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Introduction to Foreign Business Registration in Iraq

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Preface

Establishing a foreign business presence in Iraq requires navigating a complex legal and regulatory landscape. Despite recent efforts by the Iraqi government to simplify and automate the registration process, challenges remain due to outdated regulations and the intricacies of the legal framework.

While the introduction of online registration portals is a positive step, it is not sufficient on its own. Businesses are still required to submit a manual application through the Companies Registration Department, which must be handled by a qualified lawyer. This dual-submission process highlights the vital role that legal professionals play in guiding businesses through Iraq's regulatory environment.

This report provides a comprehensive guide to registering a foreign branch office in Iraq, covering legal requirements, industry-specific regulations, the registration process, and ongoing compliance obligations. By understanding these key areas, foreign businesses can successfully establish their presence and navigate the complexities of operating in Iraq.

Throughout this guide, you will find detailed information and practical insights, along with checklists to help you through the registration process. We have also included information about our client service team and other relevant resources to assist with setting up and operating businesses in Iraq. Our goal is to equip you with the knowledge and tools necessary to succeed in this challenging market.

If you have any questions, our experienced team at Salt & Associates is ready to assist. At the end of this publication, you will find details about our Foreign Direct Investment practice, our client service team, and the lawyers who contributed to this guide.

Setting Up

Setting up

> 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

1. Branch Office - Definition

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.

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.

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.

2. Distinction Between Branch and Representative Offices (RF)

RF is an old structure that is no longer used.
The primary difference between a branch office

and a representative office in Iraq lies in the scope of their permitted activities:

- 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.
- 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.
- 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.

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.

Legal Framework

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:

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

- **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 Iraq.

- **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.

- **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.

Industry Specific Regulation

Industry Specific Regulation

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 it is crucial for companies to understand and comply with them before proceeding with registration. Some key points to consider include:

- **Sectoral Licensing Requirements:** Certain industries in Iraq, such as oil and gas, telecommunications, applications, banking, Insurance and the like, 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.

- **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. It is important for foreign companies to verify these restrictions and plan accordingly.

contracts or tenders are common, it is important 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 specific procurement regulations.

- **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.

Registration Process

Registration Process

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.

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

- ❑ **Certify the documents from the notary public and other departments such as companies' registration department or trade chamber.**
- ❑ **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.
- ❑ **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.
- ❑ **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.

TIMELINE 6-12 WEEKS

1. **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.
2. **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.
3. **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.
4. **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.
5. **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.

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:

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

Required Documents for Branch Office Registration

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

- **Articles of Association or Equivalent. Document:** This document outlines the structure and regulations governing the foreign company.
- **Certificate of Incorporation or Equivalent Document:** Proof of the company's legal existence in its home country.
- **Final Accounts:** Financial statements for the last financial year or the preceding financial year, demonstrating the company's financial stability.
- **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.
- **Document Appointing the Branch Manager:** Prepared by the lawyer, a formal document designating the individual responsible for managing the branch office in Iraq.
- **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.
- **Beneficial Ownership Information:** Prepared by the lawyer, as instructed by CBI Details on the beneficial owners of the company, ensuring transparency in ownership.
- **List of Additional Information:** Prepared by the lawyer, Any other documents or information requested by the registrar during the registration process.
- **Passport of branch manager.**

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

1. **Document Translation and Certification** If the company is based in a non-English-speaking country, all relevant documents must first be translated into English in the country of origin. These translated documents must then be certified by the Iraqi embassy in that country

2. **Receiving Certified and Translated Documents.** Once the documents have been translated into English (if necessary) and certified by the Iraqi embassy in the country of origin, they should be sent to the company's representative or legal advisor in Iraq to initiate the next steps in the registration process.

3. **Arabic Translation and Certification**
If the documents have not yet been translated into Arabic, they should be sent to an authorized translator in Iraq. The Arabic translations must then be certified by the Iraqi Translators Association.

4. **Ministry of Foreign Affairs Certification**
After translation, the documents should be submitted to the Consular Department of the Ministry of Foreign Affairs for further certification.

5. **Online Registration with the Ministry of Trade**
Upon receipt of the certified documents, the company must complete the online registration process with the Ministry of Trade's Companies Registration Department to apply for branch registration in Iraq.

6. **Payment of Registration Fees** Once the online registration is complete, the required registration fees must be paid.

Submission to Registration Officer
After fee payment, the documents must be submitted to the assigned registration officer. The officer will then prepare a memorandum for the

7. Monitoring and Inspection Department to verify the company's financial status.

Verification and Legal Review
Following approval from the Monitoring and Inspection Department, the registration officer will review the company's documents to ensure compliance with all legal requirements.

