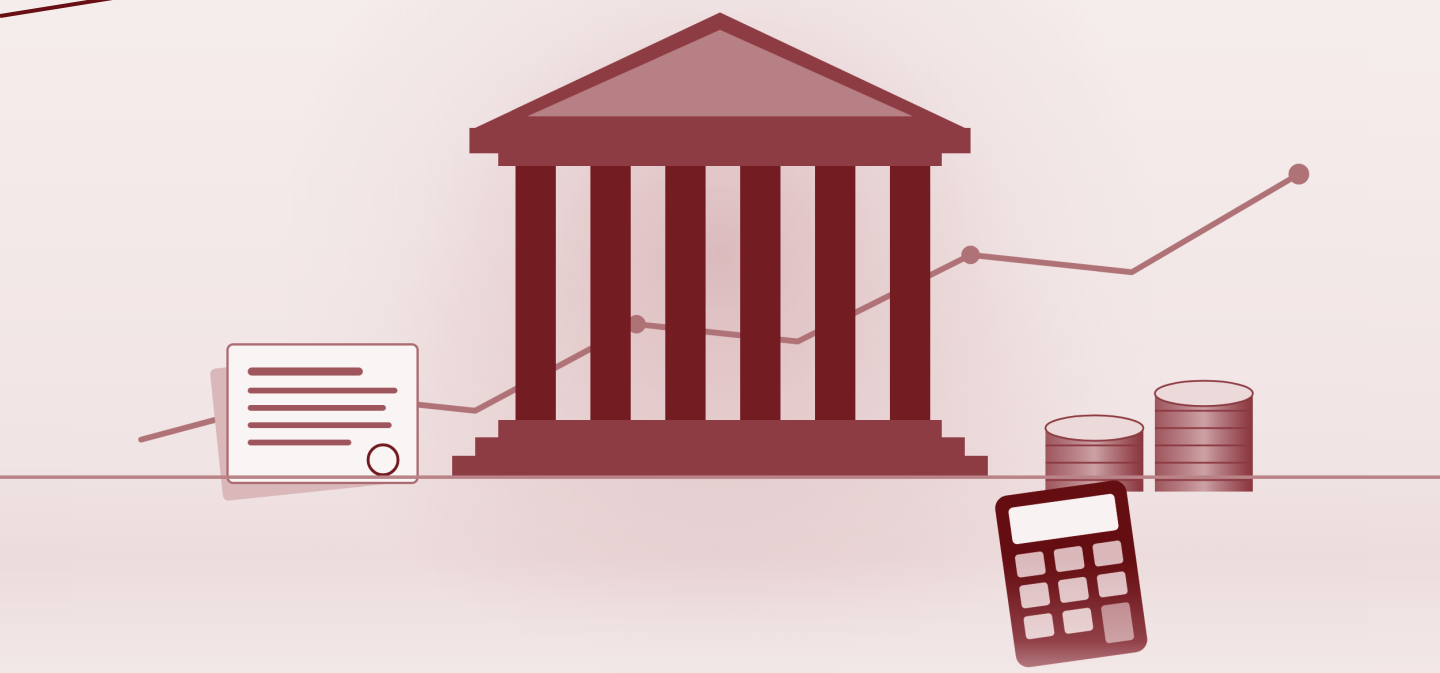
ETIHAD

PRACTICE OVERVIEW

Tax Advisory

TAX · SOCIAL SECURITY · COMPLIANCE

Federal Iraq and Kurdistan Region



Tax Advisory

Etihad provides tax advisory and compliance services in Iraq, with strategic guidance built around the country's economic and regulatory environment. Our tax team works alongside our corporate, employment and disputes lawyers, so that tax is considered from the first contract to the final clearance.

What Sets Us Apart

1. **Comprehensive Tax Strategy**
   Tax strategies aligned with Iraq's changing economic environment, with regulatory changes tracked so that clients are prepared in advance.

