

## IRAQ ACT NO. 17 OF 2019



**Act No. 17 of 2019  
On the Amendment of Companies' Act No. 21 of 1997**

Published in the **Al Waqaia Al Iraqiya Official Gazette, Gazette No. 4554**

**Article 1**

The following shall be added to the act and inserted as **Article 7 bis**:

**Article 7 (bis):**

1. A. A **holding company** is a joint-stock or limited company that controls one or more joint-stock or limited companies (referred to as affiliates) through either:
  - Owning more than half of the affiliate's capital, as well as controlling its management, or
  - Controlling the Board of Directors in joint-stock companies.

B. The company's name must include the word **holding** along with its type and this must be reflected in all documents, advertisements, and correspondences issued by the company.
2. The purpose of the holding company is to **support the national economy**, and in doing so, it may:
  - Own movable and immovable property within the scope of its activities.
  - Incorporate and manage affiliated companies or participate in managing other companies.
  - Invest its funds in shares, bonds, and securities.
  - Provide loans, guarantees, and financing to its affiliates.
  - Own and use patents, trademarks, privileges, and other intellectual property rights, and license them to its affiliates or others.
3. A. An **affiliate** company may not own shares in the holding company, and any transfer of shares from the holding company to the affiliate company shall be **null and void**.

B. The holding company shall appoint its representatives to the Board of Directors of the affiliate company in accordance with its percentage of ownership, but may not participate in the election of the remaining board members.
4. The holding company must prepare, at the end of each fiscal year, a **consolidated balance sheet** and statements of profits and losses for itself and all its affiliates, accompanied by notes and details as required by **international accounting standards**.
5. The holding company shall be subject to the provisions of Companies' Act No. 21 of 1997 according to the type of company it is, unless a specific provision in this act applies.

## Article 2

Provision of **Article 12** of the original act shall be repealed and substituted as follows:

### Article 12:

1. An **Iraqi natural or legal person** has the right to acquire membership in the companies stipulated in this act as a **founder, shareholder, or partner**, unless they are prohibited by act or by a decision issued by a court or a competent government authority due to their personality or capacity.
2. A **foreign natural or legal person** may acquire membership as a **founder or shareholder** in joint-stock or limited companies, provided that **Iraqi ownership** constitutes at least **51%** of the company's capital.

## Article 3

The provision of **Article 17** of the act shall be repealed and substituted as follows:

### Article 17

The application for establishment shall be submitted to the Registrar and must include the following:

1. The company's contract.
2. A certificate from the bank(s) confirming that the required capital, as stipulated in Article 28, has been deposited.
3. An economic and technical feasibility study for the joint-stock company.

## Article 4

The provision of **Article 28** of the act shall be repealed and substituted as follows:

### Article 28

1. The minimum capital for a joint-stock company shall not be less than **two million (2,000,000) dinars**. For a limited liability company, the minimum capital shall be **one million (1,000,000) dinars**, and for all other companies, it shall be **five hundred thousand (500,000) dinars**.
2. **Liabilities** may not exceed **300%** of the total capital and other equity rights.
3. The **Council of Ministers**, based on a proposal from the **Minister of Commerce**, may amend the amounts and percentages stipulated in Clauses (1) and (2) of this Article in a manner conducive to the company's activity.

## Article 5

The provision of **Article 91** of the act shall be repealed and substituted as follows:

### Article 91

1. A member may delegate a third party, via a **certified power of attorney**, to attend, discuss, and vote in the **General Assembly's meetings**, and may also delegate other members for this purpose.
2. The **Securities and Commodities Authority** shall determine the requirements for the power of attorney's form, contents, and preparation method, and shall be responsible for ensuring its validity.
3. **Powers of Attorney** must be deposited with the **Securities and Commodities Authority** at least **three (3) days** before the scheduled meeting. The authority will verify their validity. The power of attorney shall remain valid for any subsequent meetings if the first meeting is postponed.

## Article 6

A new clause shall be added to **Article 121** of the act as follows:

### Article 121

3. Each company may have a **deputy managing director** to exercise the managing director's powers during their absence, and the deputy shall be appointed in the same manner as the managing director.

## Article 7

The provision of **Article 122** of the act shall be repealed and substituted as follows:

### Article 122

1. The **managing director** may be dismissed by a reasoned decision from the authority that appointed him or her.
2. The deputy managing director shall be dismissed through a justified decision issued by the authority that appointed him.

## Article 8

Clauses (First and Second) of Article (107) shall be repealed and replaced as follows:

1. If the company shall not commence its operations within two years of its establishment, without a legitimate excuse.
2. If the company shall cease operations for a continuous period exceeding two years, without a legitimate excuse.

