In the name of God, the Most Merciful, the Most Compassionate

In the name of the people

The National Assembly of Kurdistan - Iraq

In accordance with the provision of Paragraph 1, Article 56, of amended Law No. 1 of 1992 and on the basis of what was presented by the Council of Ministers of Iraqi Kurdistan, the National Assembly of Kurdistan decided at its session No. 15 held on the 4th of July 2006 to enact the following law:

Law No. 4 of 2006

Investment Law in the Iraqi Kurdistan Region:

Chapter I:

General Provisions

Section One:

Definitions

Article 1:

The following terms shall have the meanings hereunder:

First: Region: The Iraqi Kurdistan region.


Fifth: Board: The Investment Board in the Region.

Sixth: Chairman of the board: The chairman of the Investment Board.

Seventh: Project: Any economic business or investment project established by a natural or corporate person on the land allocated for it and with a national or foreign capital that conforms to the provisions of this law, and the rules and regulations issued under it.

Eighth: Taxes and duties: Include all types of taxes and duties set under existing laws.

Ninth: Investor: The natural or corporate person who invests his funds in the region in accordance with the provisions of this law, whether national or foreign.

Tenth: Concerned entities: Include all the government entities responsible for the sector pertaining to the affairs of the project.
Eleventh: Invested money: The value estimated in the national or foreign currency invested in the project.

Twelfth: Foreign capital: The assets in cash or in kind that are invested by the investor or in rights that have cash value in the region.

Section Two

Fields of Investment

Article 2:

The provisions of this law shall be applied to the projects that are approved by the board in any of the following sectors:

First: Manufacturing industries, electricity and the services linked to them.

Second: Agriculture in all it sectors Farming, animal stock, forests and the services linked to them.

Third: Hotels, tourist and entertainment projects and amusement parks.

Fourth: Health and environment.

Fifth: Scientific and technological researches and information technology.

Sixth: Modern transportation and telecommunications.

Seventh: Banks, insurance companies, and other financial corporations.

Eighth: Infrastructural projects, including: construction projects, reconstruction, housing, roads and bridges, railroads, airports, irrigation and dams.

Ninth: Free zones, modern trade markets and the consultancy services linked to them.

Tenth: Education in all its stages within the framework of the region's educational policy.

Eleventh: Any project in any other sector that the council decides to include under the provisions of this law.

Section Three:

Treatment of the Foreign Investor

Article 3:

The foreign investor and capital shall be treated as the national investor and capital. The foreign investor shall have the right to own the entire capital of any project that he establishes in the region under this law.
Section 4

The Allocation of Lands

Article 4:

First: The board will coordinate with the ministries and departments concerned to determine the sites that are allocated for the investment projects in every governorate and that will be established in the future in accordance with this law. Their title deeds will be marked that these sites are allocated for the board's purposes.

Second: The concerned entities will coordinate with the board in determining and allocating the lands needed by the project inside and outside the basic city design by rent or long term lease at encouraging prices in accordance with the rules set by the board without regard to the provisions of the law on the sale and lease of state property enforced in the region.

Third: The council may upon the recommendation of the board acquire ownership of the lands allocated for strategic projects at an encouraging price proposed by the board or without a price, taking into consideration the nature and importance of the project and the requirements of public interest upon acquiring the ownership, without regard to the provisions of the law on the sale and lease of state property enforced in the region.

Fourth: The lands allocated for investment projects shall be marked as frozen in the concerned real estate departments. The marking shall not be removed except with the written approval of the board after the investor has fulfilled all his obligations.

Fifth: The board may - toward the achievement of its aims - have the powers to own state property free of charge and to own state lands loaded with disposal rights after charging off the disposal rights by compensating their owners fairly and suitably in accordance with the existing laws, rules and regulations in this concern.

Sixth: The investor may purchase and lease the lands and real estates necessary for the establishment, expansion, diversification and development of the project in accordance with the provisions of this law within the limits of area and period set in light of the objectives of the project and its actual needs, while taking into consideration the provisions of Paragraph (Third) in this article.

Seventh: Specifying the lands necessary for the investment projects to be established in accordance with the provisions of this law within the limits of area set in light of the objectives of the project and its actual needs in accordance with special rules set by the board as an exception from the existing provisions in this concern.

Eighth: The changing of the project's site will be subject to the same bases and rules for allocating the site of the project at the first time.