2. **Local Expertise**
   In-depth knowledge of Iraqi tax laws and practice, giving advice that is compliant and suited to how the Iraqi system actually works.

3. **Corporate & Personal Tax Planning**
   Structuring business transactions for efficient tax outcomes, and personal tax planning for individuals.

4. **Customised Solutions**
   Advice tailored to each client's business, challenges and goals.

5. **Regulatory Compliance**
   A rigorous approach to compliance that keeps clients within the law and reduces the risk of penalties.

WHO WE ACT FOR

Local companies · Foreign companies and branches · Contractors and subcontractors · Oil and gas companies · Investors and investment projects · Individuals and expatriate employees

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Iraq’s Tax Landscape

Iraq has several taxes and charges administered by different bodies. We cover all of them, so that clients deal with one team across their tax and social security obligations. In the Kurdistan Region, tax is administered by the regional Ministry of Finance and Economy under its own practice. We advise on federal and regional requirements together.

Main Taxes and Charges

- **Corporate income tax**
  Tax on the profits of companies and branches carrying on business in Iraq.
- **Withholding tax on contracts**
  Tax withheld from contract payments by government and private entities.
- **Stamp duty**
  Duty on contracts, documents and certain transactions.
- **Social security contributions**
  Employer and employee contributions for private-sector workers.
- **Personal income tax**
  Tax on employment income and other income of individuals, deducted at source for employees.
- **Real estate tax**
  Tax on rental income from buildings and on property transfers.
- **Customs duties**
  Duties on imported goods and project equipment, and exemptions available.
- **Sales tax**
  Tax on selected goods and services, as set by the applicable rules.

KEY LEGISLATION

- **Income Tax Law No. 113 of 1982, as amended:** Corporate and personal income tax.
- **Real Estate Tax Law No. 162 of 1959:** Tax on income from buildings.
- **Stamp Duty Law No. 71 of 2012:** Duty on contracts and documents.
- **Customs Tariff Law No. 22 of 2010:** Customs duties and tariffs.
- **Investment Law No. 13 of 2006:** Tax and customs exemptions for licensed projects.
- **Workers’ Retirement and Social Security Law No. 18 of 2023:** Social security contributions.

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General Experience

Our dedicated tax team responds quickly to any request. We cover personal income tax, direct deduction, tax calculations on contracts with government entities and negotiation of contract tax calculations. We also handle tax on submitted financial statements, tax exemptions for specific cases and contract types, and urgent tax clearances.

What We Handle

- **Contract Tax Calculations**
  Tax calculations for contracts held with the public or private sector.
- **Tax Registration**
  Registering companies with the General Commission for Taxes and the direct deduction department.
- **Contract Withholding Tax**
  Withholding tax on contract payments and its settlement.
- **Employee Income Tax**
  Tax and deductions on the income of local and international employees in Iraq.
- **Exemption Negotiations**
  Negotiating tax exemptions based on company type and specialty.
- **Exemptions For Entities & Contracts**
  Securing tax exemptions available to specific entities and contracts.
- **Social Contribution Forms**
  Preparing and filing social contribution forms for employees.
- **Financial Statements**
  Tax calculations on financial statements for individuals and companies.

How We Work

1. Review
2. Calculate
3. File
4. Follow up
5. Clearance

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Tax Planning & Strategy

We help businesses and individuals understand their obligations under Iraqi tax law and plan their affairs efficiently and lawfully.

How We Help

1 Understanding The Iraqi Tax System

Iraq's tax laws, regulations and requirements, including corporate income tax, personal income tax and other relevant taxes.

2 Assessment Of Tax Obligations

Tax obligations based on activities, income sources and residency status, and the rates that apply to each type of income.

3 Tax Optimisation

Lawful ways to reduce tax liabilities, using available incentives, deductions and exemptions.

