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# Self-Employment and Small Business Guide For Iraq

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## Acknowledgements

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# Self-Employment and Small Business Guide For Iraq



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Farmer (Photo: Muhammed Jalal)



## 1 | Summary and Usage of Information

### Background to Guide

The Iraq Self-Employment and Small Business Guide summarizes the key requirements for the establishment of small businesses in Iraq. It covers business structures, registration of trade names, requirements for sole traders, self-employed persons, partnerships and company registration.

It also covers the various permit and license requirements from different authorities, including municipalities, sectoral authorities and other relevant administrative agencies. The guide sets out specific requirements for different types of small businesses; from workshops to retail shops, restaurants to street traders, persons working in digital livelihoods to home-based businesses.

As the political context in Iraq transitions from humanitarian to developmental, it becomes increasingly important to promote opportunities for income generation and economic self-reliance for persons affected by conflict and displacement.

Many formerly displaced persons have returned to destroyed homes, businesses, land and assets, whilst public infrastructure, including roads, electricity grids, water and irrigation systems, have also been damaged or destroyed. This creates major challenges for persons wanting to set up their own business or create income-generating opportunities for themselves.

Youth unemployment is a particular concern in Iraq. Many young persons receive vocational training but can't find work. Consequently, many set up their own small businesses; often without knowledge of the requirements and procedures.

Despite the challenges, many formerly or presently displaced persons work in self-employment or have established small businesses. Self-employed persons can include those working as traders, delivery drivers, street-vendors, craftsmen or tradespersons (electricians, plumbers, carpenters, mechanics) or contractors.

Small businesses are defined in this guide as businesses employing ten or less persons. Common types of small businesses include workshops, shops, cafes, restaurants, kiosks, hair dressing salons, bakeries.

The guide is intended for a wide audience of legal and humanitarian professionals working with displacement-affected persons, including legal practitioners, livelihoods, humanitarian and youth workers as well as other professionals supporting persons with livelihoods opportunities, small business grants or the establishment of small enterprises.

## Structure of Guide

The guide is divided into different chapters and sections. Following the introduction, the **Glossary** in **section two** sets out key terms and definitions for easy reference. **Section three** provides a **General Overview** of registration and licensing requirements for self-employed persons and small business owners. **Section four** summarises the relevant **Legal Framework**, including key laws, regulations and government agencies responsible for approval and licensing.

**The fifth section** looks at the obligations for persons conducting commercial activities to be registered as **Traders**. **Section six** covers common types of local **Business Structures** including persons working as self-employed persons, company registration, partnerships, family businesses and home-based businesses. A definition of **Self-employment** is contained in **section seven**, along with the distinction between self-employed and wage-employed persons, including daily workers, gig workers and contractors.

Licensing and approval processes vary according to the nature of the business and **section eight sets out the Permit and Licensing Requirements** including vocational approval, municipal approval, occupational practice certificates and other necessary certificates including health certificates. **Section nine** provides details of **Sector-Specific Requirements** for different types of businesses from industrial workshops to craft and service industries, hospitality businesses to digital livelihoods.

**Section ten** sets out **Penalties for Non-Compliance with Licensing Requirements** whilst **section eleven** sets out **Tax** obligations for small business owners. As there are restrictions on the ability of foreigners, including refugees, to operate businesses in Federal Iraq and KRI, **section twelve** covers **Foreigners operating Businesses**. Finally, **section thirteen** sets out some the **General Business Obligations** that business owners and operators should be aware of. **Section fourteen** provides a list of **Information and Other Resources**.

The three annexes provide practical examples and checklists. **Annex 1** provides ten **Case Studies** of registration and licensing requirements for different sample businesses whilst **Annex 2** provides a **Checklist for Business Operators** and Traders. **Annex 3** lists the requirements for **Company Registration**.

## Keeping up to date

Rules, regulations, registration, licensing and permit requirements for small businesses can be complex and change regularly. All efforts have been made to ensure the information in the Guide is up to date and accurate as of November 2023. However, small business owners should make their own enquiries about registration and licensing requirements, check with local authorities or seek independent legal advice to be certain.

NRC accepts no liability or responsibility for actions taken or not taken or any losses arising from reliance on this guide or any inaccuracies contained in the guide.

**Significant efforts have been made by Iraqi authorities to simplify procedures for business registration and to ensure that processes are transparent and services are accessible. Information about registration procedures for local companies and individual entrepreneurs, including forms, offices and locations and opening hours of offices can be found on the [E-Regulations Baghdad](#) website. It is also possible to reserve a business name and register a business online at the [Ministry of Trade](#) site.**

Whilst Federal Iraq and the Kurdish Region of Iraq (KRI) have different legal frameworks, the majority of the laws and requirements governing commerce and trade are common. This includes the main civil and commercial laws such as the Civil Code, Law of Commerce, Civil Procedural Code, Law on Social Security and other important national legislation. However, this is changing as the KRI Parliament ratifies separate laws.

Users of the guide are advised to clarify any differences between Federal Iraq and KRI laws as necessary. The KRI continues to use the laws in Federal Iraq until and unless any separate laws on that topic are ratified by the KRI Parliament. Different laws and regulations are highlighted in part but details should be checked with local municipal authorities for accuracy.

The guide is based on research conducted by legal consultant, May Hadaya, with supplementary research from Al Tamini & Co. and Abeer Rafeeq.



Welder (Photo: Muhammad Majid)



## 2 | Glossary of Key Terms and Definitions

Term	Definition
<b>Administrative units</b>	Administrative units are the government authorities or agencies responsible for providing vocational licenses for traders and small businesses, mainly at the district and sub-district level. <sup>1</sup>
<b>Bank Certificate</b>	A Bank Certificate is necessary for the registration of companies in order to prove that the necessary capital of the company has been deposited in an Iraqi bank. <sup>2</sup>
<b>Certificate of Registration</b>	A certificate of registration proves that a company has been formally registered with the Ministry of Trade, Directorate of Register of Companies.
<b>Civil law</b>	Civil law is the body of law governing private relations between individuals, including contracts between individuals, obligations, liabilities, debts and property, including ownership, usage and rights over property.
<b>Commercial activities</b>	Commercial activities include the provision of goods and services, industrial activities, transportation, hospitality including restaurants, financial activities, real-estate, import/export and other activities conducted on a for-profit basis.
<b>Company</b>	A company is a legal entity authorized to practice business and registered as a company with the Register of Companies
<b>Craft or service activities</b>	Craft or service industries are defined as those involving manual work, handicrafts, traditional crafts or services, heritage products, simple and popular products that can be produced on a small scale, production of local products and small-scale activities that don't involve machinery or industrial activities. <sup>3</sup>

1 See section 8.1 (Vocational Licenses) for further information.

2 See section 17 (Annex 3: Company Registration) for further details.

3 See section 9.2 (Craft or service industries) for further details.



Term	Definition
<b>Digital Livelihoods</b>	Digital livelihoods cover persons working in the digital economy, such as on social media platforms, online sales or subscription platforms, providing digital or online services, working as programmers, coders, web-designers or providing other services to or through the digital sector. <sup>4</sup>
<b>Enterprise</b>	An enterprise is an individual project or business owned by one person, whereby the individual has sole financial responsibility and obligations.
<b>Freelancers</b>	Freelancers are self-employed individuals or individual contractors who earn money on a per job basis, usually for short-term work and often for a range of different employers.
<b>Financial capital</b>	A company's financial capital is the total of its assets minus liabilities. Assets include cash, credit, shares or other forms of company income. Liabilities include debts, loans, mortgage or other money owed by the company.
<b>Gig work</b>	Gig work is work conducted on a casual, ad hoc or contract basis outside of a formal employment relationship. It includes persons working as delivery drivers, contractors or consultants and people working in digital livelihoods on an irregular or non-standard basis. <sup>5</sup>
<b>Industrial activities</b>	Industrial activities include the manufacturing, processing or repair of goods and products. <sup>6</sup> This includes factories, workshops and other types of manufacturing or production facilities.
<b>Home-based businesses</b>	Typically small businesses operated by persons from home. This includes online businesses, as well as sewing, baking or other types of activities that can be conducted from home. <sup>7</sup>
<b>Joint stock companies</b>	Joint stock companies are companies in which shares are owned by multiple shareholders or investors. Shareholders can buy and sell shares in the company, allowing for transfer of ownership.
<b>Legal persons</b>	Legal persons are bodies established under law with the legal capacity to conduct business, such as companies, businesses, organisations and government agencies.
<b>Liberal professionals</b>	Liberal professions are those professions involving the provision of some type of intellectual services based on a specific professional qualification or skill. This includes, for example, engineers, doctors, artists, lawyers.
<b>Limited Liability Companies</b>	Limited liability companies are private companies whose owners are legally responsible for the debts of the company only to the extent of the amount of capital they have invested in the company.

4 See section 9.8 (Digital livelihoods) for further details.

5 See section 9.7 (Gig work) for further details.

6 See section 9.1 (Industrial workshops, projects and activities) for further details.

7 See section 9.9 (Home-based businesses) for further details.



Term	Definition
<b>Memorandum of Association</b>	The Memorandum of Association (also called Articles of Association) is a document that governs the establishment and operation of a registered company. It sets out the internal rules for management of the company, company structure, rights of shareholders and the powers of the management. <sup>8</sup>
<b>Natural persons</b>	Natural persons are individuals with the capacity to conduct business.
<b>Notary Public</b>	A person authorized to perform certain legal formalities, such as authenticating or witnessing documents, drafting and certifying contracts or deeds.
<b>Occupational practice certificates</b>	An occupational practice certificate is a certificate issued by a labour syndicate or occupational training body confirming that a person has the necessary skills and qualifications to work in that profession.
<b>Partnerships</b>	Partnerships are businesses operated by two or more individuals in which they share profits and liabilities in accordance with their partnership agreement. <sup>9</sup>
<b>Power of Attorney</b>	A Power of Attorney is a formal document authorizing a third party to represent someone, either for a specific issue or on general matters such as financial or legal matters. Powers of Attorney are typically issued to lawyers to authorize them to represent clients in legal matters, but can also be issued to family members or friends in order to represent someone.
<b>Sectoral authorities</b>	Sectoral authorities are those authorities responsible for supervising the practice of certain specific sectors, such as the Ministries of Agriculture or Tourism for specific projects. They often issue specific regulations governing different sectors.
<b>Self-employment</b>	Persons who work for themselves as 'own account' workers and are not in an employment relationship in which they are supervised and subordinate to an employer. <sup>10</sup>
<b>Service contract</b>	A contractual arrangement between a supplier and requester of services. <sup>11</sup>
<b>Shareholders</b>	Shareholders are persons who purchase shares in a company. Shares are units of value in a company which can be purchased and traded and which can increase or decrease with the value of the company. Shareholders are entitled to a proportional share of the profits of the company.
<b>Sole traders</b>	Sole traders are businesses owned and run by one individual; also often called sole proprietorships. <sup>12</sup> This can also include self-employed persons, shopkeepers or persons operating home-based businesses. <sup>13</sup>

8 See section 17 (Annex 3: Company Registration) for further details.

9 See section 6.3 (Partnerships) for further details.

10 See section 7 (Self-Employment) for further details.

11 See section 7.2 (Wage-employment and Self-employment) for further details.

12 They are also described as 'enterprises' or 'projects' in this guide.

13 See section 7 for further details.

Term	Definition
<b>Small business</b>	For the purpose of this report, a small business is defined as a business with ten or less employees. <sup>14</sup>
<b>Surety</b>	A surety is a guarantee, such as a financial guarantee or bond of money, paid to guarantee an obligation.
<b>Syndicates</b>	Syndicates are associations of workers or professional from a particular occupation or profession. They often play a role in regulating the standards of the profession.
<b>Tax clearance letter</b>	A tax clearance letter is issued by the Baghdad General Commission of Taxes to confirm that no taxes are payable by the applicant. <sup>15</sup>
<b>Traders</b>	Traders are natural or legal persons (entities) who carry out commercial activities in their own name as a profession. <sup>16</sup>
<b>Work contract</b>	Also known as an employment contract. The work contract is the contractual arrangement between an employee and employer which is subject to the conditions in the Labour Law. <sup>17</sup>
<b>Vocational license</b>	Vocational licenses are licenses issued by the relevant administrative authority, often district or sub-district authorities, authorizing a business to operate. Different requirements must be met and approvals obtained depending on the business. <sup>18</sup>

14 For further definitions of small business, see [Wikipedia Small Businesses](#).

15 See section 17 (Company registration) for further details.

16 See section 5 (Traders) for further details.

17 See section 7.2 (Wage-Employment and Self-Employment) for further details.

18 See section 8.1 (Vocational licenses) for further details.





Sweet Seller (Photo: NRC)

## 3 | General Overview

### Operating business in Iraq

Persons wishing to operate businesses in Iraq can do so under **different business arrangements**. If they practice commercial activities, they can **register as traders** with a registered business name or can **establish a company structure**. Registration as a trader is relatively straightforward, whilst setting up a company is much more complicated and expensive. **All traders must be registered with the Commercial Registry** unless exempted.

