

Facing the challenges of oil price fluctuations and their impact on the income tax of foreign oil companies

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Abstract

The research seeks to identify the oil prices and the factors affecting them, and then to the types of oil contracts and the income tax on foreign oil companies, this is in the theoretical aspect. As for the practical aspect, the laws, instructions and tax controls approved in Iraq were reviewed, and then the tax revenue for a sample of oil companies in Iraq and the mechanism Tax accounting for foreign companies, and perhaps the most important conclusions reached by the research, the most important of which is that “there is joint cooperation between the Ministry of Oil and the General Tax Authority, as the foreign partner’s share is not paid until after taxes are deducted, which is 35%.”

Introduction

God has blessed the land of Iraq, making it contain a large percentage of the world’s oil reserves, and it is distinguished over the world’s oil by its low production costs. Therefore, foreign companies turned at the beginning of the twentieth century to search for and exploit oil. Iraq reformed this field and nationalized the monopolistic oil companies and established national companies To produce and market oil instead of monopolistic oil companies and pay great attention to the oil sector based on an objective and scientific vision and a correct appreciation of the importance and economic and strategic necessity of this substance as a major resource of the Iraqi economy since the start of the export of crude oil in 1934 in terms of its contribution to the national product The total amount and providing the necessary financial resources to finance the investment plan programs.

On this basis, the methodology of this research consisted of four chapters, the first chapter which included both the research methodology and previous studies and the theoretical aspect represented in the second chapter. As for the second topic, it represents oil contracts and their types and foreign companies and their types. The third topic represents the income tax and its characteristics and the company in the income tax law. As for the practical aspect represented in the third chapter, it also included three sections of the first topic, which

included the General Authority for Taxation, the Companies Department, and Iraq’s financial policy in light of price fluctuations. Oil The second topic was talking about the most important financial statements of foreign oil companies and the challenges that these companies faced with the fluctuations in oil prices. As for the third topic, it was talking about the most important petroleum laws and legislation and adherence to these laws and instructions of 2018, the most important annual controls and the most important laws that determine the relationship between the Iraqi government And foreign companies. As for the fourth chapter, it included all of the recommendations and the conclusion Crowns in its conclusion to achieve the goal of research in facing the challenges of oil price fluctuations and their impact on the income tax of foreign oil companies.

Chapter one: The first topic: Research methodology:

First: The research problem: Oil is the main source of income in Iraq, and the tax is the most important means used by the government to achieve its abundant financial gains, which contribute to supporting the state and covering its expenses for the savings it achieves to support the economic activity of Iraq, so the Iraqi Ministry of Oil set out to develop production through contracting. With foreign oil companies to develop oil fields and pay operational capital costs in addition to profit wages, the research problem lies by answering

the following question: - The lack of clarity in the impact of oil prices on the taxes of foreign oil companies operating in Iraq, whether they are service or participation contracts?

Second: - The importance of research: - The importance of research lies in obtaining the highest revenues from taxes imposed on foreign oil companies operating in Iraq, according to the annual regulations issued by the General Authority for Taxes, as some companies resort to benefiting from Iraq's oil and obtaining the largest share in light of economic conditions. And the politics that the country is going through and the competition that occurs between foreign oil companies, so the taxes imposed on them work to support the national economy and achieve an additional financial resource.

Third:- Research objectives:- The objectives of the research become clear by shedding light on the following aspects:-

- The role of foreign oil companies in increasing Iraq's financial imports and improving its oil exports.
- Improving the country's economy by imposing high taxes on foreign oil companies operating in Iraq.
- Searching as much as possible for the greatest benefit in the event of an increase in oil prices globally.

Fourth: - Research hypothesis: - Clarity of the impact of oil prices on the taxes of foreign

The second topic: Previous studies:

1- Siham study (2019):-

The impact of oil price fluctuations on the state's general budget: A standard study of the general budget in Algeria for the period (1980-2016)	Study Title
Awareness and understanding of the mechanisms of pricing oil in the global market, while tracing the path of developing oil prices from the discovery of oil as a commercial commodity .until 2016	Aim of study
The inductive approach was adopted based on collecting data related to oil prices and observing the phenomena associated .with them	Study tool
.Recovery in oil price shocks and other variables -1 The results of the standard study indicated the existence of a -2 positive relationship between fluctuations in oil prices and the .balance of the budget over the long term	Conclusions
1- Good management of oil wealth allows the exploitation of that wealth to advance the wheel of economic development and get out of dependence on the sector. 2- Diversification of energy exports by investing in research development, foreign company contracts, and expanding exploration opportunities	Recommendation

oil companies operating in Iraq, whether they are service or participation contracts.

Fifth: Research Methodology: The researcher used the descriptive and inductive method, which relied on the study of the phenomenon as it exists in reality and is concerned with its accurate description, through the data in the General Authority for Taxes and access to the secondary sources represented by sources, references and books related to the study.

Sixth: Time and place limits

- ❖ Three-year time limits (2018-2019-2020-2021).
- ❖ Spatial boundaries - the General Authority for Taxes.