Ninth: The Concerned Entities shall in coordination with the board provide the public services, including: water, electricity, sewage, public roads, telecommunications and others to the precincts of the project, provided the necessary funds for this purpose are allocated in the budget.

Tenth: In addition to what is enjoyed by the foreign investor including the right to own and lease the lands and the productive vehicles in accordance with the provisions of this law, he
has the right to purchase or lease in the interest of his investment project housing plots and non-productive vehicles that are required by the project with the approval of the board in accordance with the rules set by the board for this purpose.

Chapter II
Exemptions and Obligations

Section One
Tax and customs exemptions

Article 5:

First: The project shall be exempted of all non-customs taxes and duties for a period of 10 years as of the date on which the project begins offering its services or as of the day of actual production.

Second: The vehicles, machinery, equipment and imported machines for the project shall be exempted of taxes and duties and the condition to obtain import license, provided they are imported through the border crossings of the region within two years from the date of the approval of their lists by the chairman of the board and are used exclusively for the purposes of the project. Otherwise, it will not be included in these exemptions and the investor will be compelled to pay the tax and will be penalized by paying double the sum of the due tax.

Third: The spare parts imported for the project shall be exempted of taxes and duties provided their value is not more than 15 percent of the price of the machinery and equipment upon the prior approval of their lists and quantities by the chairman of the board.

Fourth: The machinery and equipment needed for the expansion, development, or modernization of the project shall be exempted of taxes and duties.

Fifth: The raw materials needed for production shall be exempted of customs duties for a period of five years, provided the types and quantities of these materials are determined by the board, while giving priority to the use of locally available raw materials that are suitable for the investment project in quantity and quality.

Sixth: The investor may in accordance with the provisions of this law import all the needs of his project, including machinery and equipment. These imports shall be exempted of all customs duties provided they enter through the border crossings of the region and are used exclusively for the purposes of the project.

Section Two
Additional Exemptions

Article 6:

First: The board may, for the requirement of the public interest in the region, grant additional incentives and facilities to investment projects that are licensed under the provisions of
this law and that enjoy one of the following two characteristics in accordance with the rules set by the board for this purpose:

1. Projects that are established in the less developed areas in the region.

2. Joint projects by national and foreign investors.

Second: The board may grant service investment projects that are established in accordance with the provisions of this law, according to their nature, especially hotels, hospitals, tourist cities, universities and schools additional exemption of duties on their purchases of furniture, furnishings and other items for the purposes of modernization and renewal once every three years, provided they are imported into the region and used exclusively in the project within one year from the issuance of the approval of the list of purchases and their quantities by the chairman of the board.

Section Three

Legal Guarantees

Article 7:

First: The investor may insure his investment project with any foreign or national insurance company that he considers suitable. This includes insuring all aspects of his operations.

Second: The investor may employ the necessary local and foreign manpower for the project, while giving priority to local manpower in accordance with the existing laws in the region.

Third: The foreign investor shall be allowed to transfer the profits of and the interest on his capital abroad in accordance with the provisions of this law.

Fourth: Non-Iraqi employees in the project and those dealing with them abroad the region shall have the right to transfer their dues and wages abroad in accordance with existing laws.

Fifth: The foreign investor may return his capital abroad upon the liquidation or disposal of the project as long as this does not contradict with the provisions of existing customs and tax laws and procedures.

Sixth: The investor may transfer his investment wholly or partially to another foreign investor or national investor or concede the project to his partner with the approval of the board. The new investor replaces the previous investor in the rights and obligations evolving from the project.

Seventh: The investor may open in the interest of his licensed project in accordance with the provisions of this law bank accounts in the national or foreign currency or both with banks inside and outside the region.

Eighth: Taking into consideration the existing laws concerning the boards of directors of shareholding companies, the projects that are registered in accordance with the provisions of this law shall be considered private sector projects, irrespective of the legal form or nature of the funds participating in it.
Ninth: The investor shall under this law enjoy the right to maintain the secrecy of technical and economic information pertaining to his project, as well as investment enterprises in accordance with the provisions of the existing laws, rules and regulations in the region. Whoever discloses any information that is in his possession by virtue of his post and deals with the investment enterprise and technical, economic, or financial aspects of the project under the law is punishable.

Section Four

The Investor's Obligations

Article 8:

The investor shall abide by the following:

First: Define the field of his investment in the projects that he has accomplished, explain his financial position and the contracts he has carried out.