Persons operating under a company structure must additionally register their company with the **Office of Company Registration (OCR)**. Business registration can be done online on the [Ministry of Trade](#) webpage.

### Self-employed persons

**Self-employed** persons can work across a variety of sectors, with different types of registration requirements. Persons practicing commercial activities, such as shop keepers, must register as **traders**.

**Liberal professionals** may need to obtain an occupational license, depending on their particular occupation. For some liberal professionals or freelancers, no registration or licensing is necessary.

### Commercial activities

Iraqi law requires persons who practice any type of **commercial activity** to be either **registered and licensed** or **licensed only**.<sup>19</sup> Commercial activities are defined as including the provision of goods and services, manufacturing and industrial activities, provision of financial services, real-estate, hospitality and transport.<sup>20</sup>

Persons who are **self-employed** and conduct any type of commercial activity are considered traders and should register a business name, **unless they engage in small-scale activities**.

As they are not considered employees with a work contract, any work they perform will be undertaken through a **service contract** with the person contracting them. They have contractual rights and obligations under the Civil Code and Law of Commerce, not the Labour Law.

19 If a person is exempt from registration as a trader, they may still need to obtain a relevant local license, such as a health certificate if operating as a street trader selling food.

20 Section 5 of the Law of Commerce No. 30 of 1984.





## Liberal professionals

Persons who do not conduct 'commercial activities' but work as **liberal professionals or freelancers** are not considered traders. This includes persons working in intellectual, creative, scientific or technical professions, such as doctors, engineers, IT consultants, lawyers.<sup>21</sup>

Some liberal professions are regulated by professional associations or syndicates, whilst others are not regulated. Persons working in **regulated professions** must be members of their respective syndicates. There are no registration or licensing requirements for liberal professionals in **unregulated professions**, although all persons working in Iraq should be registered for tax purposes unless exempted.



## Registration, licensing and approval

Registration and license requirements for small businesses in Iraq, including sole traders and self-employed persons, depend on:

- ✓ The business structure chosen.
- ✓ Whether they engage in commercial activities or work as liberal professionals.
- ✓ The location of the business.
- ✓ The type of business or sector within which the business operates.
- ✓ Other business specific requirements.

Businesses, depending on their type or size, should be **registered, licensed through the relevant administrative unit and approved by sectorial authorities when required.**<sup>22</sup>

**Relevant administrative units** include governorate, district, and sub-district authorities who are responsible for particular administrative requirements. **Sectorial authorities** are those who regulate specific sectors, such as specialist government agencies i.e. the Ministry of Tourism, Ministry of Industry, Ministry of Agriculture, Ministry of Education, Ministry of Social Affairs, as well as labour syndicates or professional associations.<sup>23</sup>

**The financial capital of the business determines if registration as an enterprise or company is required.** An enterprise is an individual project or business owned by one person, whereby the individual has sole financial responsibility and obligations.<sup>24</sup> A company is a registered legal entity in which liability for debts and obligations are limited.

**Where the capital is valued above IQD 15,000,000 the business should be registered as an enterprise or company according to the relevant instructions.**<sup>25</sup>

**If the capital is below this amount, only registration of a trade name with the commercial chambers and licensing through the relevant administrative unit is required.** Businesses with capital of IQD 400,000 or more require an investment license.<sup>26</sup>

21 See [ILO International Standard Classification of Occupations \(ISCO\), ISCO 08 Structure](#).

This category is usually restricted to nationals.

22 Company law requires pre sectorial approval for some types of activities. See section 17 (Annex 3: Company registration) for further details.

23 For example, the Ministry of Culture, Tourism and Antiquities regulates the operations of hotels, restaurants, halls and other hospitality or tourism establishments whilst the Ministry of Agriculture regulates agribusiness.

24 An enterprise is also known as a sole proprietorship.

25 Ministerial Instructions No.196 of 2004 relating to the Registration of Domestic Companies. The registration of domestic companies with a financial value of more than fifteen million Iraqi dinars is subject to the approval of the Minister of Trade or his or her authorized representative.

26 Article 1 of Code of Investment Law No.2 of 2009. See also Law of Investment No. 13 of 2006 as amended and the Law of Investment (KRI) No. 4 of 2006.







## Vocational licenses

Licensing and approval of businesses occurs at the **administrative unit level, namely the governorate, district or sub-district level** depending on the nature of the business, **vocational approval must be obtained from different government entities** including municipalities who have different lists of requirements for different types of business.

This also depends on the location of the business. For example, commercial businesses, such as shops or restaurants, must generally be operated in areas designated as commercial by the municipality whilst industrial activities must take place in specially designated areas.

Once the application for the vocational license is made to the administrative unit, the unit will issue **letters for different authorities to obtain their opinion or approval on registration of the business.**

All businesses must meet the relevant **health and safety standards.** There are special requirements for businesses including factories, workshops or other businesses operating machinery. Businesses manufacturing, cooking, selling or serving food or drinks must obtain a **health certificate** which must be renewed on an annual basis.



## Occupational licenses

Business owners or operators must have the necessary **occupational license** for their occupation or business. This requires licensing from the **occupational training institutes, testing committees relevant labour syndicate or professional association.** For example, mechanics, carpenters, electricians or plumbers must all possess the necessary occupational license for their area of work.

Health professionals, including doctors, nurses and dentists must be licensed through their professional association. Every worker performing that occupation in the business must be properly licensed.



Leather worker (Photo: Muhammad Majid)





## Online information

For information about procedures, forms, costs and office locations for registration of local companies and local entrepreneurs, please consult the [E-Regulations Baghdad](#) website or register directly on the [Ministry of Trade](#) site.



## Step by Step Guide

The following guide provides a simple summary of the main steps for registration of small businesses;

### **STEP 1 Establish if it is necessary to register the business.**

Persons who are not engaged in commercial activities or engaged in small scale activities with low or insignificant cost and involving physical work or small engines or machines do not need to register as traders. Persons working as liberal professionals are not considered to be trader and are not required to register their business, although they may need to be members of their respective syndicate or professional organization. All other persons conducting commercial activities must be registered as traders.

### **STEP 2 If registration is necessary, decide what business structure to use.**

Persons can register as traders (natural persons) or establish companies (legal persons). Registration as a company limits the liability of owners, but is more complex and expensive.

### **STEP 3 Register a trade or business name.**

All businesses engaged in commercial activities in Iraq must register a trade name to operate as traders. See also the [Ministry of Trade](#) webpage.

### **STEP 4 Set up the business structure (trader or company)**

- For **sole proprietors/traders**, registration of the business name is enough.
- **Companies** must be registered with the Office of the Company Register.

### **STEP 5 Register for tax with the General Commissioner of Taxation.**

All businesses must be registered for tax purposes.

### **STEP 6 Register for social security with the Office of Pensions and Social Security if employing staff.**

Sole proprietors or self-employed persons do not need to register as, by definition, they do not employ anyone other than themselves.

### **STEP 7 Obtain the necessary vocational license for the business.**

Administrative units, will provide advice on the various certificates and approvals necessary for businesses. The business must be located in an area approved for that business purpose and meet the health, safety and environmental standards for that business. There may also be other requirements for particular businesses.

### **STEP 8 Obtain the necessary occupational license for that business.**

Persons working in certain specialized or technical areas must obtain the necessary occupational licenses for that profession. These are usually obtained from the relevant occupational training institute, testing committee, labour syndicate or professional association.





Al Nabi Market (Photo: Fared Baram/NRC)



## 4 | Legal Framework

Different laws, instructions, license and permit requirements govern the operation of businesses in Iraq at both the national and local levels. The Company Law regulates the establishment of business entities whilst individual traders operate under the Law of Commerce. Business transactions, including contracting, buying and selling of goods or services, entering into leases and other business arrangements are governed by the Law of Commerce. For issues not covered by other more specific laws, the principles of the Iraqi Civil Code operate by default to regulate civil relations between individuals. Consumers buying goods and services are protected by consumer protection regulations in Iraq. Depending on the nature of the business, sector-specific rules, regulations and standards may apply.



### Relevant laws

Some relevant laws for small businesses in Federal Iraq include the following:

- ✓ **Law of Commerce No. 30 of 1984** which governs the activities of individual traders/natural persons and regulates all trade activities for Iraqi businesses.<sup>27</sup>
- ✓ **Company Law No. 21 of 1997** which governs the establishment and operation of companies in Iraq. This includes requirements for company registration, different types of companies (e.g., limited liability companies, joint-stock companies), and rules for corporate governance.<sup>28</sup>
- ✓ **Civil Code No. 40 of 1951** which sets out the main principles for the regulation of civil relations between individuals and organisations, such as contracts, leases and sale and purchase of property. In the absence of a specific law governing the issue the relevant provisions of the Civil Code and other civil law principles apply to cover the gap.
- ✓ **Labour Law No. 37 of 2015** which sets out the rights and responsibilities of employees and employers in the workplace. This includes working conditions, leave entitlements, working hours, payment of wages, social security and pension, health and safety standards and procedures for termination of employment.<sup>29</sup>
- ✓ **Consumer Protection Law No. 1 of 2010.** This law sets out the rights of consumers and the obligations of traders and businesses providing good and services to consumers. The law contains protections on product safety, pricing of goods and services, rights of consumers, dispute resolution of complaints and access to product information.

27 The Law of Commerce governs the activities of natural persons, i.e. individuals who operate as traders.

28 The Company Law governs the activities of legal persons or entities, i.e. businesses set up under legal structures.

29 See also Labour Code No 71 of 1987 for KRI.





Other laws of relevance to small businesses include:

- ✓ Banking and finance laws and regulations.
- ✓ Health and environmental protection laws.
- ✓ Trademarks and intellectual property laws.
- ✓ Import, exports and customs laws and regulations.
- ✓ Laws for arbitration of commercial disputes.
- ✓ Property laws in relation to land, property and business assets.

Municipal level laws, rules, regulations and instructions are also highly important.



### Government authorities and administrative units

Government authorities usually involved in registration and licensing of business entities in Iraq include:

- ✓ The relevant administrative unit, typically at the governorate, district and sub-district level.
- ✓ The Ministry of Trade for the registration of trade names and company names.
- ✓ The Ministry of Industry when the project is industrial.<sup>30</sup>
- ✓ The Ministry of Health for issuance of health certificates, workplace health inspections or medical tests for workers.
- ✓ The Ministry of Labor for licensing entities involved in industrial service projects, social insurance and providing workers with occupational practice certificates (*Muzawalit mehna*).
- ✓ The Ministry of Interior for security approval in case of foreigners operating businesses in Iraq.
- ✓ The Directorate of Civil Defense for safety requirements.
- ✓ The Ministry of the Environment for environmental approvals and impact studies.
- ✓ Labor syndicates.
- ✓ Other specific Ministries for recommendations for licensing approval, depending on the location and type of business activities.

30 See also Labour Code No 71 of 1987 for KRI.







Fresh bread, Karrada (Photo: Omar Chatriwala/Wikimedia Commons)



## 5 | Traders

Any natural or legal person that conducts commercial activities in Iraq is considered to be a **trader**. Traders must be registered with the **Commercial Registry**, unless exempted, such as individuals conducting **any activity conducted at a low cost which depends on physical work or a simple type of mechanical machine**.<sup>31</sup>

### 5 1 Types of Traders

There are two broad categories of commercial or business trading operations in Iraq, namely **retail traders** or **legal traders**. **Retail traders are natural persons who carry out commercial activities in their own name as an individual**. The commercial activities of retail traders are governed by the Law of Commerce. Most retail traders are sole traders or sole proprietors.

**Legal traders are business entities or companies who are formally incorporated under the Company Law**.<sup>32</sup> Their activities are governed by the Company Law.

### 5 2 Commercial Activities

**Commercial activities are broadly defined** under the Law of Commerce and include the following activities when conducted on a **for-profit basis**:

- Buying, selling or renting real estate.
- Supply of goods and services.
- Import and export of goods.
- Industrial activities and the extraction of raw materials.

