

**FACT SHEET: Tax Exemptions Accorded United States Contractors and United States Contractor Personnel Under the Agreement Between the United States of America and the Republic of Iraq on the Withdrawal of United States Forces from Iraq and the Organization of Their Activities During Their Temporary Presence in Iraq (U.S.-Iraq Security Agreement)**

- This fact sheet addresses tax exemptions and import/export privileges afforded to United States contractors and United States contractor employees in Iraq. The U.S.-Iraq Security Agreement entered into force on January 1, 2009, and its provisions apply, as specifically indicated therein, to United States contractors and United States contractor employees, defined in Article 2.5. as “non-Iraqi persons or legal entities, and their employees, who are citizens of the United States or a third country and who are in Iraq to supply goods, services, and security in Iraq to or on behalf of the United States Forces under a contract or subcontract with or for the United States Forces. However, the terms do not include persons or legal entities normally resident in the territory of Iraq.”
- The U.S.-Iraq Security Agreement contains two provisions that address tax exemptions accorded to United States contractors and United States contractor employees.
  - Article 16.1. exempts from “taxes, duties, or fees as defined in Article 2, paragraph 10” “goods and services purchased by or on behalf of the United States Forces in Iraq for official use or on goods and services that have been purchased in Iraq on behalf of the United States Forces.” Entities and persons meeting the definitions of United States contractors or United States contractor employees are not subject to taxes on goods and services they supply to or for the United States Forces for official use, or that they purchase in Iraq on behalf of the United States Forces. The U.S.-Iraq Security Agreement does not provide tax exemptions for any goods or services purchased or provided by such entities in Iraq that are unrelated to the United States Forces.
  - Article 16.2. exempts “[m]embers of the United States Forces and of the civilian component” from any tax, duty, or fee “determined and imposed in the territory of Iraq, unless in return for services requested and received.” Article 16.2’s protections do not extend to United States contractors or United States contractor employees.
- The U.S.-Iraq Security Agreement contains one provision that addresses import/export privileges accorded to United States contractors.
  - Article 15.1. provides that “United States contractors may import, export, re-export (items bought in Iraq), transport, and use in Iraq any equipment, supplies, materials, and

technology, provided that the materials imported or brought in by them are not banned in Iraq as of the date this Agreement enters into force”, and that “[t]he importation, re-exportation, transportation, and use of such items shall not be subject to any inspections, licenses, or other restrictions, taxes, customs duties, or any other charges imposed in Iraq, as defined in Article 2, paragraph 10.”<sup>1</sup>

- Further, Article 15.1. provides that “United States Forces authorities shall provide to relevant Iraqi authorities an appropriate certification that such items are being imported by . . . United States contractors for use by the United States Forces exclusively for the purposes of this Agreement.” United States Forces may be requested by Iraqi authorities to open in their presence any container in which such items are being imported in order to verify its contents.
- Finally, Article 15.1. provides that “[t]he exportation of Iraq goods by . . . United States contractors shall not be subject to inspections or any restrictions other than licensing requirements.”
- Article 15.2., which provides for the importation and re-exportation of personal goods and equipment for consumption or personal use, does not apply to United States contractors or United States contractor employees.
- The U.S.-Iraq Security Agreement expires on December 31, 2011.

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<sup>1</sup> Article 2.10. provides: “‘Taxes and duties’ means all taxes, duties (including customs duties), fees, of whatever kind, imposed by the Government of Iraq, or its agencies, or governorates under Iraqi laws and regulations. However, the term does not include charges by the Government of Iraq, its agencies, or governorates for services requested and received by the United States Forces.”