Introduction:

Free Zones are considers one of the important props that the national economy bases on especially in the developing countries. They are known as small sectors located within the country's political borders. However, they are considered outside the customs borders of that country. This means that not all goods coming or going to the free zones are subjected to the export, import and customs fees. General Commission of Iraqi Free Zones was established as per the Law No. (3) of 1998. To keep up with the world's developments represented by increasing the correlation in the international economic relations within the framework of economic freedom, and to aim at cutting off these developments from the Iraqi economy and its particularity, push the wheel of social economic development forward through attracting the national and foreign capitals and establish industrial projects that use developed technology. Currently, there are three free zones related to the commission: (Nineveh, Khour Al-Zubair, Al-Qaem). The economic philosophy of the free zones lies at giving up the State some due taxes on any activity for achieving the ultimate benefit to the country's whole economy. Many world countries adopted the method of establishing the free zones especially in the developing countries because those free zones are of importance in creating additional financial sources to develop and attract the foreign investments in a selective manner and employ the local manpower to eliminate unemployment.

2. Iraq's Geographical location:

Iraq occupies an intermediary strategic location among the world countries. It is near the world markets, overlooks on the Arab Gulf which makes it an important geographical connection point for the international trade lines between near East and the foreign world. Iraqi is also connected to an intensive network of land, sea and airlines including the railways.

3. Activities allowed to be practiced in the free zones:

Law has allowed practicing all industrial, commercial and service activities to work in the free zones except those forbidden like the environment polluting industries, toxic material or affecting the public health, the coins and faked and Counterfeit money, money printed and engraved templates, books, notebooks and recording tapes and all impropriate and against mortality things.

4. Work mechanism and procedures in Iraqi Free Zones:

Work mechanism and procedures in the three free zones are centered in leasing lands and facilities for investors (Iraqi, Arab or foreigner individuals and companies) by the commission to establish (industrial, commercial or service) projects as per investing contracts held between the commission and the investor. Contracting period with the investor would be as per the project and as shown below:

* Leasing offices for 3 years
* Leasing lands of commercial and service projects for 15 renewable years and as per the investor's desire.
* Leasing the lands of the industrial projects for (25) renewable years and as per the investor's desire. Princes of leasing the lands and offices would be considered as per the prices decided by the commission's board of directors and as shown below:
* Paved lands with the price $3/m2 annually.
* Unpaved lands with the price $2/ m2 annually.
* Project lands of $ 1.5/ m2 annually.
* Ready-made offices with the price ($ 5-15)/ m2 annually.

Dealing and working mechanism in the free zones characterizes with easiness, easy dealing and flexibility through reducing the routinend many procedures and transactions and completing transactions in one place. This mechanism is conducted within the framework of flexible and simple laws and rules and through accurate coordination between different departments in the commission and other departments. The most important of procedures are:

* Submit a request to the commission's administration with an abstract about the project to be established, attached with the application against (USD 100) as an application fees.
* The request will be studied by the commission in light of the laws and instructions in force. After getting the approval, a contract would be made and establishment license would be issued to practice the work.
* After signing the contract, the annual lease allowance and 10% of insurances of the annual lease would be paid, in addition to (USD 1000) as an operating license fees which would be renewed annually with (USD 100).
* 1% banking guarantee of the investor's capital in the project would be submitted provided that it should not exceed (USD 50.000).

5. Privileges granted to investors:

* Exempt the capital, profits and revenues coming from the investment of all taxes and fees along the lifecycle of the project including the establishment and building the project.
* Exempt the foreign worker wages from the taxes and allow them to transfer their incomes outside Iraq. While Iraqi labor, 50% of their wages are exempt of income tax.
* Exempt the imported and exported goods and materials of all taxes and fees except those exported to inside Iraq.
* Enter and eject the Foreign currency or dealing with it in the free zone is not subjected to a constraint or condition.
* Allow the investors in the free zones to open accounts in specific banks fed by currencies coming from abroad.
* Grant the investors the privilege of temporary custom insertion for their cars as per the project need.
* Grant the right to give up the investment, enter, or insert a partner against paying (USD 120) as a concession fee.

