

**LAW OF INVESTEMENT
IN KURDISTAN REGION-IRAQ**

In the Name of God, Most Gracious Most Merciful and Compassionate

**In the Name of the People
Kurdistan National Assembly- Iraq**

In accordance with the provisions of Paragraph(1) Article (56) of the Amended Law of the year 1992) and basing on the proposal of the Council of Ministers of Kurdistan Region-Iraq, the Kurdistan National Assembly-Iraq decided in its Fifteenth Session on 4th July, 2005 to enact the following Law:

**LAW No. (4) OF THE YEAR 2006
TEXT OF INVESTMENT LAW IN KURDISTAN REGION – IRAQ**

**CHAPTER ONE
PUBLIC LAWS
PART ONE
DEFINITIONS**

Article (One) :

The following expressions are defined as below:

(First) Region:	Kurdistan Region-Iraq.
(Second)-Government	Region's Government.
(Third)-Council:	Supreme Investment Council.
(Fourth) Chairman:	Chairman of the Supreme Council.
(Fifth) – Board:	Investment Board in the Region
(Sixth)-Chairman of the Board:	Chairman of the Investment Board.
(Seventh)-Project:	Any Economic Activity or Investment Project Conducted by an Ordinary or Incorporeal person on a plot allocated for him with a national or foreign capital applicable to the provisions of this law and the regulations and instructions, which have been issued by it.
(Eighth)-Taxes and Dues:	They include all the taxes and dues that are fixed as per the valid Legislations.
(Ninth) – The Investor:	The Ordinary or Incorporeal person who invests his possessions in the Region in accordance with the provisions of this law whether the investment is national or foreign
(Tenth)- The Concerned Sides:	These include all the governmental sides which are in charge of the sector related to the Project's affairs.
(Eleventh)- The Invested Money:	The Estimated Amounts in the national or foreign currency, which has been invested in the Project.
(Twelfth)- Foreign Capital:	It is what the Investor invests in Cash or Kinder or in the rights that have cash value in the Region.

PART TWO INVESTMENT FIELDS

Article (Two):

The provisions of this law are applied on the projects which the Board approves in the following sectors:

First: Transformational Industries, Electricity and the services related to them.

Second: Agriculture with its two parts: farming and livestock as well as forests and the services related to them.

Third: Hotels, Tourist, Recreation and Amusement Parks Projects.

Fourth: Health and Environment.

Fifth: Scientific and Technological Researches and Data Technology.

Sixth: Modern Transportation and Telecommunications

Seventh: Banks, Insurance Companies and other Financial Establishments

Eighth: Infrastructural Projects including Construction Projects, Reconstruction, Housing, Roads and Bridges, Railways, Airports and Irrigation and Dams

Ninth: Free zones Modern Shopping Centers, Modern Trade Markets and Consultancy Relevant Services.

Tenth: Education in all its stages within the framework of the Educational Policy of the Region.

Eleventh: Any other project in any other sector that the Council agrees to include with the provisions of this Law.

PART THREE DEALING WITH FOREIGN INVESTORS

Article (Three): _

The Foreign Investor and Foreign Capital are dealt with at equal footing with National Investor and Capital. The Foreign Investor has the right to own the entire Capital of any Project that he establishes in the Region under this law.

PART FOUR LAND ALLOCATION

Article (Four)

First: The Board in co- ordination with the concerned ministries and departments will pinpoint the recent Investment Project's locations or the future projects in each governments in accordance with the provisions of this law, and it shall mark their title deeds, explaining that those sites are specified for the Board's purposes.

Second: The relevant departments in co-ordination with the Board, will pinpoint and allocate the needs and the requirements of the Project such as the lands within the basic designs inside and outside the towns either by lease or (Musattaha) (i.e. long-term lease) with encouraging prices according to the regulations set by the Board exceptionally deviating from the provisions valid in the Region on selling or renting state properties.

Third: According to a proposal set by the Board, the Council has the right to convert land ownership allotted to the strategic projects for an encouraging price proposed by the Board or free of charge provided that the project's nature, significance and the public benefit are taken into consideration, exempting the valid provisions in the Region on selling and renting state properties.

