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مكتب الأرتباط الألماني للتجارة و المتعة في العراق
نوسینگھی بیرونیوکانی بازرگانی و پیماسازی
تلمانی له عراق



Guide to Foreign Business Registration in Iraq

Reading Time

20 Minutes



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Introduction

Establishing a foreign business presence in Iraq is a process governed by a specific set of legal requirements and procedures. One of the most common forms for foreign companies to enter the Iraqi market is through the registration of a branch office. This approach allows the foreign company to conduct business within Iraq while maintaining a direct connection to its headquarters abroad.

Understanding the legal framework and specific obligations related to the registration and operation of a branch office in Iraq is essential for ensuring compliance and successful business operations in the region.

Disclaimer

The information provided in this legal guide on registering a foreign company in Iraq is intended for general informational purposes only and should not be construed as legal, financial, or professional advice. While every effort has been made to ensure the accuracy of the information contained in this guide at the time of publication, laws, and regulations may change, and the content may become outdated or incomplete. Readers are advised to consult with a legal or professional expert before making any decisions based on the information provided in this guide.

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For further assistance or professional advice, don't hesitate to get in touch with a qualified legal expert. You can now add the relevant names and the publication date if you need them.

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1. Executive Summary

1.1. Establishing a foreign business presence in Iraq is complex and demands a thorough understanding of the country's legal and regulatory framework. Despite the Iraqi government's efforts to simplify and automate business registration, significant challenges remain due to the existing legal structure and outdated regulations.

1.2. While the introduction of online submission portals for company registration represents a step forward, it is insufficient. Businesses must submit a second manual application through the Companies Registration Department, which a qualified lawyer must handle. This dual-submission requirement highlights the critical role that legal professionals play in navigating Iraq's business environment.

1.3. We recognize foreign companies' difficulties entering the Iraqi market. With our deep expertise in corporate law and intimate knowledge of Iraq's legal landscape, we are uniquely positioned to guide our clients through every step of the registration process. Our comprehensive approach ensures businesses meet all legal requirements and position themselves for long-term success in Iraq's dynamic and evolving market.



1.4. This report provides an in-depth overview of the key aspects of registering a foreign branch office in Iraq, including legal requirements, industry-specific regulations, the step-by-step registration process, and ongoing compliance obligations. By understanding and addressing these critical areas, foreign businesses can effectively establish a presence in Iraq and navigate the challenges of operating in this market.

1.5. As you proceed through this guide, you will find detailed information and practical insights designed to facilitate the registration and operation of your branch office in Iraq. Our goal is to equip you with the knowledge and resources needed to succeed in this complex environment.



2. Definition of a Branch Office



2.1. A branch office is a representative entity of the main office, where the core business activities are conducted in Iraq. This office acts on behalf of the foreign company, facilitating its operations and presence in the Iraqi market.

2.2. Most branch offices consist of smaller divisions that handle various aspects of the company's operations, such as sales, marketing, and customer service, reflecting the broader functions of the main office.

2.3. The Iraqi law defines a branch office under Law No. 2 of 2017, Article 1, Paragraph 5: "Branch: The legal entity that represents the foreign company in Iraq." This definition highlights the branch's role as an extension of the foreign company, with a legal standing that enables it to engage in business activities in Iraq under the same identity as the main office.

3. Distinction Between Branch and Representative Offices (RF)

(RF is an old structure no longer used)

The primary difference between a branch office and a representative office in Iraq lies in the scope of their permitted activities:

3.1. A representative office in Iraq is limited in its functions; it cannot enter into contracts or conduct any business transactions within Iraq. Its role is strictly confined to representing the foreign company, gathering information, and liaising with potential clients or partners.

3.2. Under the previous regulatory framework, specifically Law No. 5 of 1989, the sole function of a representative office was to represent the foreign company in Iraq without engaging in any commercial activities.

3.3. However, this old law was superseded by Law No. 2 of 2017, which explicitly stipulates that foreign companies are no longer permitted to open representative offices in Iraq. The new law mandates that foreign companies must establish a branch office if they wish to operate within the country.

3.4. Therefore, to legally conduct business in Iraq, foreign companies must establish a branch office rather than a representative office. The branch office is legally empowered to enter into contracts, conduct transactions, and perform other business activities on behalf of the foreign company.



