



Iraqi Government activates customs duty law and issues new sales tax instructions

On 4 June 2015, the Iraqi General Secretariat of the Council of Ministers announced that the Council has resolved to approve the imposition of customs duties and sales taxes with effect from 1 August 2015. Customs duties and sales taxes are to be collected at all points of entry without exception, in accordance with Article 33 of the 2015 Federal Budget Act.

This follows the publication of the Iraqi Federal Budget Act in the official Iraqi Gazette on 16 February 2015. The budget includes several articles intended to raise revenues and increase borrowings in order to address the projected deficit consequent to the decline in global oil prices.

Article 33 introduces sales tax on specific items detailed below and also serves to activate the:

- ▶ Customs Duty/Tariff Law No. 22 of 2010, as amended
- ▶ Consumer Protection Law No. 1 of 2010
- ▶ Iraqi Goods/Products Protection Law No. 11 of 2010

Customs duty

Although Iraq's Custom Duty Law No. 22 of 2010 was published in the official Iraqi Gazette on 6 December 2010, its implementation was postponed. As a result, the 5% Iraq reconstruction levy introduced by the Coalition Provisional Authority (CPA) has continued to apply. The new law that is expected to apply from 1 August 2015 introduces customs duty rates ranging from 5% to 40%.

Sales tax

The Minister of Finance has issued new sales tax instructions (Instructions No. (5) of 2015), which are applicable from the date of publication in the official Iraqi Gazette, 4 May 2015.

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However, the recent announcement from the Council of Ministers suggests that the practical application will be from 1 August 2015.

The following table provides a summary of these sales tax instructions, the applicable rates, the filing requirements and due dates:

Taxable item	Tax rate	Compliance requirements	Frequency	Filing due date	Notes
Pre-paid mobile plans (cards), post-paid mobile plans (invoices), and internet plans	20%	Return and payment	Quarterly	Within the first half of the month following the end of the three-month tax period	It is the responsibility of the taxpayer to apply and remit the sales tax on behalf of the consumer. The tax return must bear the signature of the certified Iraqi accountant or an authorized representative
Importation of cars	15%	Payment	Transaction	Upon reaching Iraqi border crossing points	The sales tax is collected by the General Commission of Taxes (GCT) division located at the border crossing points. The GCT will collect 15% of the total value of the imported cars as stated on the customs declaration
Air plane tickets (domestic and international)	15%	Return and payment	Quarterly	Within the first half of the month following the end of the three-month tax period	It is the responsibility of the taxpayer (i.e., airline companies and travel agencies) to apply and remit the sales tax on behalf of the consumer. The tax return must bear the signature of the certified Iraqi accountant or an authorized representative
Imported cigarettes and alcoholic beverages	300%	Payment	Transaction basis	Upon reaching Iraqi border crossing points	The sales tax is collected by the GCT's division located at the border crossing points. The GCT will collect 300% of the total value of the imported cigarettes and alcoholic beverages as stated on the customs declaration
Locally produced cigarettes and alcoholic beverages	300%	Return and payment	Quarterly	Within the first half of the month following the end of the three-month tax period	It is the responsibility of the producer to apply and remit the sales tax on behalf of the consumer. The tax return must bear the signature of the certified Iraqi accountant or an authorized representative

Uncertainty remains over how the GCT will implement these instructions, and copies of all of the required sales tax returns referenced within the instructions have not yet been made available to taxpayers.

EY Iraq will continue to monitor developments and provide further updates as additional information becomes available.

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