Fourth: A sign prohibiting disposal shall be put on the plots which are allotted for Investment Projects in the records at the concerned Real Estate Registration Department. This ban is not removed without the written approval issued by the Board after the Investor has implemented all his commitments and concessions

Fifth: The Board is entitled and has the right , in order to secure its objectives, to get hold of the land owned absolutely by the State, free of charge and it transfers the ownership of the State lands under heavy obligations of rights of disposal after abolishing the disposal rights and compensating their owners fairly and properly according to the laws, regulations and instructions which are exercised in this respect.

Sixth : The Investor has the right to purchase and rent the needed areas of land and estate to establish, enhance ,diversify and develop the Project in accordance with provisions of this law within the boundaries of the area and period of time which are estimated in the light of the Project's aims and the real need provided that Paragraph (Three) of this Article is observed

Seventh The areas of land are parted and classified as per the needs and requirements for establishing Investment Projects in accordance with provisions of this law within the boundaries of the area which are estimated in the light of the Project's aims and the actual need as per specific regulations set by the Board exclusively and exempting the observed laws in this respect.

Eighth: Changing the Project's location is subject to the same basics and regulations for allotting an area of land for the Project for the first time.

Ninth : The concerned sides in co-ordinations with the Board provide the Public Services such as water, electricity power, sewage systems, Public Roads, Telecommunications.....etc to the borders of the Project, provided that the necessary and needed funds for this Project are allocated in the budget.

Tenth :In addition to the rights a foreign investor enjoys such as the right to possess and rent land and productive vehicles in accordance with the provision of this law, he has the right to purchase or rent for the benefit of his Investment Project housing plots, non-productive vehicles as the project requires. This occurs according to and after getting the approval of the Board and as per the regulations set by the Board for this purpose.

CHAPTER TWO
EXEMPTIONS AND OBLIGATIONS
PART ONE
TAX AND CUSTOMS TARIFFS EXEMPTIONS

Article (Five):

First: The Project is exempted from all the taxes and custom tariffs for a period of 10 years as of the date when the Project starts forwarding its services or the factual production date.

Second: Vehicles, tools apparatus, equipment and machinery which are imported from abroad for the Project shall be exempted from taxes and dues and stipulations for getting importation licenses provided that they are brought in through the Region's border crossing points within two years as of the date of the Chairman of the Board's approval on their lists and provided that they are only used for Project's purposes otherwise, they shall not be included within those exemptions and the Investor shall be obliged to pay the taxes and shall be penalized by paying a forfeit twice as much as the incurred tax.

Third : Spare parts imported for the Project shall be exempted from taxes and dues provided that their value does not exceed 15% of the devices, tools, equipment and machinery values basing on a previous resolution issued by the Board's Chairman who approves their lists and quantities

Fourth: Vehicles, apparatus, machinery, and tools needed for enhancing the Project developing or modernizing it shall be exempted from taxes and dues.

Fifth: Raw material imported for production are exempted from customs tariffs for five years provided that the types and quantities of such material are specified by the Board, giving priority to using the local, available and are quantitatively and qualitatively proper material for the Investment Project.

Sixth: The Investor has the right, in accordance with the provisions of this law, to import all the requirements of his Project such as vehicles, devices, apparatus, equipment, instruments, and supplies. These imported materials are exempted from all types of custom tariffs provided that they are imported from abroad through the borders' entry passages of the Region and are only used for the Project's purposes.

PART TWO ADDITIONAL EXEMPTIONS

Article (Six):

First: The Board, for the requirement of the public interest in the Region, has the right to grant the licensed Investment Projects additional incentives and facilities in accordance with the provisions of this Law. The Projects should be characterized by one of the following aspects and as per the regulations which the Board has set for this purpose:

- 1- The Projects which are established in the less developed areas in the Region.
- 2- The joint Projects between the national and foreign Investors.