4. Legal Framework for Registering a Branch Office in Iraq

When a foreign company decides to register a branch office in Iraq, it must adhere to several legal requirements, ensuring compliance with both Iraqi law and its home country's regulations. The key legal requirements include:

4.1. Home Country Registration and Compliance: The company must be properly registered and legally compliant in its home country. This includes having all necessary certifications and licenses and adhering to the legal obligations required for operating as a business entity in its country of origin.

4.2. Company Age Requirement: The foreign company must have been established for at least one year prior to applying for branch office registration in Iraq. This requirement ensures that only stable and established companies are permitted to enter the Iraqi market.

4.3. Financial Stability: The foreign company must have recorded a profit in its most recent financial year. In cases where the company has experienced a financial loss, it must demonstrate that it has sufficient capital to cover the loss amount. Alternatively, the company must have adequate assets or prove that the losses were incurred as a result of engaging in investment projects. This requirement ensures that only financially sound companies capable of sustaining operations in Iraq are allowed to establish a branch office.

4.4. Company purpose: It is essential to determine the company's activity to ensure whether it is permitted to operate in Iraq. Some companies cannot be registered in Iraq due to specific regulations that prohibit their registration, such as travel and tourism companies, law firms, and accounting audit firms.

5. Industry-Specific Regulations

Foreign companies intending to establish a branch office in Iraq must also be aware of any industry-specific regulations that may apply to their business sector. These regulations can vary significantly depending on the nature of the business, and companies must understand and comply with them before proceeding with registration. Some key points to consider include:

5.1. Sectoral Licensing Requirements: Certain industries in Iraq, such as oil and gas, telecommunications, applications, banking, Insurance, etc, are subject to specific licensing and regulatory requirements. Companies operating in these sectors may need to obtain additional approvals from relevant government ministries or regulatory bodies.

5.2. Foreign Investment Restrictions: While Iraq generally allows foreign investment across various sectors, some industries may have restrictions on the percentage of foreign ownership or require joint ventures with local partners. Foreign companies need to verify these restrictions and plan accordingly.

5.3. Compliance with Iraqi Standards and Regulations: Companies in certain industries may be required to comply with specific Iraqi standards, such as environmental regulations, safety standards, and labor laws. Ensuring compliance with these standards is critical for maintaining legal operations within Iraq.

5.4. Government Tenders and Contracts: For companies involved in sectors where government contracts or tenders are standard, it is essential to understand the specific requirements and procedures for participating in such opportunities. This may include meeting pre-qualification criteria, adhering to local content requirements, and following particular procurement regulations.

[Step-by-Step Registration Process \(Timeline 6-12 weeks\)](#)

6. What is the step-by-step process to register a branch office in Iraq?

Registering a branch office in Iraq involves several detailed steps that must be carefully followed to ensure compliance with Iraqi regulations. The process is designed to verify the legitimacy and readiness of the foreign company to operate in Iraq.

6.1. Document Certification: Before submitting any documents, the following certifications are required:

6.1.1. Certify the documents from the notary public and other departments like the companies' registration department or trade chamber.

6.1.2. Certification by the Ministry of Foreign Affairs (Country of Origin): All documents must first be certified by the Ministry of Foreign Affairs in the country of incorporation.

6.1.3. Certification by the Iraqi Embassy (Country of Origin): The documents must then be certified by the Iraqi Embassy in the country of incorporation, ensuring that they meet Iraqi legal standards.

6.1.4. Certification by the Iraqi Ministry of Foreign Affairs (Iraq): Finally, the documents must be certified by the Iraqi Ministry of Foreign Affairs to complete the certification process.



6.2. Submission of the Registration Application: The registration application should be submitted to the Companies Registration Department, specifically to the Foreign Companies Division. The application must include all necessary documentation as outlined in the requirements section.

6.3. Processing of the Application: Upon submission, the Companies Registration Department will review the application to ensure that all required documents are complete and properly formatted. The department will also verify the legitimacy of the information provided.

6.4. Issuance of Registration Decision: A decision to register the branch office will be issued within 30 working days from the submission of the application, provided that all requirements are met.