6. Free Zones related to the Commission:

a. Free Zone at Khour Al-Zubair

This region lays to the south-west of Basrah of (40) km distance and of a scalable area (400) acres. It characterized by its strategic location on the Arabian Gulf which makes it an important geographic connection point for international trade lines between east and west. It also has a market and commercial depth towards Iraqi, gulf and international market. It lies near Khour Al-Zubair port of basic and complete fulcrum structure and port service in addition to being close to raw material sites and industrial goods.

b. Free Zone in Nineveh/ Flefel:

This area lays at the north of Iraq in Nineveh government on Mosul- Zakhoo Road. It is far (20 km from the north of Mosul and of a scalable area of (160) acres. It area is characterized with an intermediary geographic site. It lays on the land route and railway crossroads in different directions to Turkey, Syria, and Jordan and Basra ports. It is also near from the power sources, raw materials and skilled labor. This area consists of paved and unpaved lands, concrete building, thatched stores and offices as well as truck harboring spaces.

c. Free Zone in Al-Qaem

It lays in the north-west of the country in Al-Anbar government and on the Iraqi-Syrian borders. It lays far (400) km from the Baghdad borders and of a scalable area of ((28) acres. It is connected to Nineveh by the land route (Rawa-Mosul of length of (270) km reaching to Turkish borders. It is connected to the land route of (Qaem, Baghdad, Basra (of a length of (900) km reaching to the Arabian Gulf. It is connected also to Qaem-Okashaat route with the international route that extends from Rotba-Trebeel to the Jordanian borders. As for the railway lines, it is connected to the line (Qaem – Baghdad – Basra- Khour Al-Zubair – Um Qaser) reaching to the Arabian Gulf and connects to Mosul by a railway (Qaem – Haditha – Baiji – Mosul) reaching to Turkish borders.

Table of storage all0owances in the Free Zones

|  |  |  |  |
| --- | --- | --- | --- |
| Sy. | Storage Allowances | Measurement Unit | Commodity Type |

Outside the warehouse (cent/Dollar) inside the warehouse (Cent/ Dollar)

1. Agricultural and food products
2. Bags 0,200.10 tons
3. Alcoholics 0,500,30 tons
4. Others 0.200.15 tons
5. Wood and metal materials and other of all kinds
6. Raw Materials 0,150.10 tons
7. Wood and metal products 0,200.20 tons
8. Plastic
9. Raw 0,200,15 tons
10. Products 0,400,20 tons
11. Textile, leather and rubber materials
12. Raw 0,150,10 tons
13. Plastic products 0,200,20 tons
14. Chemical materials 0,300,15 tons
15. Cigarettes and tobacco 0,750,50
16. Gold, silver, jewelry and precious metals
17. Gold, silver, jewelry and precious metals 3,02,0 kilos
18. Antiques 1,00,75
19. Vehicles and machinery
20. Saloon cars/ Pickup/ buses 1,00,50
21. Trucks/ tippers
22. Heavy machinery and others 2,01,0
23. Motorcycles (big size) 0,500,50
24. Motorcycles (small size) 0,250,25
25. Equipment, electronic and electric machines 0,200,20
26. Stationary and office requirements
27. Stationary 0,150,10 tons
28. Office Requirements 0,200,15
29. Medical, lab and veterinary materials 0,300,15 tons
30. Glass and household requirements 0,200,20 tons
31. Spare parts, grease and vehicle parts 0,200,20 tons
32. Cosmetics and perfumes 0,200,15 tons
33. Children toys and false jewelry
34. Children toys 0,150,10 tons
35. False jewelry 0,150,10 tons
36. Bicycles of all kinds 0,200,15 tons
37. Construction materials
38. Marble 0,200,15 tons
39. Tiles\of all kinds 0,200,15 tons
40. Others (not mentioned above)
41. Others with weight measurement 0,200,15 tons
42. Others with numeric measurement 0,200,15 tons

Free Zones' Instructions No. (1)

Article -1-

The Following goods are forbidden in the free zones:

1. Goods of forbidden origin
2. Drugs except those required to medicine and pharmetic material industry as per defined by the ministry of Health
3. Toxic or harmful materials to public health.
4. Guns, ammunition and explosives

Metal coins, false and simulated coins.

1. Printed and engraved casts
2. Books, notebooks, posters, recording tapes, printed, engraved photos and cards that consist of bad or saucy shape or any inappropriate thing and against public morals.
3. Radiating materials only with the authorities' approval.
4. Stinky and flammable materials.
5. The Commission has the right to issue an order to remove any materials from the free zones that you see dangerous on the people's health and security or threats the public welfare.

Article -2-

These instructions should be implemented starting from the date of issuance.