## Article 9

The following provision shall be added to Article (158) of the act and shall be designated as Clause (Second) of the Article:

2. If the company shall fail to issue a liquidation recommendation despite the existence of reasons stipulated in Clauses (First), (Second), and (Third) of Article (147) of this act, and sixty days shall have passed since the registrar notified the company, the registrar shall directly issue a liquidation decision unless a grace period is provided to the company to regularize its status if justified grounds exist. In all cases, the company shall be entitled to challenge the liquidation decision before the competent court within thirty days from the date of receiving notice from the registrar. The court's decision shall be appealable by cassation to the court of appeal in its cassation capacity. The decision of the court shall not be subject to further appeal by the way of correction of the cassation decision, without prejudice to the liquidation procedures set forth in the company's contract, if any.

### Article 10

Provision of Article (215) of the act shall be repealed and substituted as follows:

Article - 215-

1. Any person conducting business in the name of a joint-stock company, limited liability company, joint liability company, or sole proprietorship without obtaining a certificate of establishment shall be subject to imprisonment for a period not less than three months and not more than one year, in addition to a fine of not less than three million (3,000,000) dinars and not more than five million (5,000,000) dinars, or one of these penalties, taking into account Clause (First/2) of Article (21) of this act.
2. Any person conducting business in the name of a branch for a foreign company without obtaining the required registration license shall be subject to the penalty provided in paragraph (First) of this Article.

### Article 11

Provision of Article (216) of the act shall be repealed and substituted as follows:

Article-216- Any company that shall fail to prepare the records stipulated under this act shall be subject to a fine of not less than one million (1,000,000) dinars and not more than ten million (10,000,000) dinars, depending on the severity of the violation.

### Article 12

Provision of Article (217) of the act shall be repealed and substituted as follows:

Article-217- Any company that shall fail to submit the required statements and information to a competent

official authority within the timeframes stipulated under the provisions of this act shall be subject to a fine of not less than fifty thousand (50,000) dinars and not more than two hundred fifty thousand (250,000) dinars per day of delay. The total fine shall not exceed five million (5,000,000) dinars.

### Article 13

1. The term "fees schedule annexed to the act" shall be amended to "expenses schedule," and the word "expenses" shall replace the word "fees" wherever it is mentioned in the schedule. Second: The Minister of Commerce may amend the amounts of expenses mentioned in the "expenses schedule," add new services, and determine the amounts collected for such services.

### Article 14

A new article shall be added to the act under number (221), and the serial number of subsequent articles shall be amended accordingly:

#### Article 221

- Expenses collected by the Companies' Registration Directorate shall be reallocated as follows:
  - 80% shall be recorded as revenue for the public treasury.
  - 10% shall be allocated to the investment budget for developing the work of the General Directorate for Companies' Registration.
  - 10% shall be used for monthly incentives for employees of the Companies' Registration Directorate.
- This provision shall come into force starting from the next fiscal year.

### Article 15

A new article shall be added to the act under number (222), and the serial number of subsequent articles shall be amended accordingly:

#### Article 222

Priority in governmental contracts of all kinds shall be given to Iraqi companies, including Iraqi companies with foreign partners.

### Article 16

A new article shall be added to the act under number (223), and the serial number of subsequent articles shall be amended accordingly:

## Article 223

Electronic trading shall be accepted, and express mail shall be approved for correspondences, submission of statements, and procedural matters related to transactions before the registrar of companies, provided the necessary requirements and accessories for the use of the electronic system are prepared.

## Article 17

This act shall come into force on the date of its publication in the Official Gazette.

Signed,  
H. Barham Salih  
The President of the Republic

Annex 1

## Compelling Reasons

This act has been promulgated due to the need to establish holding companies in a way that supports the national economy, organizes the legal provisions governing these companies, and facilitates the process for establishing companies. Additionally, it aims to regulate the contribution of foreign capital in joint stock and limited companies, increase amounts collected under the act, and enable the Minister of Commerce to adjust these amounts. This will provide opportunities for Iraqi companies to compete and transfer technologies to Iraqi firms.

Service Description	Expense Amount
License for establishing a company with capital between 500,000 to less than 1,000,000 dinars	250 dinars per 100,000 dinars
License for establishing a company with capital of 1,000,000 dinars	350 dinars per 100,000 dinars
Increasing a company's capital based on the increase decided	350 dinars per 100,000 dinars
Registration of a joint stock company	200,000 dinars
Registration of other types of companies	20,000 dinars
Registration of a foreign branch, office, or business entity	200,000 dinars
Amendment of the contract (except for amendments related to capital increase)	20,000 dinars
Company liquidation	20,000 dinars
Depositing or certifying documents at the authority	250 dinars
Photocopying of each page	500 dinars
Courts fixed fee for requests related to Companies' Law	5,000 dinars