31 In KRI the relevant ministry is the Ministry of Trade and Industry.

32 See Company Law No. 21 of 1997, as amended by CPA Order No. 64 issued in February 2004.



- Publishing, printing, photography and advertising.
- Construction, restoration, demolition and maintenance contracting.
- Services of tourism offices, hotels, restaurants, cinemas, stadiums and theatres.
- Transportation of good or persons, including loading and unloading goods.
- Financial activities including bank operations, insurance, dealing in shares and bonds, commercial agency or commission work.
- Other miscellaneous activities including selling in public auctions and organizing parties or social events.<sup>33</sup>

## 5 3 Registration of Traders and Trade Names

Sole traders who engage in commercial activities must be registered with the **Commercial Registry**, have a business name, keep books of accounts and use their business name for commercial activities.<sup>34</sup> Business names must be registered with the Register of Trade Names and sole traders may use their own name as their business name.<sup>35</sup>

Businesses with a financial capital of less than IQD 15,000,000 should be registered with a **trade name at the Registry of the Chamber of Commerce and Industry (Commercial Registry) within thirty (30) days of opening**. Registration requirements are set out in the Code of Commercial Names System and Commercial Registry.<sup>36</sup> The **Ministry of Trade** webpage also provides a quick and easy portal for registration.

Applicants for a trade name must submit a registration application in the format issued by the **General Federation of Chambers of Commerce and Industry**.<sup>37</sup> The application must be submitted along with other documents to the **local Chamber of Commerce** and must contain the following information:

- The name, date, place of birth and nationality of the trader.
- The trade name and type of trade being carried on.
- The date of opening the business.
- The business address, including offices.
- Names of any agents.<sup>38</sup>

Other necessary documents include:

- Unified Iraqi card, or ID card of applicant, nationality card and housing card.
- Signed pledge that the business owner does not work as a public employee.
- Other documents may also be required.

33 Article 5 of Law of Commerce.

34 Articles 9 and 21 of Law of Commerce.

35 Articles 22 and 25 of Law of Commerce.

36 Code of Commercial Names System and Commercial Registry No. 6 of 1985.

37 Article 1 of Code of Commercial Names System and Commercial Registry No. 6 of 1985.

38 Article 33 of Law of Commerce. Agents are persons who are authorised to act on behalf of a business, such as when representing the business owner in their business affairs or establishing a new branch of the business.

Proposed names should be different from names already registered and the Chamber may refuse to register some names on certain grounds. These include names that are considered misleading in relation to the activities of the business, non-Arab names or names that are not in accordance with public morals.<sup>39</sup>

The local Chamber of Commerce checks that the proposed name is not registered for any other business in its database. If the applicant wants to protect the trade name across Iraq, the local Chamber of Commerce sends the application to the General Federation of Chambers of Commerce to make sure the name is not registered in another Chamber of Commerce elsewhere in the country. The General Federation then issues a letter confirming that the requested name has been registered nationally and collects the required fee. Decisions to refuse or reject a business name application may be appealed to a court of first instance within 30 days of notification of the decision.<sup>40</sup>

Small scale traders with capital of IQD 30,000 or less are only required to keep books that are consistent with the nature and scale of their activities in a manner which shows their financial situation. At a minimum they should keep journals and ledgers of their financial activities.<sup>41</sup> Annual balance sheets and profit and loss statements should be attached to the ledger.<sup>42</sup>

39 Article 7 of Code of Commercial Names System and Commercial Registry No. 6 of 1985.

40 Article 7 of Code of Commercial Names System and Commercial Registry No. 6 of 1985.

41 Article 12-13 of Law of Commerce.

42 Article 15 of Law of Commerce.



Fruit Stall, Ramadi (Photo: NRC)





Hairdresser (Photo: Alan Ayubi/NRC)

## 6 | Business Structures

Persons running businesses in Iraq may operate under **different business structures**. They may operate as **traders or freelancers**, in **partnerships with others**, in **family businesses**, in **home-based businesses** or through **company structures**.

Any person may register as a trader, although this is not necessary for small-scale businesses. However, anyone with financial capital over IQD 15,000,000 must register their business.

Persons who trade as individuals or in informal partnerships with others are **fully responsible for the liabilities of their business**, whilst persons who establish company structures are **legally protected by the company**. They are liable for debts and liabilities only to the extent of the assets of the company.

Registration as a trader is comparatively easy, whilst establishment of a company is more expensive and complicated. These are some of the factors to be taken into account by persons setting up small businesses.

The following session sets out some of the common business models.

### 6 1 Self-Employed Persons

Persons conducting commercial activities by themselves may **register as traders or establish their own companies**. If their business is small scale and low-cost there is no need to register.<sup>43</sup>

If they operate businesses that do not engage in commercial activities, such as liberal professionals, there is no need to register.

However, they may need to be a member of their relevant professional association or syndicate. Further information about the situation of persons in self-employment is covered in section 7.

43 Article 10 of Law of Commerce.



## 6 2 Company Structures

For persons who chose to set up company structures there are different options.

### 1. Simple Companies

Simple companies are established by between two and five persons, each of whom contributes capital to the company in the form of cash or labor. The Companies Law requires simple companies to have notarized incorporation papers. Business partners in simple companies must deposit a copy of the Memorandum of Association, listing the partners and their quotas with the Iraqi Office of Company Registration (OCR) at the Ministry of Trade (MOT). The minimum capital requirement is IQD 500,000.

### 2. Joint Liability Companies

Joint liability companies are established by between two and twenty-five natural or legal persons who are the collective business owners and each hold shares in the company in accordance with their financial contribution to the business or as otherwise agreed. The liability of the owners is unlimited and they participate in proportion to their respective shares in the company. The minimum capital requirement is IQD 500,000.

### 3. Limited Liability Companies — Mixed or Private

Limited liability companies can be formed by a single natural person (simple companies) or between two and no more than twenty-five natural or legal persons (joint liability companies). Owners are responsible for company debts to the extent of the value of their respective shares in the company. A mixed company can be formed by agreement between one or more legal persons from the public sector and one or more from other sectors, i.e., private, mixed, and/or cooperative, provided that public sector shares represent no less than 25 per cent of the total company capital. If the percentage of state-owned shares falls below 25 percent, the company is considered a private company. The minimum capital requirement is IQD 1,000,000.

### 4. Joint Stock Companies — Mixed or Private

Joint stock companies must be established by at least five natural or legal persons. They offer shares through public subscription. The shareholders are responsible for company debts to the extent of the value of their respective shares. Iraqi law requires insurance, re-insurance, financial investment, banks, and money transfer firms to be joint stock companies.<sup>44</sup> Founding shareholders must make a deposit of funds in a bank authorized to operate in Iraq at the time of incorporation.<sup>45</sup> The minimum capital requirement is IQD 2,000,000.

Further information about the procedures for the registration of companies is contained in Annex 3 (Section 17) of the Guide.

## 6 3 Partnerships

Many individuals form **partnerships** to conduct business together. Partnerships can be informal arrangements or partners can register their partnership as a trading entity or company.

Even if the partnership is not formally registered, it is recommended for partners to draft a written agreement setting out their roles within the business. Such a partnership agreement should be detailed enough to clarify arrangements between the partners and minimise the potential for future disagreement.

<sup>44</sup> Article 10 of Company Law. Financial investment companies are governed by the Company Law. However, their operations, are supervised by the Central Bank of Iraq in accordance with the Iraqi Central Bank Law No. 56 of 2003 and Financial Investment Companies Regulations No. 6 of 2011.

<sup>45</sup> Article 28 of Company Law.

It should cover the following issues:

- Roles and responsibilities of partners in relation to the daily operation and administration of the business.
- The financial contributions of each partner to the business, including respective shares in the business.
- Profit sharing arrangements between the partners.
- Financial and bookkeeping arrangements, including keeping records of income and expenditures, banking arrangements, authorisation to sign and to take out loans and incur debt, auditing, liaison with tax and other government agencies including Social Security.
- Decision-making and delegated or executive power for representing the business.
- Procedures for resolving disputes.
- Arrangements for closure or winding-up of the business and dissolution of the partnership, including distribution of income and assets, repayment of financial contributions and dealing with debts and liabilities.

## 6 4 Family Businesses

There are no specific rules or regulations for family businesses in Iraq and they can be conducted in the same way as other businesses; namely through an individual (e.g. father, mother, grandfather), partnership (such as between siblings or any family members) or through a company structure. Agriculture is largely a family enterprise and there is no legally recognized concept such as agricultural cooperatives in Iraq.

Minors of 15 years of age who are engaged in a family enterprise are allowed to work in the business provided they are under the authority or supervision of the minor's spouse, father, mother or sibling, and production in the family enterprise is for local consumption and does not employ workers.<sup>46</sup> The special protections owed to women under the Labour law are not applicable for women working in a family business.<sup>47</sup>

Disagreements between family members about the family business can be resolved through the provisions of the Civil Code and the courts if no other agreed solution is found between the parties.

## 6 5 Home-Based Businesses

Home based businesses are legal in Iraq and there are no rules or restrictions that are specifically aimed at home based businesses. Home based businesses can be operated by self-employed persons, in partnership or through a company structure. However, depending on the type and nature of the business, other permits, licenses or certificates may be necessary.

46 Article 98 of Labour Law.

47 Article 93 of Labour Law. See also Article 89 of Labour Code No 71 of 1987 still being applied in KRI.





Fresh Juice, Al Mutanabi Street, Baghdad (Photo: Safa Daneshvar/Wikimedia Commons)

## 7 | Self-Employed Persons and Sole Traders

### 7.1 Self-Employment Definition

A significant number of persons in Iraq may be considered as **'self-employed'**, including sole traders, contractors, freelancers, tradespersons, drivers, day laborers, owners of small shops, cafes or kiosks, persons working from home or gig workers. By definition, self-employed persons are those who are working for themselves and are not employed by an employer.

**Self-employed persons are not covered by the Labour Law. If they engage in commercial activities, such as buying/selling, manufacturing goods or providing services they are considered to be traders and must register a business name. However they are exempt if they do not engage in commercial activities or engage only in small scale trade, such as through the use of physical labour or small machines.<sup>48</sup> Self-employment is defined by the World Bank as covering "those workers who, working on their own account or with one or a few partners or in cooperative, hold the type of jobs defined as a "self-employment jobs" i.e. jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced.<sup>49</sup> This includes cases in which a person works for him or herself as an 'own account worker', and generates income directly from clients and from the service or goods provided, rather than being dependent on a salary from an employer.**

### 7.2 Wage-Employment and Self-Employment

Whether or not persons is considered as **'self-employed'** depends on whether or not they are in an **'employment' relationship** as defined in the Labour Law. Under the Labor law employees are defined as *"every person, male or female, who works under the supervision of an employer and is subordinate to the directions given by the employer, whether working based on written or verbal contract, working under training or probation based on intellectual work or muscle work and in exchange of a wage of whatever form."<sup>50</sup> There is no clear definition self-employment in Iraqi law, although the definition in the new Social Security Law provides optional coverage *"for every natural Iraqi citizen who is not insured or is an employer or someone who works for himself or works as a partner with others."<sup>51</sup> A **work or employment contract** is defined by the Civil Code as *"a contract in which one party undertakes to work for the other party, under his direction, supervision and management, in return for a wage, where the worker is a private worker."<sup>52</sup>***

48 See Article 10 of Law of Commerce.

49 World Bank definition of self-employment as contained in [World Bank Meta Glossary](#).

50 Article 1 of Labour Law.

51 Article 1(27) of Labor and Social Security Law No. 18 of 2023.

52 Article 900 (2) of the Civil Code.



The supervision criterion aims to distinguish between a worker and a self-employed person. A contract agreed between a self-employed person, and a service requester is usually called a **service contract** and is governed by provisions of civil or commercial laws. When a person is **sub-contracted for work, or performs work for others under a contractual arrangement or on a flexible or ad hoc basis**, it can be difficult to determine if a person is in **self-employment or wage employment**. The difference is important.

**Wage employees are covered under the Labour Law** and are entitled to employee rights and benefits under the law including safe working conditions, the minimum wage, leave entitlements, limitations on working hours, payment of overtime, social security entitlements including pensions, coverage of medical expenses for workplace injuries and protection from unfair dismissal.

