



COUNTRY GUIDE: IRAQ

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TABLE OF CONTENTS

● About us	Page 1
● Work Permits/VISA	Page 2
● Employment contracts	Page 3-4
● Paid time off	Page 5
● Employee benefits	Page 6
● Tax	Page 7
● Payroll	Page 8
● Legislation and statutory bodies	Page 9

ABOUT US

ZAPEO is an International PEO co-employer providing Employer of Record (EOR) Services in more than 113 countries around the world.

As an EOR, we provide employment contracts, payroll employees, pay over any taxes and statutory contributions and provide sponsorship for visa applications in order to comply with specific laws and regulations in the country.

We also assist with onboarding and termination of both local or expatriate employees.

BENEFITS

- Legal compliance
- Time and cost savings
- Access to global talent
- Flexibility
- Reduced liability
- Expertise



WORK PERMITS AND VISAS



The Iraq Labor Law distinguishes between Arab and foreign employees. Arab employees are treated as Iraq nationals and thus do not need to obtain work permits; instead, employees must notify the Labor office within 10 days of starting work for Iraq employees and within 30 days for Arab employees. Foreign employees, on the other hand, require work permits and may not begin employment until they obtain one. This rule does not apply to employees of foreign branches.

Work Permits: This type of visa allows non-Arab foreign workers to work in Iraq. Foreign branch employees are not required to apply for a work permit. Work permits are valid for one year and must be renewed at least one month before they expire.

Article 12 of The Iraq Investment Law No. 13 grants investors and business owners the right to hire foreign workers. The following steps should be taken in order to obtain a work permit:

- Employee receives job offer
- Employer's written request
- Review by a government department

EMPLOYMENT CONTRACTS



Probation period

In Iraq, the standard probationary period is up to three months, which means it can be one or two months, but not more than three.

Notice period

A notice may be sent by either the employer or the employee. If the employer or employee wants to terminate a contract a notice of 30 days or one month is applicable. An employer may terminate a contract during the probation period for unsatisfactory performance by issuing a notice of seven days or a week in advance. If a notice is not sent, both the employer and employee are compensated. If an employee terminates a contract without giving one month's notice, they must pay their employer compensation equal to a month's wages. This also counts for employers.

Minimum wage

The monthly minimum wage in Iraq is 250,000 Iraqi dinars.

Working hours and overtime

The typical work week is 40 hours long with a maximum of 48 hours. Wages are doubled when overtime is performed at night or when dangerous work is involved. Wages increase by 50% when overtime work is performed during the day. If an employee works on their day of weekly rest, they will receive a compensatory day of rest on another day during the week.

Termination

Employment contract can be terminated in the following circumstances:

- Death of an employee. If the employee has at least one year of service - the employer should pay 2 month's wages to the family.
- If an employee has been sentenced by virtue of a final judgment of a court to imprisonment for a period of more than one year.
- Death of an employer.
- When both employer and employee mutually agree to terminate (in writing).
- If the contract period has expired or when the employee has fulfilled their service.
- If an employee wants to terminate, they send one month's/30 days notice in advance to their employer.
- Due to unforeseeable circumstances that prevent them from fulfilling a contract.
- If a worker has reached their specified age for retirement.

EMPLOYMENT CONTRACTS



Severance

Severance compensation is mandated by the 2015 Iraq Labor Law in the following circumstances:

1. The worker passes away; in this situation, the employer is required to give the worker's family the equivalent of two months' worth of earnings, if the worker had been employed by the business for at least a year.
2. If the employee has attained retirement age and qualifies for a gratuity under the Workers Pension and Social Security Act;
3. Contract termination; if a worker is fired unfairly or for a reason other than one that is allowed by law, they are entitled to a gratuity at the conclusion of their employment that is equal to two (2) weeks for every year of service.
4. If an employee terminates a contract without giving one month's notice, they must pay their employer compensation equal to a month's wages. This also counts for employers

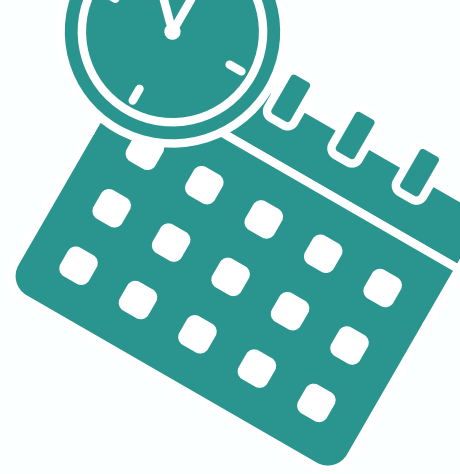
Non-compete clause

There are no special rules regarding non-compete clauses for specific employee classes. While the Iraq Labor Law guarantees freedom of work and states that the right to work may not be restricted or denied, employers may impose reasonable limitations on a former employee's future employment.