Instructions No. (2)

Article (1)

Storage fees in the free zones are defines as follows:

1. (1) Dollar/ ton/ daily in the chilled storages for all materials.
2. (2) dollars/ ton/ daily in frozen storages for all materials
3. If the investor stored goods belong to others in its storages after getting the commission's approval, its portion would be in storage allowances (25%).
4. Fractions of the ton/ ton is considered one ton to implement the above allowances.

By the name of people

Revolution Leadership Council

Resolution No. 43

Resolution date: 11/ Muharram/ 1419 H

7/5/1998

Based on the rules of the Clause (A) of the (article (42) of the Constitution,

Revolution Council Leadership has decided to issue the following Law:

Law no. (3) of 1998 for the General Commission of Free Zones

Article -1-

First/ A Commission will be established to manage and invest the free zones in Iraq called (General Commission for Free Zones) connected to the Ministry of Finance and represented by its General Manager or his representative.

Second/ The Commission has a moral character and financial and administrative independent and it is self-financed.

Third/ Center of the Commission would be in Baghdad and some branches can be opened inside Iraq.

Article -2-

The Commission aims at the following:

First/ Manage and invest the free zones by Iraqis to serve the national economy.

Second/ establish the required stores, facilities and warehouses for the free zones and its development.

Third/ Carry out the provisions and rules of Customs supervision.

Article -3-

A board of directors manages commission’s Administration consists of:

First/ General Manager of the General Commission of Free Zones – Chairman

Second/ Representative for:

1. Members from the Ministry of Trade
2. Ministry of Industry and minerals.
3. Ministry of Oil.
4. Ministry of Transportation.
5. Iraqi Central Bank.
6. General Commission for Customs.

Third/ Two experienced and specialized persons to be designated by the Ministry of Finance as members.

Fourth/ One of the Commission's employees would be Rapporteurs of the Board.

Article -4-

First/ Board of Directors conducts the following:

1. Set the General policy of the Commission.
2. Propose the establishment and cancelation of the Free Zones.
3. Prepare the plans and programs of the development of the free zones.
4. Decide the investment requests in the free zones to establish the industrial, commercial and service projects.
5. Define the fees services in the free zones and lease allowances, and exploit special facilities.
6. Define the procedures of insurance issues in the free zones.
7. Propose the loan and agreement contract projects.
8. Approve the annual budget project of the General Commission.
9. Propose the law, rule, construction and resolution projects of the exemptions granted to investment projects in the free zones.
10. Propose incentive system for the Commission's employees.
11. Authorize some of the authorities to the General Manager.

Second/ The council holds one meeting every month at least through an invitation made by its chairman to complete the quorum of the meeting by the presence of the majority of the council members. Decisions are taken by the majority of attendance. In case of being equal, the side that the chairman voted in would be overbalanced.

Third/ Decisions of the Board of Directors are subjected to the issues stated in the items (1, 2, 3, 7, 8, 9, 10) of Clause (First) of this Article to be approved by the Minister. Council's decisions would be presented to him in for the rest of the issues for review and information.

Article -5-

Commission is run by a General Manager that has preliminary University Certificate at least and has experience in the work field. He conducts the following:

1. Carry out the decisions and recommendations issued by the Council.
2. Prepare the project of the general annual budget of the commission and present it to the council.
3. Implement the required works to manage the commission and conduct its activities as per the authorities granted to it by the Board of Directors.

Article -6-

First/ Commission resources consist of:

1. Lease allowances and the temporary occupancy of lands and estates that its own.
2. Service fees.
3. Any other resources that the minister approve.

Second/ An advance payment would be allocated for operation purposes to be defined and repaid by the approval of the minister.

Article -7-

Service rules applied on the General Commission of Customs' employees would be applied on the employees of the commission's employees.

Article -8-

First/ The commission would apply the unified accounting system.

Second/ Commission's activities would be subjected to the supervision and audit of the financial supervision office.

Article -9-

First/ Rules might be issued to facilitate and implement the rules of this law.

Second/ The minister can issue instructions to facilitate the implementation of the rules of this Law.

Article -10-

This law is applied from the date of publishing it in the formal newspaper.

Reasons for this

The desire to push the economic and social development forward by attracting the national, Arab and foreign capitals and industrial investments from the developed countries, enter developed technology, create new job opportunities, increase export volume and foreign exchange resources and manage the investment of free zones being an Iraqi investment that serves national, Arab and international purposes, this law has been legislated.