**Self-employed persons or contractors are not covered by the Labour Law** but are considered to be in a '**contractual relationship**' with the person commissioning them for the work. For example, a plumber who fixes a leak in a bathroom for a home owner has a contractual relationship (not employee relationship) with the home owner. In the event of a dispute, such as non-payment of money owed, contractors must claim their contractual rights under the provisions of the Civil Code.<sup>53</sup>

In deciding whether or not a person is considered a wage employee under the Labour Law, Iraqi courts will take account of the description of the relationship in agreements between the parties (verbal or written), remuneration paid and the facts in relation to the performance of the work. A key issue is whether or not there is a subordinate, supervised relationship between the parties.<sup>54</sup>

Self-employed persons are subject to the provision of the Law of Commerce or Civil Code. They may be engaged in civil or commercial activities. **Commercial activities** cover the trading activities of shops, restaurants and other businesses whilst **civil activities** cover the work of liberal professionals, such as doctors, engineers, accountants, or consultants.

## 7 3 Daily Workers

**Daily workers** can be considered employees if they work under the subordination and supervision of an employer for a wage, even for a short time. However, if they work with a degree of independence or autonomy they would be considered self-employed persons working under a service contract.

## 7 4 Home-Based Businesses

In practice many persons in self-employment in Iraq operate **informally**, i.e. without being formally registered or licensed.<sup>55</sup> As persons conducting small or low cost trade are not considered traders, there is no need for them to formally register their business. They are not considered to be informal workers, unless they operate without a sectoral or occupation-related permit or license that they are required to obtain for their business.

Although there is no need for registration of small-scale self-employment, there are **advantages to formal registration**. It provides a form of legal protection and may avoid problems with authorities. Depending on the type of commercial activity, some self-employed persons may require licenses, permits or certificates. Street vendors may require a permit to work in a certain area as well as a health certificate. Electricians require an occupational license from their labour syndicate. Formal registration can also provide a guarantee for the general public that the business meets the relevant national standards. However, it's important to note that persons working in informal self-employment can still claim their rights in courts under civil and commercial law. This includes the rights to unpaid money or to other rights under the service contract agreed between the parties in writing or verbally.

53 See also [NRC Guide to Employment Rights in Federal Iraq](#), July 2023, pp 8, 25; and [NRC Guide to Employment Rights in the Kurdish Region of Iraq](#), July 2023, pp 7, 22

54 See [NRC Guide to Employment Rights in Federal Iraq](#), pp 8, 25; and [NRC Guide to Employment Rights in the Kurdish Region of Iraq](#), pp 7, 22.

55 See for example the [ILO: A Diagnostic of the Informal Economy in Iraq](#), p14-15.





Female Tailor, Mosul (Photo: Helen Barker)



## 8 | Permit and Licensing Requirements

In addition to registration as a company or trader, small businesses may need to obtain other licenses, permits and certificates to operate and to meet all national, local and sectoral requirements. Typically these will include:

- **Vocational licenses**, normally issued by the relevant administrative unit at the district or sub-district level.
- **Occupational licenses**, normally issued by sectoral or professional authorities such as syndicates.
- **Other certificates**, such as health certificates.

### 8.1 Vocational Licenses

In order to practice a particular type of vocation or work, businesses must obtain a vocational license. These are issued by the relevant administrative unit, at the governorate, district or sub-district level.<sup>56</sup> Administrative units can confirm which vocational licenses are required for different types of businesses within their municipality and which authorities will provide the necessary approval.

#### 8.1.1 Licensing Process for Vocational License

Applications for vocational licenses must be submitted manually, although authorities are gradually moving to online services.<sup>57</sup> The administrative unit will then issue letters to the relevant authorities to obtain their opinion and/or approval for the business application. The approvals will depend upon the type and nature of the business and can include approvals from the following government authorities:

- **Security.**
- **Municipality.**

56 Governorate Law No. 38 of 2008 and Governorate Law No. 3 of 2009 (KRI). Municipalities were previously responsible for issuance of licenses within municipal borders.

57 See for example the [Ministry of Trade](#) site.



- Environment.
- Health.
- Tax.
- Civil Defense.
- Police.
- Electricity.
- Counter-terrorism(*Mukafaha*).
- Other authorities depending on location of the business.

All authorities require a security clearance before providing the approval.

As an example, approval for an oil pipeline outside of municipal boundaries will involve approval from the Communications Directorate, Master Planning Directorate, Directorate of Roads and Bridges, Directorate of Antiquities and the Directorate of Water Resources.

## 8 2 Municipality Approval

The **role of municipalities** is limited to providing approval for licensing if the place of business is within the municipal borders.<sup>58</sup> The municipality assigns different areas within the municipality for different types of economic and service activities. This includes allocating land or space for street vendors, markets, industrial services or commercial or retail activities.

Municipalities have general requirements for providing approval and permission to use municipal land for business activities. They will only approve activities if practiced from certain areas allocated for this purpose by the municipality. The size of the business and type of activity determine the area where it can be practiced. To obtain approval, the business owner must submit a detailed plan of the area and sketch of the premises. Certain conditions must also be met in relation to the minimum space necessary for the business, the location of the business and other issues. Any building violations in relation to the building should be dealt with in accordance with Decision No. 35 of 2001.

Businesses operating in informal areas or areas without proper planning approval cannot be licensed or approved to operate. However, as a de facto situation the municipality is obliged to provide services to these areas pending regularization of the situation. This includes the provision of water, electricity, roads and drainage.

## 8 3 Environmental Approval

Under environmental protection laws in both Federal Iraq and KRI, **environmental approval** is required for all businesses which may impact the environment, before providing any license for practicing any type of activity.<sup>59</sup> Environmental approval is defined as a “document issued by the Ministry of the Environment allowing the practice of specific activities from an environmental point of view.”<sup>60</sup>

58 Previously, the municipalities conducted the whole approval process.

59 According to the Law of Environment Protection and Development Law No. 27 of 2009 in Federal Iraq and the Law on Environmental Protection in KRI No. 8 of 2008. See also amended instructions of No. 6 of 2001.

60 Article 1 of Law No. 27 of 2009.

Environmental monitoring committees are also established under the law with the right to visit any site and make sure that environmental conditions and requirements are respected. Punishments for violation of the law include warnings, sentences of imprisonment and fines. The punishment may be doubled in case of repeat violations.<sup>61</sup>

Documents required for the environmental approval include the following:

- A title deed.
- A lease, investment, or other type of contract.
- Pre-approvals if any.<sup>62</sup>
- Approval of the relevant municipality if the business is within the municipal boundary.
- Approval of the relevant administrative unit at district or sub-district level in case the project falls outside the municipal boundaries.
- Study of the environmental impact of the project with a map of the project.
- Certified pledge signed by the business owner agreeing to implement any recommendations in any environmental impact report prepared in relation to the property. The pledge is in the format prepared by the Legal Unit of the Environment Directorate.

If the project involves agricultural land and falls outside the municipal boundaries, further information is required including:

- A detailed information report from the Directorate of Urban Planning in the governorate specifying the distance of the business from cities, villages or other population centres, as well the distance from the site from the closest public roads.
- An inspection report from the Directorate of Agriculture in the governorate including all information about the nature of the land site and its adjacent lands as well as its agricultural categorization, and the opinion of the Directorate on the establishment of the project on the site. A site map must also be provided.
- A letter from the Directorate of Water Resources, detailing the distance from the site to public water (namely, rivers and their tributaries, lakes, marshes and drains).

## 8 4 Health Licenses

Under the Public Health Law, all public places require a health license before they can open.<sup>63</sup> Health licenses are required for the following premises; hotels, hostels, public cafes, food and beverage kiosks, family parks, casinos, coffee and tea shops, bakeries and pastry shops, restaurants, food and beverage preparation shops, ice cream and dairy preparation workplaces, food supply shops, shops selling meat, fish, dairy, eggs and animal products.<sup>64</sup>

61 See Articles 33-34 of the the Law of Environment Protection and Development in Federal Iraq No. 27 of 2009. Punishment for violations in Federal Iraq include a 10 day notice period to remedy the violation, closure of premises for 30 days and a fine of between IQD1-10 million. For KRI, see Article 42 of the Law of Environment Protection in KRI No. 8 of 2008. Punishment for violations includes a one month prison sentence or a fine of between IQD 150,000 to IQD 200,000.

62 Pre-approval may be required for some type of projects, for example agricultural projects. As an example, for livestock or poultry projects conducted outside of municipal boundaries, approval is required from various agencies including directorates of the environment, water resources and the directorate of roads and bridges.

63 Public Health Law No. 89 of 1981.

64 Article 1 of the Instructions for the Conditions of Granting a Health License No. 8 of 2000.

In order to obtain a health license, the application form along with the following documents should be submitted to the Health Monitoring Departments:

- Proof of property ownership or lease agreement.
- Tax clearance from the taxation office.
- Municipal approval.
- Environmental approval.
- Medical test for the applicant and workers with results indicating that all persons are free from any transmissible disease.
- ID, residency card or passport for the applicant.
- Practice certificate from the Labour Syndicate for some professions (see occupational practice certificates).<sup>65</sup>

Additional documents are required for refugees in KRI, namely:

- Security and police approval for Syrian refugees.
- Residency support letter (for refugees in camps).

Upon submitting the completed application, the Health Monitoring Department will conduct an inspection visit to check the conditions in the premises. The inspectors also check the general conditions for safety and security requirements in the workplace as well as the workplace design.

Special conditions are required for different types of public workplaces. For example, for food preparation shops like fast-food restaurants the following is required:

- The building must be clean and easy to clean.
- The premises, including kitchen, must be well ventilated.
- Conditions in the premises must be safe and healthy.
- Kitchen equipment must be sufficient for food and drinks preparation.
- A proper source of water must be available.
- Cafes and family parks should have healthy restrooms.
- Restrooms should be isolated from food and drinks preparation.
- The facilities must meet minimum space requirements for different areas for food and drinks preparation as well as food and drinks consumption on the premises.
- Sufficient refrigeration must be available.
- Sufficient dishes must be available for serving food.
- There must be available storage space for food products.
- The restaurants must have adequate furniture in accordance with the category of restaurant.

65 See Articles 2, 4 of the Instructions for the Conditions of Granting a Health License No. 8 of 2000.



- The restaurant must have safe ways of dealing with insects and vermin.
- Bins must be available for garbage.<sup>66</sup>

There are separate detailed requirements for different types of premises including; food preparation space, cafes and family parks, bakeries and premises with ovens, dairy production, shops selling food supplies, shops selling meat, dairy, eggs and animal products, shops selling red meat and poultry and shops selling fish and seafood.<sup>67</sup>

Fees for inspections, license, renewal of license, opening or closing workplaces and other services vary depending on service type and range from IQD 2,000 to IQD 25,000.<sup>68</sup> The health license is issued for a one year period and must be renewed within the first two months of every year. Restaurant and café owners are obliged to ensure that staff wear appropriate sanitary clothing, especially when preparing food, and any health-related issues must be reported to the relevant health authorities immediately.<sup>69</sup>

## 8 5 Registration with Social Security

If a business employs one or more workers it must be registered with the **General Organisation for Pension and Social Security (GOPSS)**, unless the workers are employed on a casual basis. In order to register and obtain a social security number, the business must first pay the GOPSS a withholding deposit of social security contributions based on the number of employees and estimated payroll for three months. The GOPSS then issues a social security number and a letter indicating that payments have been made. Social security payments are then made on a quarterly basis.

Social security amounts to 17% of employee salaries. The employer's contribution is 12% and the employee's contribution is 5%. Payments are made by employers through certified cheques to the GOPSS. The initial step of registering with the Ministry of Labor/GOPSS and obtaining the letter takes about one week. There are fees associated with this procedure.

Business owners whose business are not registered for social security are subject to fines of five times the required social security contribution. Under the new Social Security Law self-employed persons have the option to register for social security coverage.<sup>70</sup>

Labour syndicates and industrial unions coordinate with the Ministry of Labour in relation to the proper application of the Labour Law and pension and social security law.

## 8 6 Occupational Practice Certificates and Professional Qualifications

**Occupational practice certificates** (*Muzawalit Mehna*) are necessary for workers in **certain skilled industrial or manual trades** (electricians, plumbers, carpenters, mechanics, etc.). All workers performing skilled occupations within the workplace must be appropriately qualified for the activity they are performing and have the relevant occupational practice certificate. The Department of Labour and Social Security provides details of which occupations require occupational practice certificates.