Collective bargaining

Collective bargaining is acknowledged under the Iraq Labor Law.

PAID TIME OFF



Annual Vacation

Each year of employment entitles a worker to 20 days of paid leave. A worker employed in arduous or hazardous work has the right to 30 days of paid leave for each year of service.

Sick

Every year of employment entitles the employee to 30 days of paid sick leave. Sick leave granted under this subsection may be accumulated for a total of up to 180 days.

Maternity

A total of 14 weeks of paid maternity leave with 8 weeks before and 6 weeks after birth. Post-natal leave may be extended to 9 months in the case of labor difficulties, complications or the birth of more than one child. A working mother may take special unpaid maternity leave of one year to care for her child if the child has not reached the age of one year. During this time, the employment contract will be suspended.

Paternity

N/A

Family

- Personal wedding - 5 days
- Wedding of son/daughter - 1 day
- Death of husband, wife, father, mother, son, daughter, brother, sister or one of the spouse's parents - 5 days
- An employer may give their employee whose husband has died a fully paid leave of one 130 days for the requested period of waiting “iddat”

National Holidays

There are in total 20 paid public holidays.

Other Paid Time Off

N/A

EMPLOYEE BENEFITS



Statutory

Unemployment

N/A

Workers compensation

Covered by Social Security.

Social Security

From net salaries, the employer contributes 12% and the employee contributes 5%. Employers who are classified as prime will contribute 25%.

Retirement

Covered by Social Security.

Health

N/A

Private

Workers compensation

N/A

Retirement

N/A

Health

Private health insurance available.

Life

Private life Insurance available.

TAX



Personal Income Tax (PIT)

- **Tax year** : Tax year runs from January 1st to December 31st.
- **Tax rate** : Rates range between 3-15%.
- **Tax method** : Iraq uses a progressive tax rate for their personal income tax whereas, the effective corporate income tax (CIT) system presented is based on a statutory CIT rate of 15% at all income levels, with no progressive tax rate scale.
- **Tax residency requirements** : According to tax law, a person is considered a 'resident' if they stay in Iraq for a continuous period of four months or for a period of six months spread throughout the fiscal year.
- **Double taxation agreements (DTA's)** : Iraq has multiple double tax agreements with other countries.

Investment Income Tax

Capital gains on depreciable assets are taxed at the standard CIT rate. Gains derived from the sale of shares and bonds that are not in the course of a trading activity may be exempt from tax, to the best of our knowledge and legal practice. Capital gains derived from the sale of stocks and bonds in the course of a business are taxed at the standard CIT rate.

Taxable Income

All income earned in Iraq is subject to taxation in Iraq, regardless of the recipient's residence. Furthermore, income earned outside of Iraq by Iraqis and other residents, such as interest, commissions, investment returns, and profits from trading in currencies, precious metals, and securities, is taxable if earned from funds and deposits held in Iraq.

PAYROLL



Payroll Elements

- **Income:** Salaries, wages, and allowances received by working persons. Both residents and non-residents must pay taxes on income earned in Iraq.
- **Deductions:** The following are the deductible annual allowances for salaries received under tax law:
 - Amount equal to the sum of all salaries received from the government, public institutions, and local governments.
 - Contributions to a system of social security.
 - The Iraq tax authorities allow a tax exemption for 'risk allowances,' which in practice should not exceed 30% of the basic salary.
- **Benefits in Kind:** The Iraq Labor Law does not provide for specific benefits in kind for employees.
- **Employer contributions:** Workers compensation, Unemployment and Social security.

Payroll Taxes

Iraq Social Security -

In general, the rates are 12% for employers and 5% for employees; however, contribution rates for oil and gas companies are 25% for employers and 5% for employees.

Payroll Calendar

Payroll is usually done once a month in Iraq. Salary payments must be made at least once a month by the employer.

LEGISLATION AND STATUTORY BODIES



LEGISLATION

- Iraq Labor Law 2015
- Law of Pension and Social Security for Workers 1971

STATUTORY BODIES

- Iraq Tax Authority
- Social Insurance Organization
- The Ministry of Labor and Social Affairs
- The General Directorates of Labor
- The General Federation of Iraq Workers



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