Based on the rules of Cause (second) from the Article (9) of the General Commission for the Free Zones' Law no. (3) of 1998, we have issued the following instructions:

Instructions no. (4) of 1999

Free Zones Administration and organization of investor works inside it.

Article -1-

1. Industrial, commercial and service investor practices his works in the free zones after having the investment license issued by the General Commission for the Free Zones.
2. To grant the investment license the following:

First/ The license applicant would provide his application according to the samples attached with these instructions to the General Manager of the General Commission for Free Zones consists of his desire to establish the project.

Second/ Attach non-refundable (USD 100).

Article -2-

1. Investor would be notified for granting him the license to complete lease procedures and sign the investment contract within (30) days. Signing date of the contract would be the starting date of lease period.
2. If the investor has the desire to establish his own facilities, he would be given (30) days to provide the schemes and technical specifications prepared by a consultant engineer registered locally to approve and adopt them.
3. Investor would start the establishment of the project facilities within (90) days from the date of approval. In case he did not commence, the general manager would respite him another (9) days. If he did not start either, he would be considered violating the contract conditions and Article (10) would be applied against him.
4. Investor would adhere to carry out the schemes and technical specifications by a dully-certified contractor and the supervision of the approved consulting engineer and the follow up of the engineering department of the General Commission of the Free Zones.

Article -3-

The General Commission of the Free Zones controls the following records:

1. Record to register industrial projects.
2. Record to register commercial projects.
3. Record to register service projects.

Article -4-

1. Free Zone management would define the working hours in the zone between sunrise and sunset. The free zone manager can allow working in other hours and in holidays, provided that does not include the allowance to bring out the goods from the free zone after sunset or in the holidays only with the approval of the free zone manager and customs manager in the zone.
2. Free zone manages the process of organizing the entrance of those making transactions and workers with their transportation to the free zone as per permissions issued by the commission.
3. Free zone manager has the right to stop any person to enter the free zone for not more than (30) days in case violating the Clause (b) of this Article. If the period exceeds this, the issue would be raised to the General Manager to decide the suitable period according to the violated case that caused the prevention.

Article -5-

Customs department would conduct its tasks as per the provisions of the fourth chapter of customs law no. (23) of 1984 in the free zone in the main entrance and exit and in the customs parks allocated to the free zones. Its employees have the right to inspect the people and transportation means coming and going from the free zone and they have the right to bring them in to inspect and check them by a written order from the zone manager and with the coordination of the free zone management and those related.

Article -6-

1. Shipping carrier and before the entry of goods to the customs stores which exit outside the free zone and register them in their records, can change the destination of those goods to the free zone provided that their ownership would not be changed, and their prices are transferred as per the central bank and the foreign currency supervision.
2. Those goods can be transferred from a free zone to another inside Iraq under a transit announcement and as per the procedures of transferring goods from a customs center to another.

Article -7-

No goods are allowed to be entered or deposit in the free zones only with the approval of the free zone management and under dully documentation or a paper supported by the customs centers.

Article -8-

1. Goods entering the free zone are treated as the transit.
2. Goods reaching and entering the beginning of the free zone are treated the same as those brought outside Iraq. Their Transit guarantees in the customs would be cancelled as soon a deposit request is arranged to them and dully received by the free zone. Free zone would daily provide the customs centers that the goods went through, copies from deposit and exit requests of those goods.

Article -9-

When the goods enter the free zone, a deposit request would be arranged as per the decided samples to match the contents with the transfer and manifest statement of the good.

Article -10-

No origin certificates, origin lists, analysis or qualitative exams are required for the goods entering the free zone. Cargo and shipment lists are required. Those documents are required when bringing the goods outside the free zone to be used in the local consumption. Lists issued by factories and investors in the free zone and approved by the free zone management are considered lists issued by the origin source to complete the documents in the customs during the demarcation of those goods and use them in the local consumption.

Article -11-

Within (72) hours from the transport mean arrives and before dumping of their cargo, Ship agents and vehicle drivers should deliver the original manifest copy, shipment policies and statements of transit goods. Depositors or their representatives should commence, and immediately, dumping the transport means and delivers the goods to the free zone.

Article -12-

Deposit request would be delivered to the free zone manager to approve the deposit. After getting the approval, he would refer it to the warehouse supervisor to define the location assigned to store the good. Then the assigned storekeeper would receive the good.