**Liberal professionals**, such as doctors, dentists, nurses, engineers, lawyers, accountants, must have the relevant professional qualifications to practice and must be registered with their professional association (*Naqabat Mehania*). These include the Iraqi Union for Accountants and Auditors, the Iraqi Medical Association, the Iraqi Bar Association and other labour syndicates.

66 See Articles 7-8 of the Instructions for the Conditions on Granting Health Licenses No. 8 of 2000.

67 Article 7 (1)-(11) of the Instructions for the Conditions on Granting Health Licenses No. 8 of 2000.

68 Announcement No. 70 of 2009 on Health Monitoring Service Fees.

69 Article 6 of the Instructions for the Conditions on Granting Health Licenses No. 8 of 2000.

70 Article 1 (27) of the Labor and Social Security Law No. 18 of 2023.

## 8.6.1 Licensing Process for Vocational License

Occupational practice certificates are provided by **occupational training institutes, or testing committees**.<sup>71</sup> Testing committees conduct tests for business owners or workers, as well for persons who are referred by the Department of Labor and Social Security. Certain persons are exempted from obtaining occupational practice certificates for their occupation including persons with:

- Existing occupational certificates.
- Certain post-secondary or tertiary certificates or qualifications, such as a bachelor's degree in engineering or a diploma.
- Vocational school certificates or a certificate from a vocational training centre together with one year of practical experience.

To obtain an occupational practice certificate, a person must complete a course of occupation training. The training is conducted by the Department of Occupational Training within each governorate.<sup>72</sup> In order to participate in occupational training, applicants must:

- Be physically and mentally fit, depending on the nature of their occupation.
- Be registered in the Recruitment and Loans Database (*al tashgeel w alqurudh*), for certain types of training.
- Have a primary school certificate or proof of literacy certificate equal to grade four of primary school.

Trainees must achieve a minimum 60% grade for both the written and practical tests in order to meet the occupational standards. The Iraqi national credential framework<sup>73</sup> covers ten occupational and technical levels from Experience Level 1 (the lowest level ) to a PhD at Level 10 (the highest level). Occupational training centres provide certificates for only the first four levels.

Current fees are as follows:<sup>74</sup>

- Medical services, laboratory fees, and health cards for occupational certificates - IQD 5,000.
- Occupational health and safety licenses - IQD 150,000.
- Occupational certificate test, ID and certificate – IQD 150.
- Registration certificates – IQD 10,000.
- Occupational practice certificates per worker – IQD 2,000.
- Site visits – IQD 3,000.

As well as Occupational Training Centres, **labour or professional syndicates** also issue occupational certification.<sup>75</sup> Syrian refugees in KRI are only provided with support letters to the governorate and the OPSS confirming registration with the relevant labor syndicate.

71 Testing committees are established under Instruction No. 10 of 2001.

72 In accordance with Occupational Training Instruction No. 2 of 2018.

73 Iraqi National Credential Framework No. 99 of 2021.

74 Instruction No. 10 of 2017.

75 Under Article 28 of Law No. 52 of 1987.



## 8.6.2 Ongoing Compliance with Occupational Standards

Different authorities have responsibility for ensuring that the requirements for occupational licensing and compliance with professional standards are maintained. These include the following:

- Inspection and Follow Up Committee at the Directorate of Labor and Social Security who conduct inspection visits to check if the requirements and conditions for registration certificates are met.<sup>76</sup>
- Inspection Division at the National Centre for Occupational Health and Safety who are responsible for health and safety inspections and for granting approvals for economic activities covered under the Industrial Services Law.
- Civil defense authorities who are responsible for the inspection of factories and ensuring the safety of other projects under the Law of Civil Defence.<sup>77</sup>

If a workplace is found not to meet the occupational safety requirements, the workplace inspector will submit a report to Minister of Labor and may recommend that the workshop be closed. This can also happen when the necessary work tools or machines are no longer available or where a violation is reported in the workplace. Violations of the Law on Industrial Services are punishable by a sentence of imprisonment of up to one year and a fine of IQD 5,000.

76 See Article 3 of Law on Regulation of Industrial Services No. 9 of 2001.

77 Under the Law of Civil Defense No. 44 of 2013.



Poultry Market (Photo: Muhammed Jalal)





Electronics Shop (Photo: Alan Ayubi/NRC)

## 9 | Sector Specific Requirements

**Sector-specific requirements exist for different businesses.**

For example food production businesses or restaurants must comply with all health and hygiene standards for food production.<sup>78</sup> Health providers, such as doctor, dentists and health clinics, must comply with appropriate health sector standards. Skilled professionals require licenses from their respective professional bodies. Tradespeople, such as builders, electricians, plumbers, require occupational licenses from the Labour Syndicate. Shopkeepers, restaurant, café owners and street traders require permits from the local municipality.

Additionally, there may be municipal or urban planning regulations for certain types of businesses such as retail or office buildings, industrial, mining or agricultural businesses. These could include restrictions in relation to noise, pollution or hazardous activities.

**Details of requirements for the registration of small businesses can be obtained from the municipality. This includes requirements per business sector.**

The following section covers requirements for selected sectors including; (1) industrial workshops, (2) crafts or services, (3) retail shops, (4) restaurants and cafes, (5) liberal professions, (6) street vendors, (7) gig workers and digital livelihoods, (8) home-based business and (9) small business in camps.

### **9 1 Industrial Workshops, Projects and Activities**

**Industrial activities** include the manufacturing, processing or repair of goods and products.<sup>79</sup> This covers factories, workshops, oil or petroleum processing or refining, food or drinks production plants, construction or manufacture of building materials, manufacture of machines, tools, vehicles, equipment or furnishings, clothes production, mechanics workshops, cleaning businesses and many other activities of an industrial nature.

According to the Directorate of Industrial Statistics some of the most common small industrial activities in Iraq include furniture manufacturers, metal works, clothes factories and sewing businesses and bakeries.<sup>80</sup>

78 See Instructions on the Conditions for Granting Health Licenses No. 8 of 2000.

79 See also Article 1 of Regulation on Industrial Services No. 9 of 2001.

80 2018 survey report of the Directorate of Industrial Statistics. At that time 25,747 small industries were registered across Federal Iraq, excluding the KRI.





### 9.1.1 Registration of Industrial Projects and Activities

The **registration and licensing of industrial projects** in both Federal Iraq and KRI is regulated by the Law of Industrial Investment.<sup>81</sup> This covers factories producing products, for example food products. The General Directorate of Industrial Development within the Ministry of Industry and Minerals is responsible for the registration and development of all industrial projects, including big, small and medium (SMEs) for the private and public/private sectors. Industrial projects must also register separately with the Iraqi Industrial Union.

Business owners or investors must submit applications for registration to the General Directorate of Industrial Development. The procedures for registration and approval are detailed in the 2022 Working Instructions issued by the General Directorate. This includes procedures for licensing industrial projects which are under establishment as well as licensing completed projects.

Applicants must have Iraqi nationality, be over 18 years and have a business name for the workshop or workplace. Registration can be made in the name of an individual or company.

Minimum requirements for registration are specified in Instruction No. 8229 of 1979. In order to qualify for registration as industrial projects with the Industrial Union, projects must meet both general and specific registration requirements.

General registration requirements include:

- Approval by authorities for the location of the industrial activity or project.
- Environment approval.
- Workplace compliance with all labour law requirements for workers, including health and safety standards for machines, tools and equipment.<sup>82</sup>
- Registration of any industrial machines with a notary public.
- Registration of the industrial business with a trade name certificate.
- Registration of trademarks or product logos.

Special requirements may also be necessary, depending on the industrial activity being conducted. This may include a minimum number of machines or particular types of machines for certain types of industries. For example, a minimum of four machines must be available for a sewing business to qualify for registration as an industrial activity.

A separate law regulates industrial workshops, such as car mechanics workshops. Industrial Service Law No. 30 of 2000 covers the different workshops providing maintenance services for example car maintenance, car electricians, replacement of car tyres, car washing and so forth.

### 9.1.2 Occupational Practice Certificates for Business Owners and Workers

A relevant **educational or occupational practice certificate** is required for opening an industrial service project. Owners of workshops who have no occupational practice certificate or previous experience, can only register if they are employing technicians who have the required educational or occupational practice certificate. All persons conducting maintenance and repairs of vehicles, machines, tools, devices and similar mechanical assets must have the appropriate occupational practice certificate.

81 Law of Industrial Investment No. 20 of 1998; also the Regulation on Industrial Services No. 9 of 2001 and the Industrial Service Law No. 30 of 2000 which regulates the different workshops providing maintenance services for example car maintenance, car electrician, tyre, replacement, car washing.

82 See for example Article 2 of the Regulation on Industrial Services No. 9 of 2001.

The Ministry of Labor and Social Security is responsible for the registration process and provision of the occupational practice certificates for workers. The Ministry has three directorates, namely (1) the Office of Pension and Social Security Directorate (OPSS), (2) the Centre of Professional Health and Safety, and (3) the Directorate of Labor and Vocational Training. All three directorates are involved in the licensing of industrial services.

### 9.1.3 Land Usage for Industrial Service Workshops

Industrial areas are allocated by the municipality. Lands assigned for industrial service can be rented from the relevant authorities if publicly owned by those authorities. A rental fee of three per cent of the land value is payable annually. The rental fee is re-evaluated every five years and the owner of the workshop is entitled to continue to use the land provided they continue to work in the vocation for which the land has been allocated.

## 9 2 Craft or Service Industries

**Craft or service industries** cover tradespeople such as electricians, carpenters, plumbers, tilers, but also the manufacture of handicrafts or hand-made goods, beauty and hairdressing salons,

Businesses categorised as 'craft' or 'service' activities are exempted from the requirements of the Law on Industrial Investment pursuant to the Instructions on Exemption of Craft and Service Projects.<sup>83</sup> According to those instructions a business is considered a **craft or service activity** (not industrial) in the following cases:

- **Manual work which is predominant over mechanical work** or the project depends on individual work and not work by machines.
- Work performed **with manual tools and instruments** which are more valuable than machines and mechanical tools or where the **intellectual work is dominant** over any mechanical or manual outputs.
- Production of **simple and popular products that can be produced in small properties** such as in homes or apartments, shops or kiosks.
- Where the project produces **traditional crafts or provides traditional services** learned from elders which are produced in small units.
- **Heritage projects with artistic features that depend on the technical competence of the worker.**
- **Small projects** where services and products provided cover local need only.
- **Small projects that have existed for a long time without objection from the authority** and do not require development or support from the state.
- **Small projects that lack one or more of the basic components of an industrial project;** namely, integrated mechanical production lines, availability of suitable property for production, storage and other facilities, producing industrial goods on a commercial scale with a clear industrial production and commercial objective in the project, existence of administrative and accounting systems, planning, management, technical expertise and availability of the appropriate capital for the establishment, operation and management project.

The requirements for organizing the work of crafts, services and small projects mentioned above are set out in the Instructions on the Requirements and Conditions of Craftsmen.<sup>84</sup>

83 Instructions on Exemption of Craft and Service Projects from Provision of the Industrial Investment Law No. 4 of 1983.

84 Instructions on Requirements and Conditions for Craftsmen No. 1 of 1984.

These instructions require:

- Prior approval for the use of homes as a workplace.
- Health licenses for food-based projects.
- Written confirmation from the General Directorate of Industrial Development that the project does not qualify as an industrial project.
- Other conditions may also be applicable.

## 9 3 Shops

**Shops in designated commercial areas** have minimal municipal restrictions. These areas are based on approved area master plans for commercial usage.

However, applications for **shops in residential areas** must be submitted to the relevant municipality who will conduct an inspection visit to check if the relevant conditions are met. This will depend on the nature and type of shop. General requirements are as follows:

- The distance between two shops must be at least 150m.
- The shop must be at least 150m away from the nearest commercial area (market, commercial street).
- The shop must be a minimum of 100m away from the borders of girls' schools (secondary or high schools).
- Shop space should not be less than 8m<sup>2</sup> and no more than 20m<sup>2</sup>.
- The shop must be built in accordance with the relevant building code for the residential area.

It might be necessary to obtain approval of the neighbor, including neighbors across the streets, when the street width is less than 20m. The applicant usually signs a pledge to which the neighbors agree. The application must also be supported by the municipality. If the shop involves sectors where a health license is required (such as sales of food products or supplies) the application must follow the necessary process for health licenses.<sup>85</sup> Shops that do not require health licenses require approval from the relevant administrative unit (usually the municipality) and are referred to the tax office and governorate for final approval.