Second : The Board has the right to grant the serviceable projects which are established in accordance with the provisions of this Law and as per their nature especially such Projects as hotels, hospitals, tourist towns, universities and schools, additional exemptions from the dues for its purchasing furniture ,carpets, moquettes and other requisites for the modernization and renovation purposes once every three years provided that they are imported to the Region and are used specifically for the Projects within one year from the date of the Chairman of the Board's approval on the Procurement List and their quantities.

PART THREE LEGAL INSURANCES

Article (Seven):

First: The Investor has the right to insure his Investment Project at any foreign or national company that he finds appropriate, accordingly, all the actions he implements are insured.

Second: The Investor has the right to use the local or foreign manpower needed for his Project. Priority has to be given to the local manpower as per the valid laws in the Region.

Third: The foreign Investor has the right to transfer abroad his capital's profits and interests in accordance with provisions of this law.

Fourth: Non-Iraqi laborers in the Project and those, with whom the Investor deals outside the Region, have the right to transfer their profits and wages abroad as per the valid laws.

Fifth: The foreign investor has the right to return his capital abroad on the liquidation or disposal of his Project provided that it does not contradict with the effective provisions of laws, custom tariffs, and taxation procedures.

Sixth: The Investor has the right to transfer his Investment wholly or partially to another foreign Investor or to a national Investor or to concede his Investment to his partner on the Board's consent. The new Investor will replace the previous one and he will enjoy the rights and commitments arising from the project.

Seventh: The Investor has the right to open, for the benefit of his licensed Project in accordance with the provisions of this law, bank accounts in the national or foreign currencies or in both in the Region or outside the Region's banks.

Eighth: Taking into consideration the valid laws regarding the joint-stock Company Committee Managements, the Projects registered in accordance with the provisions of this law, are regarded as private sector projects despite the legal type and the legal nature of the joint stocks in them.

Ninth: The Investor, as per this law, enjoys his right to keep secret the technical and economic information relating the Project and keep the Investment initiations according to the effective laws, regulations and information exercised in the Region. Anyone who betrays any information relating to the investment initiation, the technical or economic or financial sides of the Project he has possessed according to his post, shall be penalized according to the law.

PART FOUR INVESTOR'S COMMITMENTS

Article (Eight):

The Investor is committed to:

First: Defining his Investment's field regarding the Projects implemented by him, stating his financial status and the contracts he has executed.

Second: Reporting the Board that the Project has been completed and it started extending services or factual product.

Third: Offering the specialized Board staff the needed facilities relating to collecting and getting necessary information on various aspects of the Project for the purposes of the Board.

Fourth: Keeping special records with the imported material for the Project. These materials are exempted from custom tariffs in accordance with the provisions of this law.

Fifth: Maintaining environments safety, security, public health and abiding by the qualitative standardization and control systems according to the international standards.

Sixth: Training and rehabilitating local manpower in the Project.

PART FIVE LEGAL MEASURES UPON ANY CONTRAVENTION BY THE INVESTOR

Article (Nine):

First: Upon any contravention by the Investor of the provisions of this law or any paragraph in the contract implemented between him and the concerned sides, the Board shall warn the contravener and shall ask him to halt instantly the activity causing contravention and grant him an appropriate period of time to be determined by the Board and the nature of the contravention to remove it together with its traces.

Second: In case the Investor insists on not stopping or removing the contravention and its traces, in accordance with the provisions of Paragraph (First) above, the land will be retrieved from him and the Board shall take ownership of the installations which have been built on it by the Investor (if they existed) in due demolishing value in accordance with the provisions of the law, the new Investor for whom the land is allotted to complete the Project, shall bear paying this amount and shall be responsible for any damage resulting from his failure to fulfill his obligations to complete the Project in accordance with the provisions of this law.

Third: If the investor has secretly leased, wholly or partially, without the approval of the Board, the land which he has leased to others or a part of it which has not been used for the defined purpose, the whole land, the leased or the invested part of the land shall be retrieved from him and the Investor shall have to pay double the amounts he received for leasing the land used for other purposes and the amounts shall be retrieved from him in accordance with the provisions of the valid law in the Region on getting back the government debts. In case the land is wholly retrieved from him, the contravening Investor shall be treated in accordance with the provisions of Paragraph (Second) above-mentioned with regard to the installations built on it upon retrieval.