Article -13-

Before delivering the goods, depositors have to sort the parcels as per their brands and numbers within 5 days from the goods arrival to the free zone. If this did not happen, they have to pay all the expenses that the free zone incurs to make the sorting and adding (10%) as service allowance.

Article -14-

Investor will manage the dully records of the goods movement to facilitate the supervision and control process and match them with the records of the free zone.

Article -15-

Upon receiving the goods, damaged or suspected parcels would be sorted and then checked and put in new covers. This would be on the depositor's expense. A record for it would be arranged as part of receiving record. These parcels would be deposited in the suspected or damaged materials while taking the required procedure as per the rules and instructions.

Article -16-

1. Receiving and delivering the goods would be conducted in case of entering and bringing back as per the following:

First/ Goods that come in bags with uncountable quantities, wood and iron are allowed to be entered as per a request presented by the depositor. Free Zone manager should approve it and the goods would remain on the depositor's reliability for the duration of storage until bringing them out under the supervision of a committee represents the concerned parties. A record regarding them would be arranged.

Second/ Goods of similar units are delivered by number and weight as a package.

Third/ other goods are delivered in numbers without weight.

1. After receiving the goods as per the clause (a) of this Article, a dully-receiving record would be arranged and signed by the depositor, storekeeper and the customs official and approved by the free zone manager. If he refused to sign, the depositor has the right to object to the manager within a week from the date the record arrangement. Any amendment in the record is not allowed only by depending on stable facts supported by the same parties the sign the record, with the approval of the free zone manager.

Article -17-

Goods Specifications, its nature and being affected by the weather and other cases that affect the weight upon having a shortage in weight or difference in the content, will be considered. The free zone will not responsible for this shortage unless a futility is approved to occur inside the free zone campus.

Article -18-

1. Free zone manager is entitled to decide transferring the goods that violate the presented data; they are dangerous to the stored goods or harmful to the public health, environment or the free zone's facilities to any place inside or outside the free zone. The depositor manager would be informed with this procedure and transportation would be on the depositor's expense and responsibility.
2. The manager is entitled to take the procedures to reserve the goods and can cover the damaged parcels or fix them on the depositor's expense if necessary.
3. If the deposited foods are perishable or the damage has become great, the free zone manager should inform the depositor to withdraw them within a period to be defined by the manager. Or else, the manager would sell them in auction or damage them as per a record signed by the concerned parties. The free zone can refer to the good owner with the allowances and damage expenses if the total sell was not enough to cover those expenses and allowances.

Article -19-

1. Depositor should input the remains and droppings within (30) days. If he did not, they would be sold in the auction by the manager's order or damaged as per the necessity and the depositor would bear the expenses of collecting and packing them, and their revenues would return to the commission.
2. If the consignments of the remaining goods and their owners are not known within (30) days, the manager would issue an order to sell the mentioned remains in the auction or damaged as the case requirements. Sell revenues would refer to the General Commission being abundant funds.

Article -20-

The goods could be transferred from the stores and parks of the free zone to the investor's leased areas after the fulfillment of the dues. The transportation would be on the investor or the depositor's expense and responsibility. This would be done after providing a transport authorization as per the form, the approval of the free zone manager and the free zone records. It also allows transferring the goods from the leased areas to the free zone stores and parks as per the arrangement shown in this article.

Article -21-

Free zone manager is entitled to output the machinery, equipment and the materials input in the free zone buildings and facilities inside Iraq for maintenance and restoration after arranging an input statement from the zone as per its form.

Article -22-

Free zone manager is entitled to output the machinery and equipment to the free zone for repairing and restore after arranging a dully-input statement. Then a dully output statement would be arranged after repairing, whereby the customs frees or the reparation allowances would be fulfilled in the case of adding machines or equipment subjected to the customs fees.

Article -23-

The general manager has the right to abdicate the investor to his rights after having the abdication allowance of (USD 500) and service allowance during the investment period. The investor is not allowed to abdicate the facilities that he establishes for others. Its ownership would be referred to the general commission for the free zones only if the leaseholder wants to renew the contract for the period he desires and after getting the approval of the general manger. A new contract would be organized and would be displayed on the specialized employee. This contract is subjected to all terms and conditions of the first one and the remaining period. These terms would be applied after the partners' abdication to each other or upon adding a new partner to the investment contract.