A workplace inspection is necessary in order to obtain a health certificate. This involves checking that the premises meet the minimum space requirements, are connected to utilities, have adequate lighting, have a first aid kit as well as the necessary tools and equipment for the shop.

## 9 4 Cafes, Restaurants and Other Hospitality or Tourist Venues

The Ministry of Culture, Tourism and Antiquities is responsible for recommendations for the licensing of venues including; **hotels, cafes, restaurants, event halls, cinemas, games halls, tourist apartments, studios and other artistic activities**. The Tourist Board Law requires that such venues be categorized and licensed before they can open.<sup>86</sup>

85 See Article 7(7) of the Instructions for the Conditions for Granting Health Licenses No. 8 of 2000.

86 Tourism Board Law No. 14 of 1996 and Instructions No. 1 of 2018.

Applications for licenses are handled by the Department of Licensing within the Ministry of Culture, Tourism and Antiquities and must contain the following information:

- Proof that the applicant is either an Iraqi national or a foreigner applying as part of an investment project. Iraqi nationals must provide personal documents including a unified card or a nationality certificate, housing card, citizenship certificate and two recent photos.
- Trade name and record of the business.
- Tax clearance.
- Categorization certificate.
- Lease contract or title deed for the premises.
- Receipt for payment of fees.<sup>87</sup>

Restaurants are categorized into either (1) **tourist restaurants** or (2) **popular restaurants**. The categorization is based on size, space, equipment, food presentation, staffing and other criteria. The Department of Categorization at the Tourism Board is responsible for the categorization of restaurants and other tourism sites following inspection visits. Whilst tourist restaurants must be registered with the Ministry of Tourism, popular restaurants are organized under different instructions.<sup>88</sup> **Popular restaurants** are categorized into two categories (a/b) based on the collective criteria of restaurant space, building quality, equipment and other conditions of cleanliness and workers skills. Popular restaurants must commit to the price list issued by authorities. Those who violate the price list are subject to penalties under the commercial law. The instructions require a license from the relevant administrative unit or at least an initial approval before opening the premises. A health license is also required.



9 5

## Liberal Professions

**Liberal professions** are those professions involving the provision of some type of **intellectual services based on a specific professional qualification or skill**.<sup>89</sup> Services are normally provided personally based on a relationship of trust. Liberal professions include medical professionals, such as doctors, dentists and nurses, technical professionals such as engineers and architects and legal professionals, such as lawyers and notaries.<sup>90</sup> Liberal professions are divided into two main categories:

- **Regulated liberal professions** which are subject to specific regulations governing the admission to the profession and its practice.<sup>91</sup> Under this category, professionals are supervised by a professional body and should observe strict ethical rules, such as doctors, engineers, architects, lawyers and so on.
- **Non-regulated liberal professions** which usually include intellectual and artistic workers, but also in general any profession that cannot be classified under any other categories. Whilst these professions require specific educational qualifications, their practice under the category of self-employment does not require any authorisation/permit or follow any definite procedure. This category includes for instance: private teachers, day care providers, consultants, freelancers, IT professionals, graphic designers and other general categories.

87 In accordance with the 2022 Instructions and Conditions for Tourism Vocations.

88 Popular restaurants are organized under Instruction No. 1 of 1982 in accordance with the Categorization by the Ministry of Tourism Instructions No. 1 of 2005.

89 For a definition of 'liberal professions', see for example, [EU, Manifesto: Definitions of the concept of liberal profession at European level](#).

90 These occupations are classified by the ILO as follows: Science and Engineering Professionals; Health Professionals; Teaching Professionals; Business and Administrations Professionals; Information and Communications Technology Professionals and Legal, Social and Cultural Professionals. ILO (2012), International Standard Classification of Occupation. Structure, Group Definitions and Correspondence Tables (ISCO -08), Volume 1, Geneva, p. 109, ILO International Standard Classification of Occupations (ISCO), ISCO 08 Structure.

91 This category is usually restricted to nationals as per the specific regulation of each profession.





Certain liberal professions are limited to Iraqi nationals and are not generally open to refugees or foreigners, except in specific situations or in accordance with rules on recognition of foreign qualifications. Iraqi syndicates may ask for equivalency of foreign educational certificates before allowing practice in that profession.

Assessment of the equivalency of certificates in Federal Iraq is organized through the Law of Certificate Equivalency.<sup>92</sup> In KRI, the Department of Certificate Equivalence in the Ministry of Higher Education and Scientific Research conducts assessment of foreign educational certificates. Copies of passports, proof of valid residency and ratified education certificates are necessary for assessment.

Following submission of the completed application and approval, the applicant must undergo a testing procedure managed by the relevant university or school. Application fees for foreigners in KRI are IQD 300,000 and there are also testing fees.

Registration with the relevant professional syndicate is a pre-condition for practice. However, rules can be sector-specific. For example, Syrian lawyers may be able to practice as lawyers in Iraq as a result of a specific exception for Syrian lawyers in the Lawyers Law.<sup>93</sup>

The Ministry of Health is responsible for monitoring the work of medical doctors. In accordance with the Law of the Medical Doctors Syndicate,<sup>94</sup> Arab and foreign doctors can work as doctors in Iraq on the following three conditions:

- Registration with the Doctors Syndicate.
- Obtaining the occupational practice certificate.
- Upon the condition of reciprocal treatment. In other words, Iraqi doctors must receive the same treatment and eligibility to register in the applicant's country of nationality. If reciprocal treatment does not exist, then those who have been contracted by Iraqi authorities to practice can obtain syndicate membership based on assessment of their professional certificate and specialization. Specialized doctors who have Arab Council degree can work in Iraq.<sup>95</sup>



9 6

## Street Vendors

**Street vendors** include persons selling food, drinks, clothes, accessories, electronics, second-hand goods or other products on the street, such as at street stalls. This type of work is largely unregulated, with the exception of street vendors selling food.<sup>96</sup> In Iraq the most common activities for street vendors are selling food, drinks, cigarettes and other miscellaneous goods and clothing.<sup>97</sup>

The Law of Municipalities provides the local municipality with the authority to assign places for street vendors to display their products.<sup>98</sup> Requirements for street vendors dealing with food are regulated under the Public Health Law. Street vendors are also required to obtain a health license before working.<sup>99</sup>

92 Law of Certificate Equivalency No. 20 of 2020 and Instruction No. 4 of 2015.

93 Article 3 of the Lawyers Law No. 173 of 1965.

94 Law of the Medical Doctors Syndicate No. 81 of 1984.

95 The Arab Board Of Health Specializations (ABHS) is a scientific and professional body founded by the Council of Arab Health Ministers in 1978 which grants certificates of specialization to doctors from Arab countries through training programs and specialization exams.

96 The number of street vendors in Iraq is quite high. A 2015 CSO/KRSO survey of street vendors estimated that there were 37,619 street vendor units in Iraq and KRI, with over 46,000 workers, mostly unwaged (less than 5% waged in the KRI sample). Nearly 40% of all street vendors in Iraq were found to be in Baghdad and just over 20% in Basrah. Other governorates had a smaller total share whilst the three governorates of KRI had a total of 7.2%, or 2,842 street vendors. Figure 22: Activity of street vendors in Iraq and KRI, 2015 Source: CSO3.3.3. See details at [2015 Survey of Street Vendors in Iraq CSO/KRSO](#).

97 Figure 22: Activity of street vendors in Iraq and KRI, 2015 Source.

98 Article 47, Paragraph 4/15 of the Law of Municipalities No. 165 of 1964.

99 Instructions No. 1 of 1991.



The procedures for obtaining the necessary approval are similar to the general process for registration of other public workplaces, but with additional conditions. Public workplaces include spaces that are open to the public or visited by the public, such as restaurants, hairdressing salons, food stalls. Health authorities provide approval only for street vendors selling certain foods. This includes grilled meat, fruits and vegetables, bottled soft drinks from licensed factories, ice cream from licensed factories, packaged and sulfated food, dates, beans, boiled eggs (sandwiches only) and cooked beets. Health licenses must be renewed on an annual basis. Those who violate the conditions are subject to the penalties set out in the Public Health Law.

## 9 7 Gig Workers

**Gig work** is work conducted on a casual, ad hoc or contract basis usually outside of a formal employment relationship.<sup>100</sup> **Gig workers** include independent contractors, online platform workers, contract firm workers, on-call workers or temporary workers who work on a sub-contracted or ad hoc basis. This can include persons doing ad hoc work for digital platforms, persons working as transport or food delivery drivers, such as for Uber, Careem or Talabat or persons working in call centres.

An increasing number of persons are engaged in gig work globally and it can be complex to determine if someone is considered an employee, and covered under the Labour Law, or a contractor, and excluded from coverage under the Labour Law. This will depend on **whether they are in a subordinate wage relationship with their employer through an employment contract (either written or verbal) or work independently on their own account or as sub-contracted workers under a service contract.**

Persons working as gig workers who are not considered to be employees may need to register as traders if they conduct commercial activities. However, if their work or income is low cost and small scale they may be exempted under the law.<sup>101</sup> There may be other permit or licensing requirements for gig workers, depending on the nature of their business. For example, private drivers or Uber drivers require an Iraqi driving license.

## 9 8 Digital Livelihoods

A large and increasing number of persons work in **digital livelihoods** globally. Digital livelihoods have been defined to include four main sectors of digital work and learning including:

- Digital educational efforts and trainings in digital skills.
- Work practices on digital labour platforms and for remote employers, such as home-based freelancing and microwork.
- Work that makes use of digital skills but takes place locally outside of the digital economy.
- Small-scale digital entrepreneurialism that uses digital tools and e-commerce platforms to run and grow businesses, often from home.<sup>102</sup>

This can include a wide range of IT professionals, consultants and workers including those working in coding, web design, software engineering, data analysis, data security, database development, graphic design and many other areas.

Persons who are not in an employment relationship but are self-employed in the digital livelihoods sector, may not need to register as traders, depending on the scale and location of their business. As liberal professionals they may not be required to obtain any licenses or permits.

100 See for example; [Gig Economy Data Hub](#) or [Wikipedia Gig Worker](#).

101 Article 10 of the Law of Commerce.

102 [ILO: Digital refugee livelihoods and decent work; towards inclusion in a fairer digital economy](#), 29 April 2021, p 4.

However, if they operate from a shop or office they may choose to register as a commercial establishment.

Online platforms and digital advertising are not yet regulated in Iraq. Although Iraq has passed the Law on Commercial Transactions and Electronic Signatures,<sup>103</sup> the corresponding rules relating to e-commerce have not yet been issued. The Commercial Transactions Law defines electronic documents as any documents sent through electronic means, such as email.<sup>104</sup> Electronic sales contracts are defined as contracts that happen through electronic means.<sup>105</sup>

In practice, persons working as self-employed persons in digital livelihoods will likely be treated in the same way as other traders or business owners. All persons engaging in commercial activities in Iraq need to register their trade name and business, unless exempted. However, as a pre-requisite for registration as a trader is having a physical store or address, online businesses may be exempt from registration as traders. There is no law regulating online business as yet.

Self-employed persons may register for social security under recent legislation but are not obliged to unless they employ other staff. If working from home using a computer they would presumably not require a health certificate, environmental approval or other form of municipal approval; nor would they require an occupational practice certificate unless working in a profession requiring one. However, they would need to register with tax authorities and pay tax on income earned.

## 9 9 Home-Based Businesses

There is no clear legal framework for licensing **home-based business**, although it is prohibited to practice certain professions requiring health licenses from home, such as hairdressing saloons and food-based business. Licenses for all business must be obtained from the relevant administrative units, typically the district or sub-district authorities.

Persons working on a small scale from home in businesses not requiring health, or other certificates or permits and not receiving customers/clients or receiving goods, should theoretically be able to operate their businesses from home without registration, provided they are not considered to be 'traders'. This could include persons working remotely in sectors such as finance, legal, online transactions, digital work, translations or other forms of consultancies. Such persons would be considered as freelance workers and there are no general requirements for registration.<sup>106</sup>

Home-based traders or business owners would need to be properly registered with a trade name (unless exempted) or as a business. They would need to be appropriately qualified for their profession and be registered for tax purposes. It is preferable for home-based business persons to check with the local municipality on any particular rules or requirements for registration or approval.

