

# Investment laws in federal Iraq

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## **Investment Law 13/2006** **National Investment Commission** **Investment licences**

### **Investment Law 13/2006**

Investment Law 13/2006 was promulgated:

*"for the purpose of driving the process of economic and social development and bringing technical and scientific experience and developing human resources, and for creating work opportunities for the Iraqis by encouraging investments and supporting the process of establishing investment projects in Iraq and their expansion and development at various economic levels and by granting privileges and exemptions for these projects."*

In 2009 the Investment Law was completed and amended by Investment Statute 2/2009.

This law is the main national legal text governing investment in Iraq. Its purpose is clear:

- to encourage foreign investments by granting facilities in order to develop certain sectors in Iraq;
- to create job opportunities; and
- to transmit know-how to the Iraqi population.

All areas of investment are subject to the Investment Law, except for investment in oil and gas extraction and production and investment in banks and insurers (Article 29).

### **National Investment Commission**

The main entity created by the Investment Law is the National Investment Commission (NIC). It is managed by a nine-member board of directors and presided by a single chair. It is located in Baghdad and has investment commissions in other governorates and regions. These investment commissions coordinate their work with the NIC and the local regions regarding plans and facilities. Statute 2/2009 prescribes the NIC's tasks and functions. According to Article 5 of the statute, the NIC must develop a general national strategy for investment and establish plans and rules to:

- regulate the strategy;
- identify the most important investment sectors;
- list investment opportunities; and
- establish permanent committees in order to manage work at the NIC.

The NIC's overall national strategic policy for investment must also identify important sectors, and the NIC is responsible for preparing a map of investment projects in Iraq in based on information that it receives from the regions and governorates. It must also prepare a list of investment opportunities in strategic and federal investment projects with initial information about these projects and make it available to those that wish to invest (Article 9).

Finally, the NIC must coordinate with the Ministry of Finance to allot an annual sum in the public

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budget in order to grant loans and facilities through governmental banks to investors that obtain investment licences.

## **Investment licences**

Not only has the law created numerous advantages for investors, it has also made the administrative process for obtaining investment licences much easier. The NIC has created a one-stop shop for the grant of investment licences, where any interested party can request information, sign contracts and register. According to Article 9 of the Investment Law, the establishment of this one-stop shop is part of the legislature's effort to promote investment. The NIC further promotes investment by:

- establishing confidence in the investment environment;
- stimulating investment;
- providing advice and information and issuing special manuals in this regard;
- facilitating the allocation of needed lands; and
- coordinating with financial institutions and the Ministry of Finance.

The incentives granted to licensed projects include the following:

- Iraqi and foreign investors have the right to own lands and properties which belong to the government for a value to be calculated based on a special system, and have the right to own lands and properties belonging to mixed and private sectors for the exclusive purpose of executing housing projects (Article 10).
- Investors can take out the capital that they brought into Iraq and its proceeds after paying all taxes and debts owed to the Iraqi government and other authorities (repatriation of profits).
- The law guarantees:
  - the right to employ foreign manpower;
  - non-seizure or nationalisation of the investment project;
  - exemption from taxes and fees for a 10-year period, as of the date on which the commercial operations are commenced.
- Assets imported for the purposes of investment projects will be exempted from fees, provided that their entry into Iraq is made within three years of the date on which the investment licence was granted.
- Spare parts imported for the purposes of a project will be exempted from fees if the value of these parts does not exceed 20% of the fixed assets value, provided that they are not used for any other purpose.
- Hotels, tourist institutions, hospitals, health institutions, rehabilitation centres and educational and scientific organisation projects will be granted additional exemptions from duties and taxes on any furniture imports.

Whereas the NIC is competent to decide exclusively on strategic investment projects of a federal nature, the region or governorate commissions are responsible for granting investment licences for projects to be established in their regions or governorates. All region and governorate commissions must coordinate with the NIC to help the latter create a national policy on investment and to avoid any conflict between federal policy and the investment projects developed in the different areas of Iraq.

According to the Investment Law, the following projects are considered strategic projects of a federal nature:

- infrastructural projects of at least \$250,000;
- joint projects between regions that do not belong to the same area;
- projects relating to the extraction of natural resources;
- projects to which the Iraqi government is a party;
- transport projects;
- electricity projects; and
- any project worth \$1 billion or more.

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