6.5. Provision of Business Premises Information: The foreign company must provide the address of its business premises in Iraq. This address must be accompanied by a confirmation from the local government, ensuring that the premises comply with local regulations.

6.6. Issuance of Branch Registration License: Upon successful review and approval, a branch registration license will be issued, formally allowing the foreign company to operate its branch office in Iraq.



7. Involvement of Iraqi Authorities in the Registration Process



The registration process for a branch office in Iraq involves obtaining permission and approvals from various Iraqi authorities, each playing a critical role in ensuring the legal and regulatory compliance of the foreign company:

7.1. Iraqi Ministry of Foreign Affairs: The Ministry is responsible for the final certification of the documents, confirming their validity and compliance with Iraqi laws.

7.2. Iraqi Ministry of Commerce/ Companies Registration Department: This department is the primary authority overseeing the registration process, including the review of applications and issuance of the branch registration license.

7.3. Iraqi Bar Association: In certain cases, particularly for companies providing legal or advisory services, permission must be obtained from the Iraqi Bar Association, ensuring that the company meets professional standards.

7.4. Local Government Authorities: The local government where the branch office is located must confirm the business premises and ensure compliance with local zoning and business regulations.

8. Required Documents for Branch Office Registration

The following documents are required to successfully register a branch office in Iraq:

- 8.1. Articles of Association or Equivalent Document:** This document outlines the structure and regulations governing the foreign company.
- 8.2. Certificate of Incorporation or Equivalent Document:** Proof of the company's legal existence in its home country.
- 8.3. Final Accounts:** Financial statements for the last financial year or the preceding financial year, demonstrating the company's financial stability.
- 8.4. List of Board Members and Authorized Signatories:** Prepared by the lawyer, Names of the board members or managing director, individuals authorized to sign on behalf of the company, and all shareholders.
- 8.5. Document Appointing the Branch Manager:** Prepared by the lawyer, A formal document designating the individual responsible for managing the branch office in Iraq.
- 8.6. Pledge Document:** Prepared by the lawyer, as instructed by the Companies Registration Department, this document is a formal commitment to adhere to Iraqi laws and regulations.
- 8.7. Beneficial Ownership Information:** Prepared by the lawyer, as instructed by CBI Details on the beneficial owners of the company, ensuring transparency in ownership.
- 8.8. List of Additional Information:** Prepared by the lawyer, Any other documents or information requested by the registrar during the registration process.
- 8.9. Passport of branch manager**

9. Step-by-Step Process for Registering a Foreign Branch Office in Iraq

9.1. Obtaining Translated Documents (if not translated at country of origin) if the company is based in a country where English is not the official language, all documents must be translated into English in the country of origins. After translation, these documents must then be certified by the Iraqi embassy.

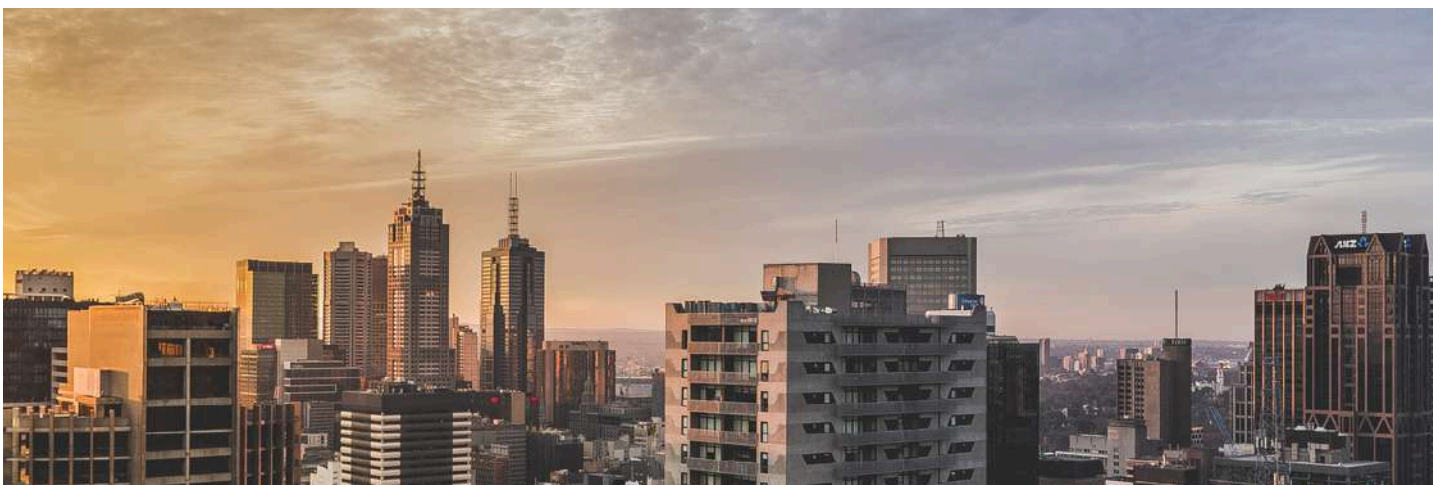
9.2. Receiving documents from the country of origin, certified by the Iraqi embassy and translated.

