



JURISDICTIONAL PROFILE: **Iraq**

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This Profile provides information about the application of IFRS® Accounting Standards (Standards) in Iraq. The Standards are developed and issued in the public interest by the International Accounting Standards Board (IASB). The IASB is the standard-setting body of the IFRS Foundation (Foundation), an independent, private sector, not-for-profit organisation.

The Foundation has prepared this Profile based on information from various sources. The starting point was the answers provided by standard-setting and other bodies in response to surveys the Foundation conducted on the application of the Standards around the world. The Foundation drafted the profile and invited the respondents to the survey. The Foundation also invited others (including regulators and international audit firms) to review the drafts. Their comments are reflected in this Profile.

The purpose of the Foundation's Jurisdictional Profiles is to illustrate only the extent of implementation of the Standards across the globe. The Profiles do not reflect the intellectual property licensing status of the Standards within any given jurisdiction. The Standards are protected by copyright and are subject to licensing arrangements agreed upon within their jurisdiction. For further information, please contact [permissions@ifrs.org](mailto:permissions@ifrs.org).

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**RELEVANT JURISDICTIONAL AUTHORITY**

Organisation	<p>Iraqi Union of Accountants and Auditors (IUAA).</p> <p>Iraqi Association of Certified Accountants (IACA).</p> <p>Iraqi Board of Accounting and Auditing Standards (IBAAS).</p>
Role of the organisation	<p>The IUAA is the professional accountancy body in Iraq.</p> <p>The IUAA and the IACA are involved in the implementation of IFRS standards and in supporting and promoting adoption of IFRS Standards in Iraq.</p> <p>The IBAAS is a professional body established by the office of the President in 1988 to provide the government with advice on financial services and to set National Accounting Standards (NAS).</p>
Website	<p><a href="https://www.ifac.org/about-ifac/membership/members/iraqi-union-accountants-and-auditors">https://www.ifac.org/about-ifac/membership/members/iraqi-union-accountants-and-auditors</a></p>

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## COMMITMENT TO GLOBAL FINANCIAL REPORTING STANDARDS

Has the jurisdiction made a public commitment in support of moving towards a single set of high quality global accounting standards?

Yes.

Has the jurisdiction made a public commitment towards IFRS Accounting Standards as that single set of high quality global accounting standards?

Yes for banks

What is the jurisdiction's status of adoption?

Under the Iraqi Banking Law (2004), the general concept of applying 'international accounting standards' in banking institutions is mentioned (Article 42), but the adoption of IFRS Standards as the sole basis of accounting is not specifically required by this law. However, although it does not spell out the use of IFRS Standards, sub-section 1.c of Article 42 of the Iraqi Banking Law specifies that the principles and basis of accounting to be used in the preparation of financial statements must be in compliance with any special requirements stipulated by the Central Bank of Iraq (CBI). To this end, in 2016, the CBI issued a special instruction to banking institutions in Iraq mandating the use of IFRS Standards from 2016 as the form of 'international accounting standards' to be used by the Iraqi banking sector. Furthermore, in 2019, the CBI updated its 2016 requirement to apply IFRS Standards by requiring banks to adopt and comply with IFRS 9. In March 2020, the CBI issued an amended instruction comprising guidance on application of IFRS 9, stating that, 'The Bank should calculate the impact of ECL allowance as at 1 January 2020 and provide an option to allocate the effect over 5 years starting from 2020'. Moreover, banks cannot distribute any dividends from 2019 unless they have deducted the 2020 share from ECL allowance (1/5 of the total effect of ECL allowance).

In 2004, the Iraqi Company Law (Number 21, 1997, phase 133) was amended and referenced the general concept of applying 'international accounting standards' in joint stock companies and private companies in Iraq. However, IFRS Standards are not specifically named in law. This has resulted in confusion regarding the basis of accounting and the legal requirement for adoption and implementation of IFRS Standards in Iraq. In practice, many Iraqi companies apply the standards promulgated by the Iraqi Board of Accounting and Auditing Standards (IBAAS). The IBAAS is a professional body established by the office of the President in 1988 to provide the government with advice on financial services and to set National Accounting Standards (NAS) and auditing standards. The IBAAS was the first semi-private accounting standard-setting body in Iraq. The NAS were initially modelled on International Accounting Standards (IAS Standards) and have sought to follow international standard-setting. However, there are significant differences between the NAS issued by the IBAAS and IFRS Standards.

