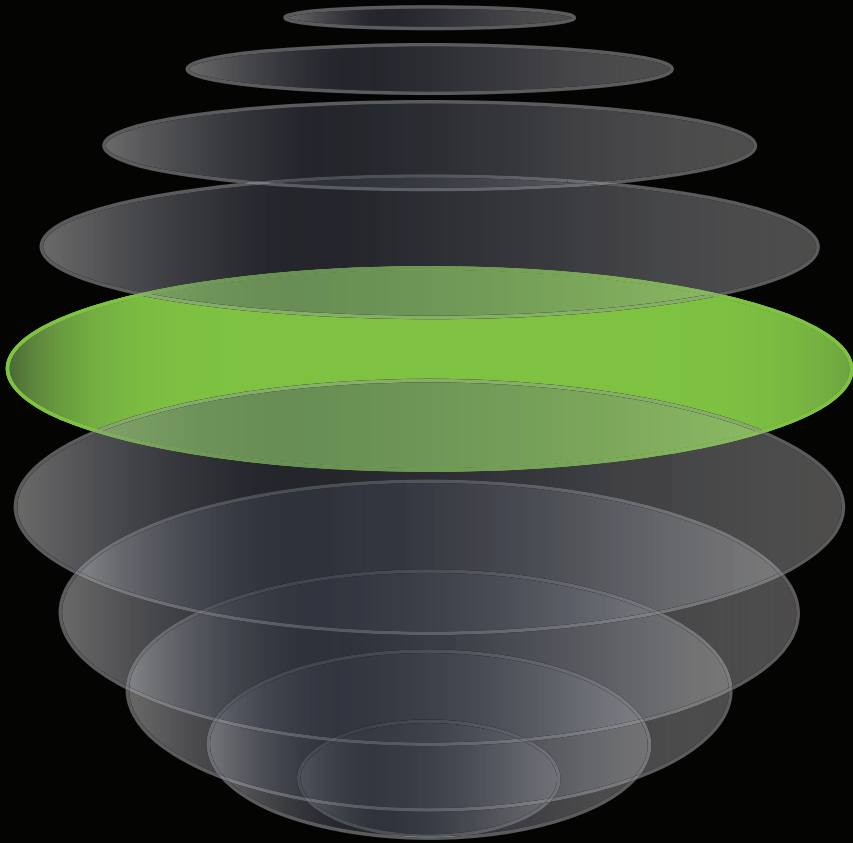


Deloitte.



Deloitte Tax practice in Iraq
Creating the future, together

In the Middle East
since 1926

Increasing oil prices and developments in the security situation are encouraging foreign companies to invest in Iraq. The tax authority in Iraq is equally investing in their internal systems, and they have introduced new measures, such as electronic payment of taxes and establishment of the large taxpayers' unit.

Given the lack of infrastructure and resources, tax compliance continues to largely remain a manual process. Therefore, being tax compliant in Iraq is inherently more challenging than in many of the other jurisdictions in which businesses typically operate.

Despite all administrative difficulties, it is important for foreign companies to keep up to date with their tax obligations in Iraq, due to interdependency between tax and almost every other aspect of doing business in the country. Renewal of operating licenses, leasing company premises, and getting money out of Iraq can all be dependent on the company being compliant with its tax obligations in the country - and critically getting a clearance certificate from the Iraq tax authority to prove it.

For new entrants to Iraq, it is key to be tax compliant from day one, as a lack of focus on tax matters is likely to hamper commercial operations in the future. As you develop your business in Iraq, we will be available to help you every step of the way.

How can Deloitte help?

At Deloitte, we combine our international expertise with in-country presence and are able to offer unique insights into the regulatory and tax challenges in Iraq.

Deloitte has legal entities registered in both Baghdad and Erbil with dedicated resources

in Iraq and UAE available to meet with our clients and to liaise with regulatory and tax authority personnel as required.

We understand the risks and challenges that businesses face in Iraq and our team has extensive working knowledge of the Iraq investment and regulatory climate. Therefore, we are well placed to provide support with your tax obligations in Iraq, and we have set out below a summary of services that may potentially be of interest for your operations in Iraq.

Service offerings



Corporate income tax

The Iraq Federal Income Tax Law provides for corporate income tax at a flat rate of 15% on entities operating in Iraq. In addition, the Oil and Gas Tax Law provides for a higher rate of corporate income tax of 35% for upstream oil and gas companies, and supporting industries.

There are a number of areas in which we can assist you as set out below:

- Registration of the Iraq entity with the General Commission for Taxes (GCT) for corporate income tax in Iraq.
- Preparation, review and submission of corporate income tax returns.
- Preparation of corporate income tax provisions for inclusion in the financial statements of the Iraq entity.
- Assistance with obtaining tax assessments and tax clearance.

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Withholding tax

Iraq has a complex legislative framework with respect to withholding tax and tax retentions.

Specific focus should be given to Instructions No 2 of 2008, and Instructions No 5 of 2011, which set out relevant provisions relating to tax which must be retained or withheld on payments for certain contracts in Iraq. Deloitte can assist you through the below service offerings:

- Review of contracts entered into with clients, consideration of the applicability of retentions, and liaison with the Iraq tax authorities to the extent required to formally confirm the position.
- Advice with respect to structuring of contracts in order to optimize taxes and mitigate risk.
- Review of any tax clearance certificates to verify the adequacy of those certificates in terms of releasing tax retentions made.
- Assist with offsetting the withholding taxes suffered against the tax liability assessed by the tax authority.
- Support with correction of the withholding tax receipts, in order for those to be accepted by the tax authority during the offset process.

Employment tax

Employment taxes are applied at progressive rates of up to 15%, payable by the employer on a monthly and annual basis.

Deloitte can provide a range of services to support you with these matters. Some of the services include:

- Review of individuals' employment contracts to ensure that employees' remuneration is structured tax efficiently, taking advantage of available allowances and exemptions included in the Iraq tax law.
- Advice with respect to employment tax obligations for business travelers to Iraq.
- Registration of the Iraq entity with the tax authority, for employment tax purposes.
- Calculation of employee tax liabilities and preparation of the relevant forms to be submitted to the tax authority.
- Physical filing of employment tax returns and payment of tax to the authority in Iraq.
- Assistance with obtaining tax assessment from the tax authority in Iraq.

Social security contributions

Employees are required to contribute 5% of their monthly salary as social security. The employer deducts at source this amount from the employee's salary and remits it to the Pension and Social Security Office (PSSO).

Employers are also required to pay either 25% or 12% of the salary in respect of their employees working in Iraq as social security.

Deloitte can assist you in these matters with services including the below:

- Registration of the Iraq entity with the Pension and Social Security Office for social security contributions.
- Calculation of social security (for Iraqi nationals) and preparation of the relevant monthly forms to be submitted to the PSSO.
- Assistance with payment and obtaining a clearance certificate from the PSSO.
- Application for exemptions from social security contributions for foreign workers in Iraq.

Other tax services

In addition to the services that we have outlined, Deloitte can assist you with respect to any other tax matters, such as:

- Transaction work – e.g. structuring of contracts in order to mitigate taxes and manage risk, M&A and due diligence services.
- Other taxes such as stamp duty, municipality taxes, community taxes, non-fiscal taxes and other fees and duties that may be applicable.
- Updates on tax developments or amendments, changes and/or new pieces of tax law and related regulations that have an impact on local tax compliance.

Meet the team

The above list is not exhaustive and our dynamic and flexible approach enables us to tailor our services to meet your specific requirements. If you need any additional information or you need to discuss our services in more detail, please get in touch with us.



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