9.3. If the documents are not translated in arabic, they should be sent to a translator for translation and then certified by the Iraqi Translators Association.

9.4. Once the translation process is complete, the company's documents should be submitted to the Ministry of Foreign Affairs / Consular Department for certification.

9.5. Upon receiving the documents from the Consular Department, these documents should be submitted via online registration system of the Ministry of Trade / Companies Registration Department to apply for registering the company's branch in Iraq.

9.6. After entering all the information into online registration system, the registration fees for the company's branch must be paid.



9.7. The documents are then submitted to the responsible registration employee after the fees have been paid. The employee will write a memorandum to the Monitoring and Inspection Department as the first step in the registration process to verify the company's financial status.

9.8. After obtaining approval from the Monitoring and Inspection Department and confirming the company's financial status, the registration officer will review the company's documents to ensure that all legal requirements have been met.

9.9. The documents are then submitted to the department head for any comments or feedback. If there are no issues, the department head will approve the registration of the company.

9.10. The registration decision is then printed and reviewed by the registration officer, the assistant manager, and the department head. It is then signed by the general manager of the Companies Registration Department.

9.11. The company will be requested to provide a registered address in Iraq.

9.12. The registered address should be submitted to the registration officer on the company's letterhead.

9.13. Once the registered address is approved, the registration license will be issued.



10. Steps to Commence Operations After Registration

Once a foreign branch office is successfully registered in Iraq, there are several critical steps that must be taken to commence operations:

10.1.1. Approval from the Bar Association: A letter of approval from the Iraqi Bar Association is required for the appointment of a legal advisor. This ensures that the branch office has appropriate legal representation in compliance with Iraqi law.

10.1.2. No Objection Letter from a Certified Public Accountant: The branch office must obtain a letter of no objection from a certified public accountant (CPA) in Iraq. This letter confirms that the branch has engaged a local CPA to oversee its financial matters, ensuring compliance with Iraqi accounting standards.

10.1.3. Bank Account Confirmation: A letter from an authorized bank in Iraq confirming the opening of a bank account is necessary. This account will be used for all financial transactions within Iraq, including the payment of taxes and salaries.

10.1.4. Registration Letter: from the Communications and Media Commission for Iraqi Domain Subscription.

10.1.5. Letter of PO Box: Registration from the Postal Authority.

10.1.6. Tax Identification Number (TIN): The branch office must obtain a tax identification number (TIN) from the Iraqi tax authorities. This number is essential for all tax-related matters, including income tax and payroll tax obligations.

10.2. Tax Obligations for a Foreign Branch Office in Iraq

Foreign branch offices operating in Iraq are subject to several tax obligations, which must be fulfilled to remain compliant with local laws:

10.2.1 Income Tax: The branch office is required to pay income tax on its profits at the end of each financial year. The tax rate and payment schedule are governed by Iraqi tax laws, and timely payment is essential to avoid penalties.

10.2.1.1. Income Tax Rate up to 15%

10.2.2. Payroll Tax: Payroll tax is imposed on the salaries of the branch manager and all employees working at the branch office. This tax must be calculated and paid regularly, ensuring compliance with Iraqi labor and tax regulations.