4 Structuring Investments & Transactions

Tax-efficient structures for investments, acquisitions, mergers and divestitures, including choice of entity and branch, and financing arrangements.

5 Tax Treaties

Using tax treaties between Iraq and other countries, where available, to avoid double taxation on cross-border transactions.

6 Risk Management & Compliance

Identifying tax risks and putting in place compliance procedures and internal controls.

7 Engagement With The Tax Authorities

Open communication with the General Commission for Taxes to resolve issues, obtain rulings and clarify positions.

8 Continuous Monitoring

Tracking changes in tax laws and practice, and adapting plans to them.

How We Plan

1. **Review the Facts**
2. **Map the Options**
3. **Choose the Structure**
4. **Implement**
5. **Monitor**

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Corporate Tax

Our Services

1. **Client registration**
   Registering companies correctly for corporate income tax in Iraq, with a streamlined process that saves time and cost.

2. **Tax returns filing**
   Preparing and submitting tax returns with all supporting documents, within the deadlines, to avoid penalties.

3. **Tax assessment**
   Examining financial records and transactions to determine the correct liability and identify savings and compliance improvements.

4. **Tax clearance and non-objection letters**
   Securing the clearances needed for contract payments, mergers, acquisitions, liquidations and other transactions.

5. **Tax offset and settlement**
   Using offsets and settlements to improve the client's overall tax position.

What We Prepare

- Registration file for new companies and branches
- Arabic financial statements audited by an Iraqi licensed auditor
- Responses to tax authority queries during assessment
- Tax files for branches of foreign companies
- Annual tax return and supporting schedules
- Reconciliation of accounting profit to taxable profit
- Applications for tax clearance and non-objection letters
- Liquidation and deregistration tax clearance

Annual Cycle

1. Registration
2. Financial Statements
3. Return Filing
4. Assessment
5. Clearance

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Employment Tax & Payroll

We manage the tax obligations that come with a workforce, from registering employees to monthly payroll and annual filings.

Our Services

1. **Employee Registration**
   Registering all employees for tax purposes in line with the regulations.

2. **Monthly and Annual Tax Calculation**
   Accurate monthly and annual tax calculations for employees, based on current law.

3. **Monthly and Annual Tax Filing**
   Handling the full filing process, from monthly submissions to annual returns.

4. **Assessment of Employee Tax Position**
   Reviewing payroll, allowances and benefits to ensure compliance and an efficient tax position.

5. **Payroll Services**
   Processing payroll, including deductions, allowances and tax withholding, in every pay cycle.

What We Review in Each Payroll

- Basic salary and allowances
- Bonuses and benefits in kind
- Expatriate packages paid inside or outside Iraq
- Deductions for tax and social security
- Housing and transport allowances
- End-of-service and final settlements
- Seconded and contract staff
- Payslips and payroll reports for management

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Withholding Tax

Our Services

1. **Contracts review**
   Reviewing contracts to identify withholding tax obligations from the outset, reducing risk later.

2. **WHT filing preparation and submission**
   Preparing and submitting WHT filings with complete documents, within the deadlines.

3. **Sub-receipts issuance**
   Issuing sub-receipts that give a clear record of tax withheld and support the client's own filings.

Where WHT Usually Arises

- Payments under contracts with government entities
- Payments to subcontractors
- Final payments and release of retentions at contract close-out
- Payments under private-sector contracts
- Payments to foreign suppliers for services, software and royalties
- Tax clearance before the last payment is made

How WHT Runs

1. Contract Review
2. Calculation
3. Withholding
4. Filing
5. Sub-receipts

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Social Security

Our Services

1. **Registration**
   Registering the employer and its employees for social security, with all details recorded correctly.

2. **Site Inspection Assistance**
   Supporting clients through site inspections during the verification stage.

3. **Monthly and Annual Filing**
   Preparing and submitting monthly and annual filings within the deadlines.

4. **Expatriate Exemption**
   Securing exemptions for expatriate staff from certain social security obligations where the law allows.