CHAPTER THREE
INVESTMENT FORMATION
PART ONE
INVESTMENT BOARD
ITS FORMATIONS AND TASKS

(Article Ten):

First: A Board shall be formed under the name of (Investment Board in Kurdistan Region). It shall have a moral status and shall have its financial and administrative independence. It is entitled to undertake all the necessary legal tasks for the implementations of the provisions of this law.

Second: The Board shall have a Chairman with the rank of a minister and it enjoys his rights and authorities. He is deemed responsible for running its work, supervising and monitoring its activities with all duties regarding the Board and its affairs. The following departments are related to the Board:

- 1- Studies and Information Department.
- 2- Circulation, Evaluating and Licensing the Project Department.
- 3- The Legal, Administrative and Financial Affairs Department.
- 4- The Industrial Cities and Zones Department.

Third: The Board shall be based in Erbil, the Capital of the Region and it may open branches in the Governorates of Kurdistan Region. Each of them shall be run by an official of director general's rank.

Fourth: The Board may start sections and sub-sections and merge them or abolish them when necessary.

Fifth: The Board's formations, departments and branches, their tasks and authorities shall be determined by a system to be set by the Board and approved by the Council.

Sixth: The Board shall create the suitable environment for investment so as to achieve economic development in the Region and to prepare investment strategies, plans and policies to be submitted to the Council for approval and carry out coordination with Board branches in the Region's Governorates.

Article (Eleven):

Whoever fills the posts of the Chairman of the Board and the Director General's post must have the following qualifications:

First: He must hold at least a university degree relating to the post he will fill.

Second: He must have experience and had carried out work in the field of his specialization for, at least, seven years.

Article (Twelve):

The resolutions issued by the Council as regards the Investment Projects shall be binding to all the concerned ministers and the departments in the Region for the purposes of this law.

Article (Thirteen):

The Chairman of the Board has the right of contracting with ordinary or incorporeal persons inside or outside the Region to carry out the tasks and duties he is designated to, in order to achieve the Board's aims. Their rights and commitments are determined by the Chairman of the Board

**PART TWO
INVESTMENT'S SUPREME COUNCIL**

Article (Fourteen):

First: The Supreme Council of Investments in the Region consists of the Prime Minister as its President and the Deputy Prime Minister shall be the Vice President and he will replace the President during his absence. The Supreme Council of Investments, also, consists of the membership of (the Ministers of Finance and Economics, Trade, Municipalities, Planning Agriculture and Industry) as well as the Chairman of the Investment Board.

Second:

1. The President of the Council has the right to call any other minister to participate in the Council's meetings for any project relating his ministry.
2. The President of the Council has the right to call private sectors' representatives concerned with the Project.
3. The Council sets its internal regulation system on the convention of the Council and the adoption of the resolutions during its sessions.

Third: The Council shall exercise the following powers:

1. Setting up the policies and strategies pertaining investment and which are proposed by the Council within the framework of the Region's general policy.
2. Approving the Board's plans and activity programs within the framework of the Region's general plan.
3. Considering carefully the periodic reports submitted by the Chairman of the Board on work progress within the Board and the affairs pertaining to the conditions and the investment status in the Region and taking the needed action.
4. Considering carefully the Board's financial status and approving its annual budget.
5. Approving loans and credit facilities which are submitted to the Board with the guarantee of the Government on the banks or the concerned funding corporations according to the set rules and regulations provided that they are restricted only to the purposes of funding the activities that the Board carries out within its specialization limits
6. Setting up a system for observing and monitoring, following up evaluating the accomplishments of the foreign Investors to identify any obstacles that they may face and to try to overcome them.
7. Approving the Board's Internal Regulation System.

**CHAPTER THREE
THE BOARD'S BUDGET**

Article (Fifteen):

The Board has a budget within the general budget of the Region's Government.

**CHAPTER FOUR
GRANTING LISENCES AND ARBITRATIONS
PART ONE
PROCEDURES OF GRANTING PROJECT LICENSES**

Article (Sixteen):

First: For the purpose of benefiting from the exemptions and the advantages stipulated in this law, the Investor must obtain a license issued by the Board for establishing the Project.

