

## Federal Iraq | Tax News Flash

29 October 2024

In light of the Instructions No. 2431689/3005, published in September 2024 by the Iraqi Prime Minister Office, and further to the first wave of penalty and interest waiver implemented in March 2024, a decision has been made to re-instate the penalty and interest waiver, which will be valid until 31 December 2024.

As under the previous waiver, non-Oil and Gas entities will be able to benefit from a full waiver of penalties and interest whilst Oil and Gas entities will benefit only from a 50% waiver of penalties and interest. The waiver will be applicable to penalties and interest incurred from assessments for both Corporate Income Tax (**CIT**) and Personal Income Tax (**PIT**). It is important to note that whilst the waiver will apply to late payment and filing penalties and interests, it will however not apply towards penalties that are incurred due to the differences in salaries and wages reported in the financial statements and the annual PIT schedules for the same year (which are usually applied at 200% of the difference calculated).



Similar to the usual process, in order to be granted the waiver, taxpayers are required to submit a penalty waiver request letter to the General Commission for Taxes (**GCT**). Upon receipt of the request letter, the GCT will then accordingly review and provide the waiver, to the extent the request is considered valid. The amount of penalties and interest to be waived is however dependent on the taxpayer's industry as identified in its financial statements (i.e., the waiver is limited to 50% for oil and gas companies, while full waiver is granted to non-oil and gas). Upon approval of the waiver request, the GCT will recalculate the final liability (i.e., tax liability in addition to penalties and interest if any remaining). Only upon communication of the final amount by the GCT, the taxpayer will be prompted to settle its liabilities, noting that the taxpayer will still be expected to settle its liabilities within a reasonable time prior to 31 December 2024.

This Instruction has become effective, and taxpayers with open assessments are now able to apply for the waiver of penalties and interests. Deloitte can assist throughout the process including, drafting the formal request letter, submitting to the GCT, and responding to their clarification requests where applicable. Contact us if you require support.

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