's salary, resulting in a total payment of 17% to the Social Security Authority
- Apply for a trade license







# Limited Liability Companies in Iraq

Serial	Particulars	Notes
1	Basic Features	Companies are regulated pursuant to the Iraqi Company Law (Law number 21 of 1997 (as amended)). Article 4 (1) of the Companies Law provides that a company may be established by one natural person in form of a sole owner enterprise. Article 4 (2) of the same Law and dealing with limited liability companies sets out that a limited liability company may be formed with one owner. Accordingly, expatriate investors have the legal right to establish their presence within Iraq. In some cases however, expatriate investors may require no objection certificate from relevant ministry or department.
2	Initial Formalities	Prior to actual incorporation, shareholders of the new company must carry out an initial search before Baghdad Chamber of Commerce to ascertain whether company name is available for registration. Shareholders are also required to obtain tax clearance certificate from Iraqi Tax Commission.
3	Constitutive Documents	The shareholders of the company are required to sign memorandum and articles of association (the <i>Constitutive Documents</i> ). The Constitutive Documents provide for company's name, principal objects, duration of company, management of company by shareholders, voting rights and related articles.
4	Share Capital	The minimum capital requirement imposed under the Companies Law is Iraqi Dinar 1 million (equivalent to approximately US\$ 800). The nominal value per share must be 1 Iraqi Dinar. Article 30 of the Companies Law clarifies that nominal value of shares cannot be higher or lower than 1 Iraqi Dinar. The shareholders are required to deposit the capital in commercial bank and obtain a receipt or certificate to that effect. The minimum share capital requirement may vary in some cases such as in oil and gas sector where minimum capital requirement is Iraqi Dinar 2 billion. EPC contracting companies for instance do not require formal registration in Iraq and are currently permitted to work on project by project basis.
5	Board of Directors	A limited liability form of entity must have a manager but is not permitted for a company to have board of directors. There is no requirement for managers to be Iraqi nationals or a resident of Iraq but he must have the right to live and work in Iraq. Manager's general powers includes the power to manage and operate all business transactions of an LLC. Manager can be terminated from his position by decision of the authority or persons that appointed him giving clear written reasons for his removal.
6	Liability	The liability of shareholders is limited to the extent of capital contributions made by them.
7	Shareholder Meetings	Consistent with the provisions of Companies Law, shareholders are required to hold a general assembly meeting every six months. The agenda of the meeting is generally to determin shareholder interests, remuneration of chairman, approve budget and accounts
8	Transfer of Shares	The Companies Law provides that a shareholder desirous of selling his shares must first propose his intentions to company's manager. If a third party has expressed interest in buying shareholder's share, the manager must be notified of same. If the existing shareholders fail to express interest in acquiring his shares within thirty (30) days, the shares can be transferred freely in favour of third parties. In the event existing shareholders express their interest in acquiring the shares, shares will be transferred to them in proportion to their existing shareholding.

## Branch or Representative Office in Iraq

- Branch offices are regulated by Foreign Economic Establishments No. 5 of 1989.
- A foreign company which concludes a supply contract for export of products is not required to have an agent or its presence in Iraq however when a foreign company signs any construction contract work they have to register their branch for the period of said contract.
- A branch company is a one that is responsible for carrying out business of its parent company.
- A branch office does not have a separate legal identity of its own but is considered as part of its parent company.
- A branch may only be established if the foreign company presents a contract with a public entity or a confirmation letter from a public entity that the foreign company is working on a contract with that public entity (For instance, as subcontractor).
- A branch company usually does not enjoy many advantages and its activities are limited purely to marketing, training and liaising with companies and individuals.
- The Companies Law of Iraq clarifies that a branch or representative company in Iraq may conduct business in Iraq “whether the business is in the nature of a commercial agency, distributorship, trading company or otherwise”.

### **The following are the requirements to set up a branch office in Iraq:**

- A letter from a Iraqi client specifying the nature of the contract
- Articles and Memorandum of Association.
- Balance sheet of the parent company.
- A notarized power of attorney.

### **Representative office is the simplest way to establish legal presence in Iraq.**

- Article 3 of the regulation No. 5 of 1989 provides for the provisions related to open a representative office in Iraq.
- No need to have a contract from the Iraqi government.
- Ease in converting into branch office once a governmental contract is obtained either from Iraqi government or US government.
- Reducing the time required to register – usually takes a month from the date of submission of application.
- Initially foreign companies have to register as a representative office – cannot engage in any kind of commercial trade until the foreign company has negotiated a contract with the Iraqi or US government.

We're not just commercially-minded; we're entrepreneurial, clear and also result oriented. At STA, we render legal advice that is timely, practical and individually tailored to meet specific requirements of our clients.

Our team allocates appropriate and proportionate time into researching the background of the financial market and statuses of the companies involved setting a firm ground for due-diligence reports that serve mergers and acquisitions that have big money at stake.



## Commercial Agents in Iraq

The Commercial Agency Law Number 51 of 2000 in Iraq has contributed significantly to the expansion of Iraqi markets both locally and internationally. It has led to the rapid development of the commercial sector. Provisions relating to commercial agency can also be traced back to Iraqi Civil Code (Article 927 to Article 948).

The Commercial Agency Law sets out basic requirements for a commercial agent to be approved by Iraqi Companies Registrar. For natural persons, the conditions are that the applicant must be a citizen and resident of Iraq aged 25 or above, should not have any criminal record in Iraq, not be a civil servant or perform public service duties. For companies, the formal requirements is that all shareholders of the company must be citizens of Iraq, have commercial office space to perform their tasks, be duly registered with a chamber of commerce in Iraq and hold a valid trade name.

The Iraqi Ministry of Trade (the **Ministry**) vide instruction number 1 of 2000 issued a directive (the **Directive**) setting out procedures to obtain a certificate to practice commercial agency in Iraq. In compliance with the provisions of Article (23) of commercial Agencies Regulating law no. (51) Of 2000 the Ministry issued the following instructions:

Applicants desirous of obtaining a license to practice commercial agencies business should submit to the Department of companies Registration an application attached with the following documents:

1. The Iraqi Nationality certificate and civil affairs card (original and copy).
2. Chamber of Commerce card.
3. The trading name duly registered at the chamber of commerce.
4. Property instrument or lease agreement of the office legalized in the usual manner.
5. A commercial agency record according to the requirements of commercial business in order to register the commissions.
6. Inhabitation Card.
7. A commercial agency agreement on behalf of an Arabic or foreign company duly legalized should be submitted within (90) days from the date of his obtaining the license.

The Directive further imposes obligation on commercial agents requiring them to maintain a special register to register the commissions earned from the agency business. The register must contain additional information pertaining to the agency including:- (a) Number and date on which the trade license was issued; (b) the name of the principal Arabic and foreign company; (c) The net amount of the commission; (d) percentage of the commission; (e) number and date of letter of credit; (f) details of commissions received and commissions that are outstanding; (g) details pertaining to bank notice; and (h) Agent's name address , and signature.





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