Second: The Board shall grant a license for establishing the Project on the basis of an application submitted by the Investor to it as per the conditions set by the Board. The Board must decide on issuing or not issuing the license within 30 days from the date when all the requirements and technical, legal and economic conditions have been met in accordance with the provisions of this law, while taking into consideration the rules and standards set by Board.

Third: The Board should seek the opinions of the concerned sides on the feasibility of issuing the establishing license. The above-mentioned sides should express their opinions whether they accept or reject the idea or if they request amendments within a period of time not exceeding 30 days as from the date of referring the application to it by the Board. Not responding to the request shall be deemed as accepting it. In case of reject, the resolution must state the reason.

Fourth: If the establishment application is rejected, the applicant has the right to abject it before the president of the Council within the period of 15 days from the date of his notification of the negative decision. The president of the Council shall consider the objection within a period of time not exceeding 30 days and his decision on this issue, is final.

**PART TWO
ARBITRATIONS**

Article (Seventeen):

Investment disputes shall be settled in accordance with the signed contract between the two sides and if there is no clause in it for this purpose, the dispute will be settled cordially and the two sides will come to an agreement. If the cordial settlement is impossible, the two sides may resort to an arbitration whose provisions are stated in the effective existing laws in the Region or in accordance with the provisions of the settlement of disputes that exist in any of the international or bilateral agreements in which Iraq is a side.

PART THREE FINAL RULES

Article (Eighteen):

First: The resolution of the Prime Ministry of Suleimaniyah Administration No, (89) of the year 2004 that encourages investment in the Region is, hereby, cancelled and the Investment Encouragement Board and its Formation under Article 16 of the afore-mentioned order shall replace it and its rights, obligations and all its movable and immovable properties shall be reverted to the Investment Board which is to be formed in accordance with the provisions of this law.

Second: All the Investment Projects which were licensed by the Investment Encouraging Board which was formed under the afore-mentioned cancelled resolution (Article One) and the investment projects which were licensed by Erbil Administration in accordance with the valid laws are legal and shall go on enjoying concessions, privileges and incentives granted to them.

Third: All the other projects are under study and evaluation and on which, so far, no final resolution has been issued by the cancelled board, shall be reverted to an Investment Board formed under the provisions of this law and the concerned departments in the Board shall continue implementing the procedures that were carried out by the cancelled board.

Article (Nineteen):

The investor is not permitted to own lands that contain oil, gas or any other precious or heavy mineral resources.

Article (Twenty):

The investor who carries out joint-stock investment projects should submit the necessary guarantees to protect the share holders, funds and amounts. The Board should take the needed insurance and banking measures to guarantee their rights.

Article (Twenty-one):

The Board's Accounts shall be subject to Auditing by the Financial Surveillance Divan.

Article (Twenty-two):

The cases, for which there are no provisions or texts in this law, shall be subject to the general rules included in the other relevant laws provided that their provisions do not contradict with the provisions of this law. If there is any contradiction, the provisions of this law are applied.

Article (Twenty-three):

The President of the Council has the right to issue the necessary directives and guidelines to facilitate the implementation of this law.

Article (Twenty-four):

The Council of Ministers and the concerned sides shall implement the provisions of this law.

Article (Twenty-five):

This Ordinance shall be implemented as from the date of its issuance in the Official Newspaper (Kurdistan Gazette).

(Singed by)
Adnan Rashad Al-Mufti
President of Kurdistan
National Assembly-Iraq.

CAUSATIONS AND JUSTIFICATIONS

This law was issued aiming to create encouraging status for investment in Kurdistan Region -Iraq to eliminate illegal constraints and obstacles, to permit the investment of National and Foreign Capital collectively or individually in the Investment Projects in such a manner as to contribute effectively to the economic development process and to render facilities and encouraging incentives and exemptions from taxes on the invested capital and establishing an Investment Board which is concerned with organizing the various aspects of Investment Operations in the Region.

Translated from Arabic
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