## 9 10 Small Businesses in Camps

A small number of **camp for displaced persons and refugees** exist throughout Federal Iraq and KRI. Camps are managed by national authorities and the same national rules and regulations for business registration apply. Camps are treated as administrative units and camp management provides the approval and grants licenses to open businesses. Small businesses inside camps include kiosks, shops, restaurants, cafes and traders providing basic services such as hairdressing, repair of mobile phones, bicycles and white goods as well as delivery of goods to the camp. However, on account of the limited camp economy, limits on entering and exiting the camps together with restrictions imposed by camp authorities, opportunities for small business is limited.<sup>107</sup>

103 Law of Commercial Transactions and Electronic Signatures No 28 of 2012.

104 Article 1 of Commercial Transactions and Electronic Signatures Law No. 28 of 2012.

105 Article 1(10) of Commercial Transactions and Electronic Signatures Law No. 28 of 2012.

106 However, in some cases there may be registration requirement from local authorities or contractors contracting freelancers.

107 See [NRC Closing the Gap: From Work Rights to Decent Work for Syrian Refugees in KRI](#), 14 February 2022, p 20.



Construction Worker, Fallujah



## 10 | Penalties For Non-Compliance with Licensing Requirements

Different authorities are responsible for monitoring workplaces, economic activities and labor market as per their governing laws. These include the Ministry of Labor, Ministry of Health, Ministry of Tourism and the Ministry of the Environment. Monitoring visits are conducted regularly or when a complaint is received. Any violations are documented by the monitoring authority.

Practicing any commercial activity without a license is penalized. Those practicing vocations without a license are subject to a forcible temporary closure of the workplace. The closure can be ordered after one month's notice.

Health monitoring inspectors conduct regular checks on public places and there are 116 health monitoring departments across Iraq. Visits may be conducted weekly, monthly or bi-monthly depending on type of the workplace. The penalty for violation of the Public Health Law is a direct fine of IQD 250,000 or closure of the workplace for a period of 90 days or both.<sup>108</sup> Fines of IQD 500,000 can be imposed by the municipality in relation to violations of laws regarding public places or streets. These are usually imposed for building violations.



## 11 | Tax

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

Companies must register for tax with the General Commissioner for Taxation and will receive a separate tax ID number for each type of tax payable. Tax registration should normally be done within one month of starting operations. Taxes are due three months after the close of the fiscal year.<sup>109</sup>

The corporate income tax rate in Iraq for legal entities (except partnerships) is based on a flat rate of 15% at all income levels with no progressive tax rate scale. The General Commissioner of Taxation applies the 15% tax on either the total reported income or the reported taxable profit, whichever is higher.<sup>110</sup>

Personal income tax is charged on a progressive scale depending on the level of income and ranges from 3-15%. Self-employed persons or small traders are obliged to pay income tax once they earn over the taxable threshold.

108 Article 96 of the Public Health Law.

109 See Income Tax Law 113 of 1982. The fiscal year runs from January and December and starts at the time of business registration.

110 [Price Waterhouse Coopers, Iraq; Taxes on Corporate Income](#), 6 June 2023.







Farmer, Sinjar (Photo: Fared Baram/NRC)



## 12 | Foreigners Operating Businesses

**Business laws in Iraq do not differentiate between Iraqi and foreign nationals.** Both have the same rights and must meet the same requirements under the law, although foreigners must obtain security approval from Iraqi authorities to operate a business in Iraq and may also need to provide certification of documents from overseas. Foreigners must also apply for a business or investment visa prior to their arrival in Iraq.

Non-Iraqis may in principle own any project in any economic sector, in whole, partially, or by percentage, subject to considerations of national security, public order, public morals, and public health. In practice, some sectors might be limited to Iraqi nationals either based on law or policy.

Foreigners may lawfully practice commercial activities in Iraq either by opening a branch of a foreign company in Iraq according to the Code of Registering Companies<sup>111</sup> or by registering a company in Iraq in accordance with the provisions of the Company Law. Under amendments to the Company Law, foreigners can only own up to a 49% share in limited and joint stock companies, although the amendment does not mention sole proprietorships.<sup>112</sup> There is a general restriction contained in the Investment Law requiring employment of at least 50% Iraqis in workplaces which is applicable to all businesses.

Foreigners, including refugees, living in Iraq must also have a valid residency permit in the country.<sup>113</sup> If they intend to work, including in foreign owned businesses, or set up a business, they require a work or business visa.<sup>114</sup> The rules, requirements and conditions for working permits are set out in the Instruction on Foreign Workers.<sup>115</sup> In practice it can be difficult for refugees in Federal Iraq to register as refugees and obtain residency permits.

The small number who meet the criteria under the 1971 Political Refugee Law are issued with a card demonstrating their residency rights from the Ministry of the Interior and are granted the right to engage in trade and business on an equal footing with Iraqi nationals. They can therefore work in the private sector without the need to obtain a separate work permit.

Whilst foreigners may operate businesses in Iraq and work on valid work permits, it's not clear that they may work as self-employed persons. The law defines foreign workers as *“every person who does not hold Iraqi nationality, works or wants to work in Iraq as a worker, but not for their own account.”*<sup>116</sup> This may mean that Syrians are not allowed to open businesses for their own account in Federal Iraq except as investors.

111 Code of Registering Companies Branch No. 2 of 2017.

112 Amendment to Company Law No. 17 of 2019.

113 Pursuant to the Foreigners' Residency Law No. 76 of 2017.

114 Article 1 of Labour Law. See also NRC Guide to Employment Rights in Federal Iraq, p 28-29 and NRC Guide to Employment Rights in KRI, pp 24-26.

115 Instruction on Foreign Workers No. 18 of 1987.

116 Article 1(23) of Labour Law No. 37 of 2015.



There are **different residency rules and requirements in KRI**. All persons, including foreigners and Iraqi nationals from Federal Iraq, require a special KRI residency permit authorizing them to live and work in KRI. Syrian refugees with valid residency permits are currently permitted to work in private employment and as self-employed persons on a de facto basis in KRI, although this right is not set out in any law or formal legal framework.<sup>117</sup>

Syrians in KRI are often asked to find an Iraqi partner/sponsor, either for security approval or for establishing a company. Residency permits issued by authorities in KRI are not recognized by authorities in Federal Iraq and Syrian refugees require a separate visa to enter Federal Iraq.<sup>118</sup> Despite the existence of a number of trade related treaties between Iraq and Syria, such as the Customs Cooperation Treaty No. 8 of 2011, there are no special exemptions for Syrians opening businesses in Iraq.



## 13 | General Business Obligations

Small business owners and traders should be aware of their general business and contractual rights and obligations under Iraqi law. These are contained in general laws, such as the Civil Code and the Law of Commerce as well as more specific legislation regulating issues such as banking and finance, property leases, customs, imports and exports and industry health and safety standards.

The Civil Code and Law of Commerce set out the general rules for conducting business between parties, including contracts and sale of goods. The Consumer Protection Law sets out the rights of consumers to goods and services of a certain standard as well as the obligations of vendors to ensure goods and services meet those standards.

Key rights and obligations include the following:

- Contractual obligations relevant to the sale of goods and the provision of services.<sup>119</sup>
- Obligations to pay compensation for injury or damage caused by goods or services.
- Property rights and obligations for business property owned, leased, mortgaged, bought or sold, including agricultural land leases.<sup>120</sup>
- Liabilities for debts incurred or loans.<sup>121</sup>
- Consumer protection obligations.<sup>122</sup>
- Health, safety and hygiene standards for businesses.<sup>123</sup>

There are no specialized small business courts and normal courts accept small business claims. In practice, various extra judicial methods, including mediation and arbitration, are also used to resolve business disputes.

117 See also NRC, Guide to Employment Rights in the Kurdish Region of Iraq; also NRC, 'Closing the Gap: For Work Rights to Decent Work for Syrian Refugees in KRI', February 2022.

118 In accordance with recent instructions issued by authorities in Federal Iraq, Syrian Arabs are only permitted residency in Federal Iraq on the basis of a work visa.

119 See for example, the Iraqi Civil Code, Articles 73-183, 506-592, 864-899, and many other provisions in relation to contracts, obligations under contracts, sales and service contracts, enforcement of contracts and other issues.

120 See for example the Iraqi Civil Code, Articles 722-840, 1048-1360.

121 See for example, the Iraqi Civil Code, Articles 246-279, 303-443, 684-697, 847-863.

122 See the Consumer Protection Law No. 1 of 2010.

123 See for example the Public Health law.







Builder (Photo: NRC)



## 14 | Information and Available Resources

- › ILO, [A Diagnostic of the Informal Economy in Iraq](#).
- › ILO, [Digital refugee livelihoods and decent work; towards inclusion in a fairer digital economy](#), 29 April 2021.
- › IOM, [Employment in the South of Iraq; Challenging Prospects for Women and Youth](#), 2023.
- › IRC, [East Mosul, Iraq Labor Market Assessment](#), 2017.
- › ITC, [Iraqi Youth Entrepreneurship Barometer](#), October 2022.
- › Moosa, Dalal; Pereira, Vanessa; Pela Kewve, World Bank Group, [Gender and Social Protection in Iraq: Towards Economic Empowerment, Self-Employment with a Poverty Focus: Improving the Livelihoods of Iraqi Women](#), August 2022.
- › NRC, [Guide to Employment Rights in Federal Iraq](#), July 2023.
- › NRC, [Guide to Employment Rights in the Kurdish Region of Iraq](#), July 2023.
- › NRC, [Closing the Gap: From Work Rights to Decent Work for Syrian Refugees in KRI](#), 14 February 2022.
- › Save the Children; [Assessment Report: Labour Market and Entrepreneurship Opportunities](#), 15 May 2022.
- › UNDP, [Iraq MSME 2020 Survey](#), 9 November 2021.
- › UNESCO, [Assessment of the Labour Market & Skills Analysis Iraq and Kurdistan Region-Iraq](#), 2019.





Candy Seller photo (Photo; NRC)



## 15 | Annex 1: Case Studies



### Case Study 1: Mechanics Workshop in Fallujah

Hussam was displaced by the conflict in Fallujah and the mechanic workshop he used to work in was destroyed. He's a qualified mechanic and has returned to Fallujah to try and set up a workshop by himself.

As he doesn't have the funds to pay for the establishment of the workshop and purchase of the equipment on his own he wants to go into business with two friends who are also mechanics. They want to establish a joint partnership.

As the workshop would be classified as an industrial service activity, he would need to take the following steps:

- Draft a partnership agreement with his two friends.
- Obtain a lease for the workshop.
- Register the business name. All partners must be Iraqi nationals.
- Register with tax authorities.
- Submit the application for licensing to the Directorate of Social Affairs and obtain the following approvals:
  - Obtain municipal approval for the business, depending on the location of the business.
  - Obtain environmental approval for the business.
  - Obtain the approval of civil defense authorities.
  - Ensure that all machines, tools and equipment to be used in the business meet health and safety standards.
  - Ensure that all mechanics in the business are qualified and have the necessary occupational practice certificates.
  - Register the business with Social Security if the business intends to employ any employees.







### Case Study 2: Beauty salon in Kirkuk

Nadia completed vocational training studies as a beautician and hairdresser and wants to set up her own salon in a busy commercial street in Kirkuk. She'll employ two part-time workers to help her.

Nadia could operate her salon as a sole trader but would need to do the following:

- Register her trade name.
- Register with tax authorities.
- Obtain a lease for her shop.
- Obtain security approval in some governorates.
- Obtain an occupational practice certificate as a beautician/hairdresser.
- Meet the relevant standards for shop location and shop space.
- Obtain municipal approval for the business, depending on the location of the business.
- Organise a health inspection to obtain a health certificate for the business.
- Provide a medical test for all workers.
- Register with Social Security as she intends to employ part-time workers.



### Case Study 3: Kebab stand in Mosul

Anas has a mobile kebab stand outside a supermarket in a busy street in Mosul.

As a small-scale street trader selling food, Anas is exempted from any requirement to register his business. However, he must obtain the following permissions:

- Approval from the local municipality to operate his food stall in his current location.
- Meet the relevant health standards for sales of food on the street.
- Obtain a health certificate for his stall which should be renewed every year.
- Ideally he should also get the permission of the supermarket.



### Case Study 4: Home-based web design business

Fatma has a degree in IT and has developed good skills with graphic design and designing web sites. She's just finished her studies and wants to set up her own web and graphic design business from home. She'll advertise her business through Facebook and her social media networks.

Fatma is a self-employed freelancer. There are no particular registration requirements for freelance workers although she would need to pay tax on any income earned.





### Case Study 5: Electrician in Hamdaniya

Tariq is a qualified electrician. He used to work for a building company but the business has closed on account of the economic situation. He now works privately as an electrician as well as for builders when he can find work. He wants to know whether he needs any licenses or permits to operate.