Additional comments provided on the adoption status?

If the jurisdiction has NOT made a public statement supporting the move towards a single set of accounting standards and/or

Not applicable.

towards IFRS Accounting Standards as that set of standards, explain the jurisdiction's general position towards the adoption of IFRS Accounting Standards in the jurisdiction.

## EXTENT OF IFRS APPLICATION

*For DOMESTIC companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some domestic companies whose securities trade in a public market either required or permitted to use IFRS Accounting Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED?

Permitted.

IFRS Standards are permitted as according to the Company Law and the Banking Law (2004), they are acceptable 'international accounting standards'. Only banks are required to apply IFRS Standards as their basis of accounting as per the CBI special instruction of 2016 and amendments to this instruction of 2019 and 2020 (see above).

Does that apply to ALL domestic companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

Are IFRS Accounting Standards also required or permitted for more than the consolidated financial statements of companies whose securities trade in a public market?

Yes.

For instance, are IFRS Accounting Standards required or permitted in separate company financial statements of companies whose securities trade in a public market?

Permitted.

For instance, are IFRS Accounting Standards required or permitted for companies whose securities do not trade in a public market?

Permitted.

If the jurisdiction currently does NOT require or permit the use of IFRS Accounting Standards for domestic companies whose securities trade in a public market, are there any plans to permit or require IFRS Accounting Standards for such companies in the future?

Not applicable.

*For FOREIGN companies whose debt or equity securities trade in a public market in the jurisdiction:*

Are all or some foreign companies whose securities trade in a public market either REQUIRED or PERMITTED to use IFRS Accounting Standards in their consolidated financial statements?

Yes.

If YES, are IFRS Accounting Standards REQUIRED or PERMITTED in such cases?

Permitted.

IFRS Standards are permitted as according to the Company Law and the Banking Law (2004), they are acceptable 'international accounting standards.' Only banks are required to apply IFRS Standards as their basis of accounting as per the CBI special instruction of 2016 and amendments to this instruction of 2019 and 2020 (see above).

Does that apply to ALL foreign companies whose securities trade in a public market, or only SOME? If some, which ones?

All.

## IFRS ENDORSEMENT

Which IFRS Accounting Standards are required or permitted for domestic companies?

In 2016, the CBI issued a special instruction to banking institutions in Iraq mandating the use of IFRS Standards from 2016 as the form of 'international accounting standards' to be used by the Iraqi banking sector. Furthermore, in 2019, the CBI updated its 2016 requirement to apply IFRS Standards by requiring banks to also adopt and comply with IFRS 9. In March 2020, the CBI issued an amended instruction comprising guidance on application of IFRS 9, stating that 'The Bank should calculate the impact of ECL allowance as at 1 January 2020 and provide an option to allocate the effect over 5 years starting from 2020'. Moreover, banks cannot distribute any dividends from 2019 unless they have deducted the 2020 share from ECL allowance (1/5 of the total effect of ECL allowance).

The auditor's report and/or the basis of presentation footnote states that financial statements have been prepared in conformity with:

Varies.

For banking institutions, it will state 'in accordance with IFRS Standards', as required by the CBI special instructions. For companies that choose voluntary adoption it will also state 'in accordance with IFRS Standards'; however, for other companies it will state 'in accordance with National Accounting Standards'.

Does the auditor's report and/or the basis of preparation footnote allow for 'dual reporting' (conformity with both IFRS Accounting Standards and the jurisdiction's GAAP)?

No.

Are IFRS Accounting Standards incorporated into law or regulations?

Yes for banks.

Under the Iraqi Banking Law (2004), the general concept of applying 'international accounting standards' in banking institutions is mentioned (Article 42), but the adoption of IFRS Standards as the sole basis of accounting is not specifically required by this law. However, although it does not spell out the use of IFRS Standards, sub-section 1.c of Article 42 of the Iraqi Banking Law specifies that the principles and basis of accounting to be used in the preparation of financial statements must be in compliance with any special requirements stipulated by the Central Bank of Iraq (CBI). To this end, in 2016, the CBI issued a special instruction to banking institutions in Iraq mandating the use of IFRS Standards from 2016 as the form of 'international accounting standards' to be used by the Iraqi banking sector. Furthermore, in 2019, the CBI updated its 2016 requirement to apply IFRS Standards by requiring banks to adopt and comply with IFRS 9. In March 2020, the CBI issued an amended instruction comprising guidance on application of IFRS 9, stating that, 'The Bank should calculate the impact of ECL allowance as at 1 January 2020 and provide an option to allocate the effect over 5 years starting from 2020'. Moreover, banks cannot distribute any dividends from

2019 unless they have deducted the 2020 share from ECL allowance (1/5 of the total effect of ECL allowance).