5. **Clearance Letters**
   Obtaining social security clearance letters for contract payments, mergers, acquisitions and other transactions.

Records We Keep Ready for Inspection

- Registered employee lists and contracts
- Contribution payment receipts
- Records of new hires and departures
- Payroll records matching contributions
- Expatriate exemption approvals
- Inspection reports and responses

From Registration to Clearance

1. Registration
2. Monthly filing
3. Inspection
4. Annual filing
5. Clearance

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Tax Compliance Calendar

Monthly

- **Employee Tax**
  Calculation, deduction and payment of tax withheld from salaries.
- **Social Security**
  Monthly contribution filings and payments for registered employees.
- **Withholding Tax**
  Filings and payments for tax withheld from contract payments.

Annual

- **Corporate Tax Return**
  Filing of the annual return with audited financial statements.
- **Employee Annual Filing**
  Annual employee tax reconciliation and filing.
- **Social Security Annual Filing**
  Annual social security return and reconciliation.

Event-Driven

- **New Contracts**
  Registration of contracts and WHT review at signing.
- **Corporate Changes**
  Clearances for share transfers, mergers, capital changes and liquidation.
- **Expatriate Staff**
  Tax and social security position before residency renewals and exit.
- **Final Payments**
  Tax and social security clearance before the last contract payment.
- **New Hires and Departures**
  Registration of new employees and clearance for those who leave.
- **Tax Audits**
  Preparing records and responses when the authority opens an audit.

How We Keep Clients on Track

1. Obligations Map
2. Shared Calendar
3. Reminders
4. Filing
5. Confirmation

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Oil & Gas Tax

Our Services

1. **Industry Expertise**

   Industry-specific knowledge of how tax applies to oil and gas contracts and operations.

2. **Fiscal Planning**

   Planning that goes beyond compliance to reduce liabilities and improve financial efficiency.

3. **Regulatory Navigation**

   Interpreting and applying the tax rules for the sector, including available incentives and exemptions.

4. **Solutions Across the Value Chain**

   Advice for upstream, midstream and downstream operations, each with its own issues.

5. **Risk Management**

   Identifying tax risks for contractors and subcontractors, and putting safeguards in place.

Issues We Advise on

- The special income tax regime for foreign companies working under oil and gas contracts
- Tax registration of branches and project offices
- Tax and social security for expatriate field staff
- Tax positions under contracts in the Kurdistan Region
- Withholding tax on payments to contractors and subcontractors
- Customs exemptions for imported equipment and materials
- Tax clearance at the end of each contract
- Tax warranties in farm-ins, assignments and acquisitions

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Investment Tax

Our Services

1. **Investment Structuring**
   Choosing the legal form, financing and ownership structure that keeps tax efficient and the project viable.
2. **Tax Incentives and Exemptions**
   Identifying and obtaining the incentives and exemptions available to investment projects.
3. **Due diligence and Risk Assessment**
   Reviewing tax implications and risks before and during the investment.
4. **Transaction Support**
   Tax analysis for mergers, acquisitions and divestitures.
5. **Tax Compliance**
   Preparing and submitting tax returns and meeting every deadline.
6. **Cross-border Taxation**
   Withholding tax, transfer pricing and other cross-border issues for international investors.
7. **Post-investment Services**
   Ongoing tax planning and monitoring of legal changes for the life of the project.

Exemptions We Handle

- Income tax exemption for licensed projects for the period set by the law and the licence
- Customs exemptions for project equipment and materials
- Exemptions for spare parts and expansions
- Keeping the conditions that the exemptions depend on
- Restoring exemptions that have lapsed
- Tax treatment after the exemption period ends

Across the Investment Life

1. Structuring
2. Incentives And Exemptions
3. Transaction
4. Compliance
5. Post-investment

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Common Tax Issues We Solve

Issues and Our Approach

1 Final Contract Payment Held For Clearance

We prepare the tax and social security file early so that clearance is ready when the last payment falls due.