Second: Inform the board about the completion of the project and that it has begun offering its services or actual production.

Third: Ensure the necessary facilities for the board's specialized employees enabling them to collect and obtain the necessary data on the various aspects of the project for the purposes of the board.

Fourth: Keep special records for the materials imported for the project that are exempted of customs duties in accordance with the provisions of this law.

Fifth: Maintain the safety of the environment, security and sanitation and abide by the standardization and quality control systems according to international standards.

Six: Train and rehabilitate local manpower in the project.

Section Five

Legal Measures upon any Contravention by the Investor

Article 9:

First: Upon any contravention by the investor of the provisions of this law or any paragraph in the contract concluded between him and the concerned entities, the board shall warn the contravener and ask him to immediately stop the activity causing the contravention and grant him a suitable period of time to be determined by the board and commensurate with the nature of the contravention to remove its effects.

Second: If the investor insists on not stopping or removing the effects of the contravention in accordance with the provisions of Paragraph (First) above, the land will be retrieved from him and the board shall take ownership of the installations which have been built on it by the investor (if they existed) in due demolish value in accordance with the law. The new investor acquiring the land will be responsible for paying this amount and the contravener shall be responsible for any damage resulting from his failure to fulfill his obligations.
Third: If the investor has secretly leased the land, which has been assigned for his project, wholly or partially or used it for other purposes than those assigned for it without the approval of the board, it will be retrieved from him or the part leased or exploited for other than the defined purposes. The investor shall pay double the rent for the period in which he leased the land or exploited it for other than the purposes assigned for it. The sum will be obtained in accordance with the provisions of the law on obtaining government debts enforced in the region. If the land has been retrieved from him wholly, the contravening investor shall be treated in accordance with the provisions of Paragraph (Second) above with regard to the installations built on it upon retrieval.

Chapter III
Investment Formations

Section One
The Investment Board and its Formations and Tasks:

Article 10:

First: The board shall be formed under the name of "The Kurdistan Region Investment Board." It shall have a corporate status and enjoy financial and administrative independence. It shall undertake all the necessary legal tasks for the purposes of implementing the provisions of this law.

Second: The board shall have a chairman with the grade of minister. He shall enjoy the rights and powers of the minister. He shall be responsible for running the board and supervising and controlling its work and everything pertaining to its tasks and all its affairs. The board will implement the following departments:

1. The Studies and Information Department.
2. The Department for Promotion, Evaluating, and Licensing Projects.
3. The Legal, Administrative, and Financial Affairs Department.
4. The Industrial Cities and Zones Department.

Third: The board shall be based in Erbil, capital of the region, and it may open branches in the governorates of the Kurdistan region. Each will be run by an employee with the grade of director general.

Fourth: The board may establish sections and sub-sections and merge them or abolish them when necessary.

Fifth: The formations of the board’s departments and branches and their tasks and powers shall be determined by a system to be laid down by the board and approved by the council.

Sixth: The board shall create a suitable environment for investment so as to achieve economic development in the region and prepare investment strategies, plans, and policies and submit them to the council for approval and coordination with the board's branches in the region's governorates.
Article 11:

Whoever assumes the post of chairman of the board and director general must meet the following conditions:

First: He must have obtained a university degree.

Second: He must have had experience and worked in his field of specialization for a period of not least than seven years.

Article 12:

The decisions issued by the council on investment projects shall be binding to all the ministries, establishments and departments concerned in the region for the purposes of this law.

Article 13:

The chairman of the board has the right of contracting with natural persons or corporate persons inside and outside of the region to perform tasks and obligations assigned for them to achieve the goals of the board; the chairman is to set their rights responsibilities.

Section Two:

The Supreme Investment Council

Article 14:

First: The Supreme Investment Council in the region shall consist of the prime minister as president, the deputy prime minister as vice president, who will replace him in his absence, and the membership of the ministers of finance, economy, trade, municipalities, planning, agriculture, industry and the chairman of the investment board.

Second:

1. The president of the council may call any other minister to participate in the council meetings for any project that concerns his ministry.
2. The president of the council may invite the representatives of the private sector concerned with the project.
3. The council shall establish internal procedures for meetings of the council and the adoption of decisions by it.