10.2.2.1. 15% for Iraqi (this will vary depending on the circumstances of the Individual)

10.2.2.2. Up to 25% including social Security for an Expat.

10.3. Mandatory Local Hires and Management Positions

In accordance with Iraqi labor laws, foreign branch offices must adhere to specific requirements regarding the employment of Iraqi nationals:

10.3.1. Local Hiring Requirement: For every foreign worker employed by the branch office, approximately two Iraqi citizens must be hired. This regulation is intended to promote local employment and ensure that foreign companies contribute to the Iraqi labor market.

10.3.2. Ministry of Labor Approval for Workforce Composition: In certain cases, it is possible to obtain approval from the Iraqi Ministry of Labor to hire a workforce consisting of 50% Iraqi nationals and 50% foreign workers. This approval is typically granted when specific skills or expertise are not readily available within the local workforce.



10.4. Ongoing Compliance Requirements Foreign branch offices in Iraq must fulfill ongoing compliance requirements to maintain their legal status and continue operations:

10.4.1. Annual Financial Statements: The branch office must submit its financial statements for the completed fiscal year to the relevant Iraqi authorities by August 30th of each year.

10.4.2. Annual Confirmation of Business Location: The branch office must provide an annual confirmation of its business location, verified by the local government, to ensure that the office is operating within a legally recognized premises.

10.4.3. Renewal of Legal Advisor's Letter: The letter of approval from the legal advisor must be renewed every six months, ensuring that the branch office continues to have valid legal representation.

10.4.4. Social Security Contributions: Social security contributions for employees must be paid at the beginning of each month, in accordance with Iraqi labor laws.

10.4.4.1. Contribution Breakdown: The total contribution amounts to 17% of the employee's salary, with 12% paid by the employee and 5% paid by the employer.

10.4.4.2. Salary Cap: The contribution is capped at a salary of 1,750,000 IQD, meaning the percentage applies only up to this salary limit.





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10.5.6. Domain name and PO Box: Annual Renewal is required

11. Common Challenges in Registering a Branch Office

Foreign companies may encounter several challenges during the process of registering and operating a branch office in Iraq:

11.1. Timely Submission of Financial Statements Annually: The company must submit its financial statements for the completed fiscal year by August 30th annually. Failure to meet this deadline can result in penalties and legal complications.

11.2. Annual Location Confirmation: The branch office must provide annual confirmation of its business location from the local government. Ensuring timely compliance with this requirement is essential for maintaining the branch's legal status.

11.3. Legal Advisor's Letter Renewal: The legal advisor's approval letter must be renewed every six months, which requires consistent attention to avoid penalties by the Iraqi bar.

11.4. Social Security Payments: Monthly social security contributions must be paid promptly to avoid penalties and ensure compliance with Iraqi labor laws.



Useful Links and Contact Information

If you have any requests or require further assistance, please contact the relevant department via email or phone during official working hours.

Key Contacts

Company Registry Directorate

- Email: Br@mot.gov.iq
- Mobile: +964 771 231 4588

Federation of Iraqi Chambers of Commerce

- Mobile: +964 772 188 8944

Baghdad Chamber of Commerce

- Mobile: +964 771 881 0607

Websites for Additional Information

- General Tax Information: <https://tax.mof.gov.iq>
- Baghdad Business Regulations: <https://baghdad.eregulations.org/?l=ar>
- Ministry of Trade - Business and Trade Information: <https://business.mot.gov.iq>
- Company Registration Portal: <http://tasjeel.mot.gov.iq/newtasjeel/>
- Secretariat of the Council of Ministers: <https://www.cabinet.iq>
- Council of Representatives (Iraqi Parliament): <https://iq.parliament.iq>
- Central Bank of Iraq: <https://www.cbi.iq>

Additional Suggested Links

- Iraq National Investment Commission: <http://www.investpromo.gov.iq>
- Iraqi Ministry of Planning: <https://www.mop.gov.iq>
- Iraqi Ministry of Finance: <https://www.mof.gov.iq>
- Iraq Customs: <https://www.customs.gov.iq>
- Iraqi Ministry of Labor and Social Affairs: <https://www.molsa.gov.iq>

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