Article -24-

The goods output request from the free zone would be organized and all good specifications would be defined. The free zone employee and the investor or the depositor would sign. Allowances on the goods defined in the allowance table would be fulfilled and according to this request, a transit statement in the customs center would be organized. The goods would be charged on a transport mean to be prepared by the investor or the depositor under the supervision of the free zone employee. The goods would be sent to the customs park to complete the transit statement procedures by the customs.

Article -25-

If the good were directed to the interior consumption, an output request would be organized and singed by the free zone employee and the investor or the depositor. A consumption statement would be organized and registered in customs center where the customs procedures are conducted (appraise, analyze, import license …etc.).

Article -26-

1. Upon finding any violation to the rules of the General commission for the free zones' law n. (3) of 1998, the rules of customs law no. (23) Of 1984 or the instruction issued whereby, a control record would be organized by the employee who discovered the violation as per the rules of Article (229) of the customs law. A full description of the violation details are confirmed and singed by the employee. Then he displays it on the free zone manager to approve it. The concerned violated person would be notified.
2. Control record would be referred to the customs center in the free zone to take the legal decisions regarding the violation as per the customs law no. (23) Of 1984.
3. Rewards would be allocated to violation finders and the free zone employees who helped them to complete the procedures as per the rules stated in customs law no. (23) of 1984.

Article -27-

Board of Directors of the General Commission for Free Zones is entitled to decide any case that these instructions did not address.

Article -28-

Those instructions would be applied from the date of publishing them in the formal newspaper.

General Commission for Free Zones

Subject/ Investment procedures

First/ General procedures for all investors

1. Provide a request from the investor to the Commission to establish an investment project showing the specification of the site to be invested (office, building, paved or unpaved land park) and introduce his previous and current projects.
2. Provide any supporting document of the investor to the financial and economic center like being a member in the Chamber of Commerce or industry and others.
3. Pay the request fee as well as the fee of activity practicing license.
4. Fill the investment request form.
5. Provide the feasibility study of the project in three copies.
6. After having the preliminary approval, the lease allowance would be paid in advance for the site to be invested for only one year. The coming years would be paid in the same date as well as the payment of guarantee and safety fees.
7. Sign the contract, arrange the site delivery record, and then provide the engineering schemes of the project site as per the instructions. The Arabic form of the contract would be considered in case of any conflict.
8. Activity practicing License would be delivered after completing the construction of the building in the site.

Second/ Procedures of Iraqi Resident

1. Provides the ID, Nationality Card, and Residence Card (if any) in three copies.
2. Document that supports his status safety from the military service.
3. Signs a pledge to transfer (50%) of his profits in the project to the inside in foreign currency.

Non-resident Iraqi

Presents his passport and residence in three copies.

National Company

1. Company's establishment contract and dully newly signed.
2. Authorized manager signs a pledge to transfer (50%) of the investment profits to the inside in foreign currency.
3. Participation of the resident Iraqi or the national company with the non-resident Iraqi or foreigner.

The above terms are taken into consideration being a resident Iraqi or national company according to the situation with the consideration of embargo term for the foreigner.

Foreign Company

1. Company's establishment contract and dully newly signed.
2. A list of the names of the Company's Board of Directors newly dully approved (if not mentioned in the Establishment Contract)
3. Authorized manager provides a newly approved authorization.
4. Authorized manager signs a confirmation of embargo.

Normal Foreign Person

1. Presents his passport in three copies.
2. Sings a confirmation of embargo.

Third/ organizing procedures

1. Dealing with the foreign currency as per the instructions of Iraqi Central Bank.
2. Investor holds store full records subjected to the commission's inspection.
3. The commission must be notified when using Iraqi workers by the investor within the free zone. The commission's prior approval must be taken when using foreign workers.
4. The Company's authorized manager adheres to inform the commission about any changes in the members of the Board of Directors, the legal form of the company or any developments regarding its financial status.
5. The agent's reference on behalf of the investor by a dully newly approved agency would be accepted.

Resolution No. (170)

Date of Resolution 19/10/1998

Based on the rules of Clause (a) of the Article (42) of the Constitution,

Revolution leadership council has decided the following:

First/ Exempt investment projects, their invested capitals and their annual benefits in the free zones from income tax, stamp fee and any other taxes or fees including the national defense tax.

Second/ Import and export processes in the free zones are exempted from import and export constraints, except the exported goods used for interior consumption in Iraq.

Third/ Non-Iraqi worker incomes are exempted from income tax in the free zones.

Fourth/ 505 of Iraqi incomes are exempted from income tax in the free zones.