Tariq is considered a self-employed tradesperson under the category of 'crafts and services'. As he works on a small scale and his work is limited to physical activity or the use of small machinery, he's exempted from the requirement to register as a trader.

When working for other builders, his employment status will depend on his employment relationship with the builder. He can either be considered an employee with a work contract (and covered by the labour law) or a sub-contractor with a service contract. When working privately or as a sub-contractor he should do the following:

- Ensure he has an occupational practice license from the labour syndicate.
- Take out private work or health insurance in case of an accident.



### Case Study 6: Clothes shop in Erbil

Maryam wants to set up a clothes shop and dress making business. She will employ two other staff to help. Half of her work will be through walk-in customers and half of her work will be through online sales. She wants to know what licenses she needs and if she needs any special permits for her online business. As a trader, Fatma would need to do the following:

- Register her trade name.
- Register with tax authorities.
- Register with Social Security as she intends to employ staff.
- Obtain a lease for her shop.
- Meet the relevant standards for shop location and shop space.
- Obtain municipal approval for the business, depending on the location of the business.
- Obtain environmental approval.

No special permission is required for Fatma's online business but she would need to declare all income from her shop and online sales for tax purposes.



### Case Study 7: Fruit and vegetable market in Domiz camp

Firas and Rana are Syrian refugees and want to set up a fruit and vegetable stand in Domiz camp. They want to know how to get permission for the stand and how to organize the supply of fruit and vegetables into the camp.

Firas and Rana should approach camp authorities to understand the requirements for registration of in-camp businesses. At a minimum they would require a health certificate to ensure their market stall meets food health and hygiene standards.





### Case Study 8: Farm in Ramadi

Ali has a family fruit and vegetable farm and a herd of 50 sheep and goats. He also makes yoghurt on his farm for selling at the market. He works with his brother and two sons. He wants to know whether he needs to register his business or obtain any special permits for his yoghurt making. As Ali's farm is small-scale, there's no need for him to register as a trader with a business name. However he should do the following:

- Ensure his farm meets the standards set by the Ministry of Agriculture within his governorate, especially for his livestock.
- Obtain a health certificate to ensure that his farm and his dairy equipment for making yogurt, complies with relevant standards. This includes ensuring that:
  - The raw milk and dairy production meets Iraqi specifications.
  - He has clean and appropriate equipment for making yoghurt that is safe and free from bacteria and chemicals.
  - He has sufficient refrigeration capacity for keeping his products cold and safe.
  - There are sufficient storage containers which are safe for human consumption.



### Case Study 9: Delivery driver in Dohuk

Mahmoud works as a food delivery driver for an online service in Dohuk. He wants to know whether he's considered an employee, and covered by the Labour Law, or a self-employed person and not covered. He uses his own car for deliveries. By checking Mahmoud's contract with the food delivery company you clarify that Mahmoud is a contractor, not employee, and is thus considered self-employed. He's paid per food delivery job. There is no requirement for Mahmoud to register as a trader but you advise him to make sure he has vehicle insurance in case of an accident whilst working.



### Case Study 10: Restaurant in Hawija

Obaida wants to open a small fast food restaurant in Hawija. He plans to employ a few staff to help him. His restaurant is characterized as a 'popular restaurant'. He needs to do the following:

- Register his trade name.
- Register with tax authorities.
- Register with Social Security for his employees.
- Obtain a lease for her shop.
- Meet the relevant standards for shop location and shop space.
- Obtain municipal approval for the business, depending on the location of the business.
- Obtain environmental approval.
- Ensure that his equipment meets all relevant health and safety standards.
- Organize a health inspection for his restaurant and a health certificate.
- Obtain medical certificate for his staff.
- Commit to any municipal requirements on pricing of food.





Flower Seller (Photo NRC)



## 16 | Annex 2: Business Owner/Trader Checklist

Persons establishing small businesses must identify the correct registration and license procedures that apply for their business. They should check the following issues:

- Trade Name.** Do I need to register my business? If conducting commercial activities or operating a shop, workshop, restaurant or producing or providing goods and services it's important to register a trade name for the business. However, if operating on a very small scale at low cost it's not necessary to register a business name.
- Business Structure.** What type of business structure do I want? Am I operating as a sole trader (by myself), in a partnership with others or in a company? If operating as a sole trader, you should register your trade name. If operating as a partnership it's useful to have a partnership agreement. If operating a small business there might be advantages in registering as a company. Note that sole traders or persons in partnerships can also set up as companies.
- Registration with Tax/Social Security.** Am I registered for tax purposes? If employing staff, have I registered my business with the Social Security authorities?
- Nature of Business.** What type of business am I running? What special permission or approval do I need for my business? Do I need a health certificate if running a food production business or restaurant? Check the special requirements for your business with the local municipality.
- Location.** What is the size and location of my business? Am I running a shop, workshop, café or restaurant or agricultural business? Am I working as a street trader selling food, drinks or fruit and vegetables on the street or in a market? Am I operating a business from home? Is my business located in an area approved for this type of business?
- Specialised skills.** If my business provides specialist technical or professional services do I have the right skills? Do I have an occupational license? Are my staff properly skilled and licensed through the relevant labour syndicate or professional associations?
- Tools and equipment.** Do I have the right tools, equipment and machinery for my business? Does my equipment meet the applicable health and safety standards?
- Labour Law.** Am I employing staff? If yes, am I complying with all workers rights, conditions and entitlements under the Labour Law?
- Obligations.** As a business owner or sole trader, do I know my business rights and obligations? Am I registered with all relevant local authorities? Do I know my rights in the event of a business dispute? Do I know my rights and obligations in case of a complaint by a customer?







## 17 | Annex 3: Company Registration

The following information sets out the procedures for persons wishing to establish companies in Iraq:

### 17 1 Procedures for Registration

Detailed information about procedures for registration of a local company, including forms, costs and office locations is contained at the [E-Regulation Baghdad](#) website. The procedures for establishing a company are as follows:

**Step 1: Company Name Reservation.** A company name search must be conducted the local Chamber of Commerce in order to register the company name. The proposed company name can also be checked with the General Federation of Chambers of Commerce to see if the name is registered with other Chambers of Commerce in the country. **The process is the same as that for the registration of a trade name set out above in Section 6.**

**Step 2: Obtaining Sectoral Approval.** The relevant sectoral approval should be obtained. This depends on the sector in which the company operates. In some cases sectoral approval must be sought prior to registration of the company name.<sup>124</sup>

**Step 3: Deposit of capital funds in an authorized bank in Iraq.** The company must deposit the capital of the company as a surety in an authorized bank in Iraq. The bank then provides the company with a letter, addressed to the Office of Company Registration (OCR), confirming that the capital has been deposited in the bank in order to proceed with the next steps for registration. The minimum capital requirements for different types of companies are:

- Joint stock company: IQD 2 million.
- Limited company: IQD 1 million.
- Other types of companies: IQD 500,000.<sup>125</sup>

There may be additional capital requirements specific to certain activities the company intends to conduct. These are determined by the relevant sectoral authority.

**Step 4: Draft a Memorandum of Association (also called Articles of Association).** The company owners must draft and sign a Memorandum of Incorporation for the company, which at a minimum must contain the following details:

- The company name and business type— with the word “mixed” added if it is a mixed sector company (state-owned and private).
- The company head office address, which must be in Iraq.
- The purposes for which the company is established and the general nature of the business.
- The capital of the company.
- For joint liability companies: the method of distributing profits and losses.
- For private joint stock companies: the number of members to be elected on the board of directors.
- The names of the founders and their nationalities, professions, permanent addresses, and the number of shares they own, as well as their respective ownership as a percentage of company capital.

124 Companies that must obtain prior sectoral approval from government ministries include companies dealing in financial activities (Central Bank of Iraq), transportation (Ministry of Transport), telecommunications (Ministry of Interior), oil services (Ministry of Oil), security services (Ministry of Interior and National Security Agency).

125 Article 28 of Company Law.



**Step 5: Submission of Application for Registration to OCR.** After receiving the letter from the General Federation of Chambers of Commerce and depositing the required capital, the company fills out an application form provided by the OCR for a minimal fee, and submits the completed form to the OCR. The company is also required to attach the following documents along with the completed OCR application form.

- The letter from the General Federation of Chambers of Commerce indicating the registered name.
- The letter from the bank showing that capital has been deposited.
- The Memorandum of Association.
- Completed form of founders bio-data that includes their names, addresses and authorized signatures.
- Tax clearance letter from the General Commissioner for Taxation for each of the founders indicating that they have no taxation liability.
- Subscription document and a feasibility study for the project if the company to be registered is a joint stock company.
- A copy of the passport information pages (or personal Iraqi identification card) of the founders and of the company's legal representative, or their personal Iraqi identification card.
- Receipt for the payment of required fees.

**Step 6: Payment of application processing fee at OCR.** A processing fee is payable for the application to register the company at the OCR. Different fees are payable for different types of companies. Costs include; registration fees, stamp duty and fees for documenting information, publishing the decision to incorporate the company and for archiving the application. For details see [Single Window Registration System](#).

**Step 7: Acceptance or rejection of application.** The OCR must accept or decline the application for company registration within ten days of submission. The OCR publishes approval of company registrations in the OCR bulletin. Once the company is registered it is granted a Certificate of Incorporation and it acquires legal personality.

**Step 8: First shareholders meeting.** Within 30 days of the date of the issuance of the Certificate of Incorporation an invitation must be sent to the shareholders inviting them to a meeting of shareholders to take place no later than 15 days from the date of invitation. Within a week of this meeting, the Minutes of the first shareholder meeting must be provided to the OCR. The law requires company owners to include the following statement in the minutes of this meeting: "Owners may not use their voting rights to harm the company or its associates in any way, nor may they use their voting rights to benefit themselves or to jeopardize creditors".

The company may then submit an application to the OCR authenticating the registration documents and the OCR will provide the company with a letter addressed to the relevant Iraqi bank permitting the bank to release the surety deposited on behalf of the company.

**Step 9: Registration of the Business name in the Commercial Record.** The company must register in the Commercial Registry within 30 days of receiving the Certificate of Incorporation. The Commercial Registry is maintained by the local Chambers of Commerce in Iraq. To register, the company must provide the local Chamber of Commerce with the following information:

- Names of the company founders, chairman of the board, and the managing director.
- Company name.
- Date of incorporation.
- Address of the company's headquarters and other branches, whether in Iraq or abroad.
- Description of the company's commercial activity.

Special requirements exist for certain types of companies involving public shareholding.



## Processing time for company registration

The approximate processing time for full company registration is:

- Approximately two months for a joint stock company.
- Approximately 20-25 days for all other company types.

If all documents are complete at the time of application, the registration of a limited liability company should be completed in two to three days.

## Appeals processes in case of rejection of registration application

Applicants for registration may appeal a refusal by the OCR to register a company to the Minister of Trade within 30 days of the rejection of the application. The applicants should set out their reasons for challenging the refusal. If the Minister of Trade rejects the appeal, the applicants can appeal the refusal decision to the relevant court of first instance within 30 days of notification.

Any decision of the Commercial Registry (approval, denial, transfer of ownership or amendment and deletion of a commercial name) can be appealed to the competent court of first instance within 30 days following notification of the decision by the Registry.

## 17 2 Post-Registration Requirements

Following company registration, the company must undertake the following steps within 30 days of issuance of the company registration certificate:

- Appoint/retain qualified lawyers to represent the company in legal affairs.
- Appoint an auditor.
- Submit a copy of the lease agreement for the company office, approved by the relevant municipality, and notarized or attested by two witnesses.

Newly incorporated entities must register with the **Department of Pension and Social Security** within the Ministry of Labour and Social Affairs and with the **Income and Sales Department** within the Ministry of Taxation to obtain an **entity tax identification number**.

Companies must also submit their financial statements to the Registrar of Companies by no later than 31st August of each year.

The logo for the Norwegian Refugee Council (NRC), consisting of the letters 'NRC' in white on an orange square background.

**NRC**

NORWEGIAN  
REFUGEE COUNCIL

A photograph of a man with a beard and short dark hair, wearing a white long-sleeved button-down shirt. He is holding a dark metal rod or handle with his right hand, raised above his head. He has a slight smile and is looking towards the camera. The background is an outdoor setting with a blue tarp-like structure and some greenery.

Self-Employment and  
Small Business Guide  
**For Iraq**