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# Iraq Economic Growth – Baghdad Invest



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**This guide provides information on how to do business in Iraq. It includes guidance on taxation, incentives as well as other information useful to investors.**



# INTRODUCING IRAQ

## BACKGROUND

Formerly part of the Ottoman Empire, Iraq was occupied by Britain during the course of World War I. In 1920, it was declared a League of Nations mandate under UK administration. In stages over the next dozen years, Iraq attained its independence as a kingdom in 1932. A republic was proclaimed in 1958, but in actuality a series of military strongmen ruled the country until 2003.

## GEOGRAPHY

Iraq is located in the Middle East, bordering the Arab Gulf, between Iran; Turkey; Syria; Jordan; Saudi Arabia; and Kuwait.

## LAND BOUNDARIES

Total: 3,650 km; border countries: Iran 1,458 km, Jordan 181 km, Kuwait 240 km, Saudi Arabia 814 km, Syria 605 km, Turkey 352 km.

## AREA

Total: 437,072 sq km; land: 432,162 sq km; water: 4,910 sq km.

## NATURAL RESOURCES

Petroleum, natural gas, phosphates, and sulfur

## CAPITAL

Baghdad



## PEOPLE

### POPULATION

28,945,657 (July 2009 est.)

### POPULATION GROWTH RATE

2.507% (2009 est.)

### ETHNIC GROUPS

Arab 75%-80%, Kurdish 15%-20%, Turkoman, Assyrian, or other 5%

### RELIGION

Muslim 97%, Christian or other 3%

### LANGUAGES

Arabic, Kurdish (official in Kurdish regions), Turkoman (a Turkish dialect), Assyrian (Neo-Aramaic), Armenian.

### LITERACY

Total population: 74.1%, male: 84.1%, female: 64.2% (2000 est.).



## **ECONOMY**

Iraq has undergone a difficult period of both oppression and upheaval over the past three decades. Ravaged by wars and brutally controlled under a repressive and dictatorial regime, the country's economy and infrastructure have languished and fallen into disrepair. Since the fall of the former regime in 2003, Iraq has embarked on a new path for economic Development. Current laws, regulations and policies have begun the process of rebuilding Iraq's vibrant trading culture and economic infrastructure.

### **OVERVIEW**

Iraq's economy is dominated by the oil sector, which has traditionally provided about 95% of foreign exchange earnings. Although looting, insurgent attacks, and sabotage have undermined economy rebuilding efforts, economic activity is beginning to pick up.

**GDP:** \$103.9 billion at purchasing power parity (2008 est.)

**GDP - per capita** \$3,700 at purchasing power parity (2008 est.)

# THE INVESTMENT ENVIRONMENT

## **INTRODUCTION**

Iraq is now on the path to establishing laws and regulations intended to attract foreign investment and rebuild the economy.

Substantial progress has already been made to remove some of the obstacles to open up the market and to develop an investor-friendly business environment. Inflation had been eradicated and the value of the currency has been stabilised. Iraq has an open trade and investment regime with a focus on strengthening the private sector.

The government has made rejoining the international community a key part of its economic development strategy, and investment will play a key role. Iraq's National Development Strategy for 2005-2007 and that for 2007-2010 as well as the International Compact with Iraq mentioned previously articulate this new direction. Several goals outlined in these strategies include ensuring private sector growth through creation of a favorable legal environment, fostering a transition to a modern free market economy, and integrating Iraq into the global economy.

## **PRIVILEGES AND GUARANTEES OFFERED TO INVESTORS**

Major privileges and guarantees offered to investors under the Investment Law No. 13 of 2006 include:

- Repatriation in hard currency of profit and capital brought into Iraq.
- Trading in the Iraqi Stock Exchange market.***
- Leasing land needed for the project or using it on condition that the term does not exceed a period of 50 years that can be renewed.
- Insuring the investment project at any national or foreign insurance company.***
- Opening accounts in Iraqi Dinar or foreign currency or both at Iraqi banks or at banks outside Iraq.
- Obtaining residency and facilitating investors entry to Iraq and departure from Iraq.***
- Non-confiscation or nationalisation of the investment project.
- Non-Iraqi workers have the right to transfer their salaries and indemnities outside Iraq.***
- Exemption from fees and taxes for ten years beginning with the date of starting the project. This period is renewable. Also, furniture and assets needed for expanding and modernising the project are exempt from import duties.
- Exemption period may be extended up to 15 years in case of foreign and Iraqi partnership.***



## **EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT**

The new investment law allows for foreign investors to trade in shares and bonds listed in the Iraqi Stock Exchange (ISX).

It also allows foreign investors to form investment portfolios. The ISX is governed by law # 74 of 2004 Interim Law on Securities Markets. From June 2004 till March 2009 Trading transactions and buy and sell orders were written manually on grease boards in trading sessions. This system did not allow for full transparency in terms of timing of market participants or knowledge of who has placed the bid.

Electronic Trading started on April 19, 2009. The automation of the ISX will provide much greater transparency as well as pave the way for foreign investment on the exchange.

## **Purchasing or Leasing Land from the Private Property Market**

Iraqi investors have the right to buy and/or lease property from the private real estate market for residential, commercial, or agricultural use, while foreign investors may only lease property from the private real estate market.

Twenty percent of Iraqi land is in the private property market, the majority of it residential.

According to current law, foreigners may lease property in the private market for a period not to exceed 50 years renewable.





## **TAXATION**

There are four types of taxes in Iraq: corporation tax; personal income tax; real estate tax; and leased land tax.

All taxes due are a legally binding obligation on the taxpayer.

The tax assessment and payment process is usually initiated by the tax liable individual reporting his income during the proceeding year on pre-printed returns to the taxation department in the area where his work or business activity is located.



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