Fifth/ this resolution are applied from the date of publishing in the formal newspaper.

Rules and instructions of customs centers in the borders and customs departments in the free zones

Due to the strong connection between the work of free zones from one hand, and the existing departments in these areas on the other hand, represented by (Customs Directorate for Free Zones, Customs Police Directorate), and for the purpose of encouraging investors in these areas and facilitate their work in a way that contributes in activating their work, the following rules and instructions were prepared:

1. In case of any violation in the free zones, the authority that observes the violation would define its type, date, and the party that conduct it.
2. Inform the concerned authority represented by (General Commission for Free Zones and the General Commission for Customs) of the violation.
3. Free zone Directorate in (Nineveh and Khour Al-Zubair) and their supporting departments(Free Zone Customs and Customs Police) to check all the violations that occur as a result to collusion made by members in the free zone, the Customs members of the free zones and Customs Police from one hand and investors from the other hand.
4. Free zone manager would ensure that investors are practicing their investment activities as per the contracts made with this commission through which investment activity nature is defined (industrial, commercial or service). Investor who violates the terms and rules of investment and export, would bear all legal consequences including the termination of contract and the damages caused by this violation.
5. As for the food that is exported from the free zone to the local markets, they must be subjected to quantitative and qualitative control measurements and medical exam by the concerned departments, import and export rules and customs constraints to avoid bringing bad food to the local markets through the free zones.
6. Specialized department in the concerned Free Zone Directorate and Customs Directorate, each one aside, checks periodically (monthly) the documents that whereby goods, commodities and cars are being input and output from and to the free zones to ensure the safety of procedures taken.
7. The necessity to adopt keenness, conspiracy and integrity in work by the members of the free zones and free zone customs preventing from the occurrence of any violations in the free zones. Otherwise, the employee who proved to be shortening in his duty would bear all legal, administration and discipline consequences.
8. Ensure that the Customs police in the free zones (Nineveh, Khour Al-Zubair) are restricted to the tasks assigned to them in those areas and never interfere in their work or the work of customs department existing their especially regarding the input and output of goods and cars from the borders and ports to those areas, transporting them to local markets or passing them in transit through those areas to the near countries.
9. Customs departments in the border ports and customs departments in the free zones should adhere to the laws and rules of inputting the goods, cars and motorcycles imported to these areas which is done according to what was done before basing on the following laws:

First/ Customs Law no. (23) of 1984

Second/ Law of the General Commission for Free Zones no. (3) of 1998 and the instructions no. (4) issued whereby.

Third/ Resolution of the dissolved Revolution Leadership Council no. (170) of 1998.being still in force.

(those laws have allowed the input of all goods and cars of different origins to the free zones of which imported by investors without subjection to import and export constraints and customs fees upon the free zone's approval to deliver the goods), except what mentioned in the instructions no. (1) of the free zones and the Article (124) of Customs Law no. (23) of 1984. This procedure must be adopted without having and approvals from the higher authorities (General Commission for Free Zones, General Commission for Customs) as long as those goods are not included in the local consumption. In case they are exported to the local markets, they would be subjected to the rules of import and export and the customs constraints adopted in Iraq.

We should know that the input of those motorcycles to the free zones and then to the local markets must subject to the rules adopt previously being valid.

1. Members of the free zones and the free zone customs should follow the same mechanism used previously in the good input and output processes from and to the free zones and as follows:
2. When the investor goods in the free zones reach the customs borders and Iraqi ports, the customs department in the border port would receive the goods and check the documents and papers which the goods was issued (manifest lists)
3. Customs department would direct the goods to the concerned free zone as per dully ad formal letters accompanied by customs guard until they reach the free zone. Customs department that exist in the free zone with the coordination of the zone management would support the recipient of this goods. Therefore, the good would be at the free zone protection.
4. The goods reaching the free zone would be checked by a mutual committee from the free zone and the free zone customs. Deposit lists of the goods would be organized in the free zone.
5. In case the same goods were marketed to the near countries by transit, the free zone administration would prepare output list for the goods and would be marketed to the Free Zone customs. The Free Zone customs from its side would prepare new manifest lists of the goods to be exported by transit accompanied by customs guard too until they reach the border port that the good would be exported through.
6. In case the goods and cars have been marketed to the local market, the free zone customs would adopt the import and export rules and fulfill the customs fee of those cars and goods with the coordination of the zone's administration.
7. When cars below (2004) model enter the local market as spare parts, the free zone customs must ensure cutting off the cars' bodies into three pieces as a minimum as well as the VIN (vehicle identification Number) so that they will be installed again inside the local market.
8. Foods and commodities would be the responsibility of the customs and the customs police before reaching the free zone and going out of it.