Third:

The council shall exercise the following powers:

1. Lay down the policies and strategies pertaining to investment that are proposed by the board within the framework of general policy for the region.
2. Approve the board's plans and activity programs within the framework of the general plan for the region.
3. Examine the periodic reports submitted by the chairman on the board’s work and progress, and matters pertaining to the conditions and climate of investment in the region.
4. Examine the board's financial status and approve its annual budget.
5. Approve the loans and credit facilities offered to the board with the guarantee of the government, or from banks or other funding corporations, according to set rules and regulations, provided they are confined to the purposes of financing the activities that are undertaken by board within the limits of its specializations.
6. Lay down a system for monitoring, following, and evaluating the performance of foreign investments to identify any obstacles they might face and ways to overcome them.
7. Approve the board's internal policies.

Section Three

The Board's Budget

Article 15:

The board has a budget within the budget of the region's government.

Chapter IV

Granting of Licenses and Arbitration

Section One

Procedures on Granting Licenses to Projects

Article 16:

First: For the purpose of benefiting from the exemptions and advantages stipulated in this law, the investor must obtain a license for the establishment of the project issued by the board.

Second: The board shall grant a license for the establishment of the project on the basis of an application submitted by the investor in accordance with the conditions set by the board. The board must decide on issuing the license within 30 days from the date all the requirements and technical, legal, and economic conditions have been met in accordance with the provisions of this law, while taking into consideration the rules and standards set by the board.

Third: The board should seek the opinions of the concerned entities on the feasibility of issuing the establishment license. These entities shall express their opinion on the approval, rejection or request amendment within a period of not more than 30 days from the date of referring the application to it by the board. The lack of a reply shall be considered as approval. And in the case of rejection, the decision must state the reasons.

Fourth: If the establishment application is rejected, the applicant has the right to object to it before the president of the council within 15 days from the date of his notification of the negative decision. The president of the council shall consider the objection within a period of not more than 30 days and his decision will be final.

Section Two

Arbitration

Article 17:
Investment disputes shall be settled in accordance with the contractual terms agreed to by the parties. If there is no clause in it for this purpose, the dispute will be settled cordially. And if the cordial settlement is impossible, the two sides may resort to arbitration, whose provisions are stated in existing laws in the region or in accordance with the provisions of the settlement of dispute that exist in any of the international or bilateral agreements to which Iraq is a signatory.

Section Three

Final Provisions

Article 18:

First: The order of the Prime Ministry/Al-Sulaymaniyah administration No. 89 of 2004 that promotes investment in the Kurdistan region is hereby cancelled and the Investment Promotion Board and its formations under Article 16 of the aforementioned order shall replace it and its rights, obligations, and all its movable and immovable properties shall revert to the Investment Board formed under the provisions of this law.

Second: All investment projects, which have been licensed by the Investment Promotion Board, which was formed under the aforementioned cancelled decision in Clause "First" above, and the investment projects that were licensed by the Erbil administration under existing laws, shall be considered legal investment projects and shall continue to enjoy the advantages and incentives granted to them.

Third: All other projects that are under study and evaluation and on which no final decision has been made by the canceled board shall be referred as investment projects to the investment board formed under the provisions of this law, and the concerned entities in the board shall continue using the procedures that were used by the cancelled board.

Article 19:

It is impermissible for the investor to own lands that contain oil, gas, or any precious or heavy mineral resources.

Article 20:

The investor who carries out shareholding investment projects shall offer the necessary guarantees to protect the funds of the shareholders. The board shall take the necessary insurance and banking measures to guarantee its rights.

Article 21:

The board's accounts shall be subject to auditing by the Board of Supreme Audit.

Article 22:

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

Article 23:
The president of the council shall issue the necessary guidelines to facilitate the implementation of this law.

**Article 24:**

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

**Article 25:**

This law shall be effective as of the date of its issuance and it will be published in the official Newspaper "Kurdistan Gazette."

[Signed] Adnan Rashad al-Mufti

President of the Kurdistan National Assembly, Iraq

**Necessitating Reasons**

This law was issued with the view to creating a climate promoting investment in the Iraqi Kurdistan region, removing any legal obstacles, and permitting the investment of national and foreign capital collectively or individually in investment projects in a manner that contributes to the economic development process, and thus contributing effectively and granting facilities and encouraging incentives and tax exemptions for invested capitals and establishing an investment board that is concerned with organizing the various aspects for investment operations in the region.