8. **Department Head Approval**
The documents are then forwarded to the department head for final review and approval. If no issues arise, the department head will approve the company's registration.

9. **Final Review and Signature**
The registration decision is printed and reviewed by the registration officer, assistant manager, and department head, and then signed by the General Manager of the Companies Registration Department.

10. **Registered Address Submission**
The company must provide a registered address in Iraq on its official letterhead, which is then submitted to the registration officer.

12. **Issuance of Registration License**
Once the registered address is approved, the official registration license will be issued, completing the process.

13.

Operational Setup

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:

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.
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.
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.
4. **Registration Letter** from the Communications and Media Commission for Iraqi Domain Subscription.

   Letter of PO Box Registration from the Postal Authority.
5. **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.
6.

Tax Obligations

Tax Obligation 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.

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. The **Income Tax Rate up to 15%.**

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. **This is 15% for Iraqi (this will very depending on the circumstances of the Individual) and up to 25% including social Security for an Expat.**

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. intended to promote local employment and ensure that foreign companies contribute to the Iraqi labor market.

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.

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

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.

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.

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

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.

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

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

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.

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.

Renewal of Legal Rep at the Bar : 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.

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

Domain name and PO Box: Annual Renewal is required.

Challenges & Considerations

Challenges & Considerations

> Foreign companies may encounter several challenges during the process of registering and operating a branch office in Iraq. These are outlined below:

- **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.
- **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.
- **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.
- **Social Security Payments:** Monthly social security contributions must be paid promptly to avoid penalties.

Useful Links



Useful Links

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

88 Company Registry Directorate

E: m.office.cr@gmail.com
E: Br@mot.gov.iq
M: +964 771 231 4588

Federation of Iraqi Chambers of Commerce

M: +964 772 188 8944

Baghdad Chamber of Commerce

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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: Secretariat of the Council of Ministers	http://tasjeel.mot.gov.iq/newtasjeel/ https://www.cabinet.iq https://iq.parliament.iq

Additional Suggested Links

Iraq National Investment Commission: Iraqi Ministry of Planning:	http://www.investpromo.gov.iq https://www.mop.gov.iq
Iraqi Ministry of Finance:	https://www.mof.gov.iq
Company Registration Portal:	http://tasjeel.mot.gov.iq/newtasjeel/
Iraq Customs:	https://www.cabinet.iq
Council of Representatives (Iraqi Parliament):	https://www.customs.gov.iq

About Salt & Associates

About Us

> Salt & Associates is a full-service law firm rooted in regional know-how and operating to international standards.