Lease Allowances and other service expenses

General Commission for Free Zones 20/9/2000

Cessions that the allowances were defined

1. Lease of the un-paved land for m2 annually, ($ 2), session (2) and (14).
2. Lease of the un-paved land in the industrial sector annually, ($ 1.5), session (41).
3. Lease of the paved land for m2 annually, ($ 3), session (2) and (14).
4. Fees of investment request ($ 100), session (2)
5. License allowance (contract fees) (career practice license) ($ 1000), session (2).
6. Renew the career practice license ($ 140), session (2).
7. Bank guarantee (Credit letter) 1% of the investor's capital provided that it would not exceed ($ 50.000), session (3).
8. Concession allowance for the equipment, machinery, commodities and goods ($ 20), session (2) and (11).
9. Storage allowance for others 25%, session (2) and (28).
10. Input and output form (manifest) (4 10), session (14).
11. General Service fees 1% of the value of the issued goods, session (14).
12. Service activity allowance 1% of the total revenues of the service activity monthly, except insurance offices, session (29).
13. Shadow like stores m2 ($ 5), session (14) and (29).
14. Concrete stores m2 annually ($ 5), session (14) and (15, 16).
15. Stores (gable) attached with an office for the m2 annually ($ 8), session (15) and (16).
16. Small stores (workshops) for the m2 annually (4 6), session (14, (15) and (16).
17. Store with offices (Free zone building previously) for the m2 annually ($ 10), session (15) and (16).
18. Buildings related to the offices that consist of rooms for the m2 annually ($ 15), session (15) and (16).
19. Electricity fees ($ 50) per (5000) watt and it increases ($ 15) every (1000) additional Kilo Watt, session (17) and (21).
20. Water fees (4 5) monthly and increases (4 1) per additional m3 or portions. Session (7) and (21).
21. Storage fees in cooling stores per ton ($ 1) daily, session (2).
22. Storage fees in freezing stores per ton ($ 2) daily, session (2).
23. Work license allowance for contractors who build service shops ($ 50) annually and renewal (IQD 25.000), session (22).
24. Project cession allowance totally or partially, collaborate input or output or partnership cancelation ($ 500), session (3) and (29).
25. Money insurances 10% of the lease value to be cycled annually, session (3).
26. Handling fees, which are given to a contractor and the commission from the monthly revenue, would be 10% of the first ten thousand. If it has become more than that, 5% of the handling fee would be ($ 2) per ton for the contractor, session (14).

**Development of the commission's revenues and expenditures for (2000-2008) in IQD**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Revenues% | Expenditures% | Surplus achieved | Development rate | Expenditure rate to revenues |
| 2000 |  |  |  |  |  |
| 2001 |  |  |  |  |  |
| 2002 |  |  |  |  |  |
| 2003 |  |  |  |  |  |

**Grant from the Ministry of Finance**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | Revenues% | Expenditures% | Surplus achieved | Development rate | Expenditure rate to revenues |
| 2004 |  |  |  |  |  |
| 2005 |  |  |  |  |  |
| 2006 |  |  |  |  |  |
| 2007 |  |  |  |  |  |
| 2008 |  |  |  |  |  |

Development of the Commission's Revenues for (2000-2008)/ USD

|  |  |  |
| --- | --- | --- |
| Year | Revenues | Development Rate |
| 2000 | 452962 | 120% |
| 2001 | 1418105 | 213% |
| 2002 | 2506943 | 76.8% |
| 2003 | 53337 | -98% |
| 2004 | 19596960 | 10% |
| 2005 | 593633 | -60% |
| 2006 | 707896 | 19.3% |
| 2007 | 568723 | -20% |
| 2008 | 914754 | 60% |
| April 2009 | 450310 |  |

Valid contracts 30/4/2009

Commercial Activity, Industrial Activity, Service Activity

Free Zones, Area, Contract Value $ Area m2

Khour Al-Zubair

Nineveh

Al-Qaem

Final Total

Valid Contracts 30/4/2009

Commercial Activity, Industrial Activity, Service Activity

Free Zones, Area, Contract Value $ Area m2

Khour Al-Zubair

Nineveh

Al-Qaem

Final Total