No for other companies.

In 2004, the Iraqi Company Law (Number 21, 1997, phase 133) was amended and referenced the general concept of applying 'international accounting standards' in joint stock companies and private companies in Iraq. However, IFRS Standards are not specifically named in law. This has resulted in confusion regarding the basis of accounting and the legal requirement for adoption and implementation of IFRS Standards in Iraq. In practice, many Iraqi companies apply the standards promulgated by the Iraqi Board of Accounting and Auditing Standards (IBAAS). The IBAAS is a professional body established by the office of the President in 1988 to provide the government with advice on financial services and to set National Accounting Standards (NAS) and auditing standards. The IBAAS was the first semi-private accounting standard-setting body in Iraq. The NAS were initially modelled on International Accounting Standards (IAS Standards) and have sought to follow international standard-setting. However, there are significant differences between the NAS issued by the IBAAS and IFRS Standards.

If yes, how does that process work?

See above. IFRS Standards to date have been legally required by the Central Bank of Iraq through sub-section 1.c of Article 42 and the issuance of special instructions to apply IFRS Standards from 2016, with the addition of IFRS 9 from 2019.

If no, how do IFRS Accounting Standards become a requirement in the jurisdiction?

To become mandatory for application for the remainder of public and private entities, the Iraqi Company Law (2004) would have to be amended to specify the basis of accounting as IFRS Standards. To date this has not been done. As a result, there is confusion regarding the basis of accounting and the legal requirement for adoption and implementation of IFRS Standards in the country. In practice, many companies use the NAS as the basis of accounting and not IFRS Standards.

Does the jurisdiction have a formal process for the 'endorsement' or 'adoption' of new or amended IFRS Accounting Standards (including Interpretations) in place?

No.

If yes, what is the process?

Not applicable.

If no, how do new or amended IFRS Accounting Standards become a requirement in the jurisdiction?

To date, for the banking sector this has been done through the issuance of additional special instructions by the CBI for application by Iraqi banking institutions.

Has the jurisdiction eliminated any accounting policy options permitted by IFRS Accounting Standards and/or made any modifications to any IFRS Accounting Standards?

Yes.

If yes, what are the changes?

In March 2020, the CBI issued an amended instruction comprising guidance on application of IFRS 9, stating that, 'The Bank should calculate the impact of ECL allowance as at 1 January 2020 and provide an option to allocate the effect over 5 years starting from 2020'. Moreover, banks cannot distribute any dividends from 2019 unless they have deducted the 2020 share from ECL allowance (1/5 of the total effect of ECL allowance).

Other comments regarding the use of IFRS Accounting Standards in the jurisdiction?

## TRANSLATION OF IFRS ACCOUNTING STANDARDS

Are IFRS Accounting Standards translated into the local language? Yes. The IFRS Foundation coordinates the annual publication of the official Arabic translation of IFRS Standards (part A only).

If they are translated, what is the translation process? In particular, does this process ensure an ongoing translation of the latest updates to IFRS Accounting Standards? The Arabic translation follows the official IFRS Foundation translation process and is updated annually.

## APPLICATION OF THE IFRS FOR SMEs ACCOUNTING STANDARD

Has the jurisdiction adopted the *IFRS for SMEs* Accounting Standard for at least some SMEs? No.

If no, is the adoption of the *IFRS for SMEs* Accounting Standard under consideration? No.

Did the jurisdiction make any modifications to the *IFRS for SMEs* Accounting Standard? Not applicable.

If the jurisdiction has made any modifications, what are those modifications? Not applicable.

Which SMEs use the *IFRS for SMEs* Accounting Standard in the jurisdiction, and are they required or permitted to do so? Not applicable.

For those SMEs that are not required to use the *IFRS for SMEs* Accounting Standard, what other accounting framework do they use? National Accounting Standards.

Other comments regarding use of the *IFRS for SMEs* Accounting Standard? None.