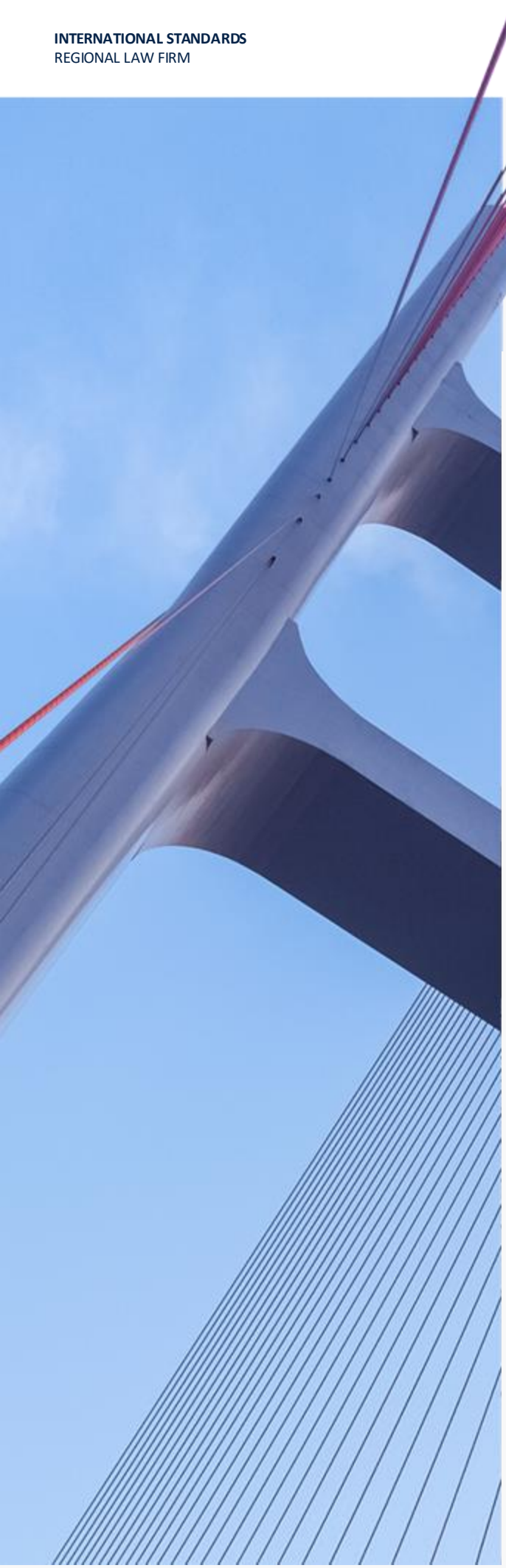
Our Mission

At Salt & Associates, we are dedicated to bringing legal certainty to our clients, assisting them in innovating, growing, and thriving in their respective fields. Our reputation is built on extensive knowledge, unparalleled expertise, and a strong standing in Iraqi courts and other jurisdictions where we operate.

Internationally Accredited lawyers

A proportion of Salt & Associates lawyers hold international credentials, including admissions to the New York State Bar and accreditations from the Solicitors Regulation Authority of England & Wales. This allows us to offer a blend of local expertise and international standards, catering effectively to a diverse clientele. Our global perspective is particularly appealing to international organizations entering the Iraqi market, as well as medium to large enterprises from the surrounding region





Foreign Direct Investment

Since 1981, we have supported leading businesses across the Middle East and beyond, assisting them to navigate complex legal challenges.

At Salt and Associates, we understand the challenges foreign companies face when entering the Iraqi market. With our extensive expertise in corporate law and deep knowledge of Iraq's legal landscape, we are uniquely equipped to guide clients through every stage of the registration process. Our holistic approach ensures businesses meet all legal requirements while positioning themselves for long-term success in Iraq's evolving market.

Our Foreign Direct Investment (FDI) practice is dedicated to supporting international investors with comprehensive legal guidance on entering and operating in Iraq. We provide expert advice on market entry strategies, corporate structuring, compliance with local laws, and obtaining necessary approvals, ensuring a smooth and successful investment process.

We are committed to delivering tailored solutions that help our clients achieve their business goals and thrive in Iraq's dynamic and emerging economy.

Contributing Authors

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As Managing Partner in Iraq for Salt & Associates Law Firm, Mohammed is recognized for his expertise in commercial and corporate law, developed through significant roles both in Iraq and London.

He is well known for advising international corporations on entering the Iraq market, corporate structuring, and complex commercial transactions.

Mohammed has been instrumental in asset recovery, developing cybersecurity legal frameworks, and managing intricate corporate restructuring for multinational entities, including a major German corporation.



Saif Khaleel Ibrahim

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Saif Khaleel Ibrahim is a Senior Associate and Head of Corporate Structure at Salt & Associates Law Firm.

Based in Iraq, Saif has over nine years of experience in both international and Iraqi law, and his expertise is instrumental in guiding clients through the complexities of corporate legal matters.

His role is central to the firm's operations, ensuring that our clients navigate legal challenges with confidence and precision.



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Samah is a Paralegal at Salt & Associates Law Firm, bringing a strong background in legal research, document drafting, and commercial arbitration.

Samah is adept at handling complex legal matters and her expertise extends to negotiation and mediation, where she has consistently demonstrated her ability to facilitate effective dispute resolution.

Samah's meticulous approach to legal writing and her focus on delivering high-quality work make her a key contributor to the firm's success.

At Salt & Associates, delivering exceptional client service is a top priority

Our Client Care Team, led by Sarah Saadoon Ali, is dedicated to providing each client with attentive, personalized support throughout their time with our firm.

Salt & Associates recognize that each client has unique needs. Our approach to client service is built on understanding, responsiveness, and clear communication. We encourage a client positive experience through

PERSONALIZED SERVICE: We take the time to understand each client's specific needs and goals, providing tailored legal solutions that meet their unique circumstances.

CLEAR COMMUNICATION: Keeping clients informed is crucial. We ensure regular updates and are always available to answer questions and provide clarity.

RESPONSIVENESS: We prioritize timely responses to client inquiries and work quickly to resolve any issues that arise.

PROACTIVE SUPPORT: We offer strategic advice to help clients anticipate and navigate future challenges, adding value beyond immediate legal needs.

CONFIDENTIALITY AND TRUST: We handle all client information with the utmost care, maintaining strict confidentiality





Our Geographical Reach

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