2 Assessment on Deemed Profit

Where the authority does not accept the accounts and assesses on an estimated basis, we prepare the records and arguments to object.

3 Penalties for Late Filing or Payment

We regularise the position, negotiate the penalty and set up a calendar so that it does not happen again.

4 Dormant Companies with Old Liabilities

We review past years, settle what is due and obtain clearance before reactivation, sale or liquidation.

5 Withholding Tax not Credited

We reconcile sub-receipts with the authority so that tax withheld by clients is credited to the contractor.

6 Expatriate Exit And Residency

We clear the employee's tax and social security position before residency renewal or departure.

7 Lost Exemptions

We check that the conditions of investment and contract exemptions are kept, and restore them where they lapse.

8 Tax in M&A

Tax due diligence, clearances and warranties so that buyers do not inherit unknown liabilities.

SIGNS YOU NEED A TAX REVIEW

A contract payment is held · A clearance is refused · The authority rejects your accounts · Penalties keep appearing · You are buying or selling a company · An exemption is about to expire

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Tax Disputes

We resolve tax disputes for clients at every stage, from audits and objections before the General Commission for Taxes to appeals and court proceedings.

How a Dispute Runs

1. **Audit**
2. **Objection**
3. **Appeal**
4. **Court**
5. **Settlement**

Disputes We Handle

- Tax exemption disputes on investment projects
- Penalties and interest
- Claims for professional negligence against tax advisers
- Tax warranties and indemnities, including pre-completion accounts, refunds and assessments
- Employment tax and worker classification
- Tax issues in the petroleum industry involving contractors and subcontractors
- Corporate reorganisations
- Disputes over tax liabilities and refunds between contracting parties
- Withholding tax and tax treaty positions

What We Prepare

- Objection letters and grounds of appeal
- Accounting and expert reports
- Requests for release of tax dues
- Reconciliations and supporting schedules
- Settlement proposals and instalment plans
- Court pleadings and evidence

OUR ROLE

We prepare the objection and the supporting record, represent the client before the tax authority and its appeal bodies, negotiate settlements and the release of tax dues, and take the matter to court where needed.

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Key Contacts

Our tax and social security team works alongside our corporate, employment and disputes lawyers. Please contact any of us to discuss your tax position in Iraq.



Dr. Ahmed Hankawi

Managing Partner, Commercial, Litigation

T +964 781 500 1400 ◆ **E** a.hankawi@etihad-law.com

Advises companies and individuals on tax-efficient structuring, cross-border tax planning and withholding tax, and represents clients before the tax authorities in audits, objections, appeals and settlements.



Abdulhadi AlShimary

Partner, Corporate, Litigation

T +964 780 944 7000 ◆ **E** a.alshimary@etihad-law.com

Advises on corporate tax planning and compliance, withholding tax on contractor payments, tax treaties, tax audits and enquiries, social security registration and contributions, and the tax aspects of financial statements.



Anas Duraid

Associate, Head of Tax & Social Security

T +964 787 474 0007 ◆ **E** a.duraid@etihad-law.com

Lawyer and tax consultant advising on tax planning and compliance, withholding tax, tax audits, social security and financial statements across construction, energy, real estate and pharmaceuticals.



Rayaheen Raad

Associate, Social Security, Residency

T +964 787 474 0026 ◆ **E** r.raad@etihad-law.com

Advises local and international companies on corporate tax planning, compliance, withholding tax, tax audits, financial statements, tax assessments, and social security registration and contributions.



Essam Abdulkareem

Associate, Social Security

T +964 787 474 0040 ◆ **E** e.abdulkareem@etihad-law.com

Advises businesses on tax compliance, withholding tax, tax audits, financial statements, social security registration, employee contributions, inspections, and clearance procedures across various sectors.

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