Seventh: The research sample population: A community was chosen and the research sample was from the foreign oil companies operating in Iraq that obtained licenses.

Eighth: Methods of data collection: The research depends on a set of sources to obtain the necessary data as follows:

- ❖ Theoretical aspect: Relying on research, books, periodicals, studies and the Internet.
- ❖ The applied aspect: which the researcher relied on represented by a selected sample of the foreign oil companies operating in Iraq within the Senior Taxpayers Department of the General Tax Authority.

2-Al janabi study 2002

The effect of crude oil price fluctuations on the fiscal policy options of selected countries for the period (1990-2017) with special reference to Iraq	Study title
1- Analyzing the development of crude oil prices and the factors affecting it, as well as measuring the returns and risks of speculation in the oil market for the period under study. 2- Analyzing and measuring the relationship between fluctuations in crude oil prices in the international market and the response of the financial policy of selected oil-exporting countries.	Aim of study
Rely on the inductive and deductive method	Study tool
1- The existence of a positive, non-linear, long-term relationship between the fluctuations in crude oil prices in the international market 2- There is a direct relationship between crude oil prices in the international market and financial sustainability in the oil-exporting countries.	Conclusion
1- Establishing a sovereign fund for Iraq in which all oil revenues will be deposited, provided that the administration is not directly subject to the government 2- Reducing current expenditures and increasing investment expenditures that support sustainable economic growth	Recommendation

3-Yang study (2012)

Analysis of fluctuations in global oil prices and the factors affecting them	Study title
This study aimed to identify the fluctuations in oil prices at the international level.	Aim of study
The study concluded that there are multiple and different factors that affect global oil prices, other than demand and supply factors.	Conclusion

Chapter One The first topic: Oil prices and their fluctuations

2-1-1 Oil: Oil has many definitions, including:

Characteristics of the oil industry:- One of the most important characteristics of the oil industry is the following:

- ❖ The lack of tangible material revenues in the survey and exploration phase, as
- ❖ natural gas, sulfur and other materials require the need to separate the joint costs between these products for pricing purposes. (Amin, 2006:30)

capital expenditures are made in the hope of obtaining future revenues.

- ❖ The oil industry is characterized by the diversity of production, for example, that crude oil,

2-1-2: Oil prices and the factors affecting them: oil prices

the definition	Source	T
A blackish-blue liquid consisting of hydrogen and carbon	Alheti (38:2000)	1
A mixture of liquid hydrocarbon charcoal containing it in the liquid, gaseous and solid state and dissolved in that mixture.	Jaber(8:2004)	2
A wide variety of materials that were formed as a result of conditions and geo-chemical conditions varying in terms of viscosity, fluidity and density.	Mabr (2:2006)	3

The price of oil: It is the monetary value of a barrel of crude oil in the American scale,

which consists of 159 liters, expressed in US dollars through the development of the oil industry. Accordingly, there are names or

several types for the price of oil shown in two groups as in Figure (1):-

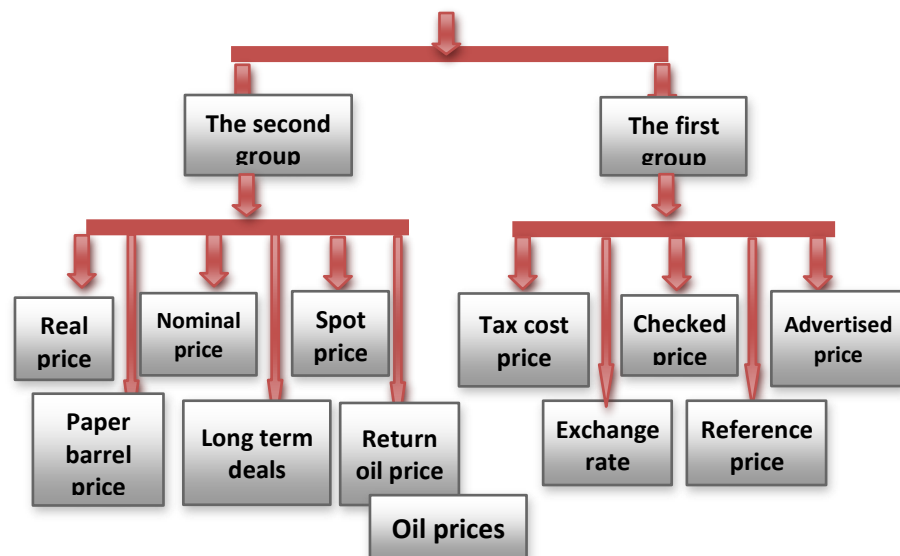


Figure (2) Types and nomenclature of oil prices

Source: Prepared by the researcher

Factors affecting oil prices: The most important of these factors are:

First: Demand for oil: Demand is the human need of an individual or a group focused towards obtaining a specific commodity or commodity at a known price and within a limited period of time. The result of the various needs stemming from the uses of that commodity at a specific price during a specific

period of time in order to satisfy the needs, whether they are for production purposes such as petrochemical or consumer products such as gasoline, lighting or heating.

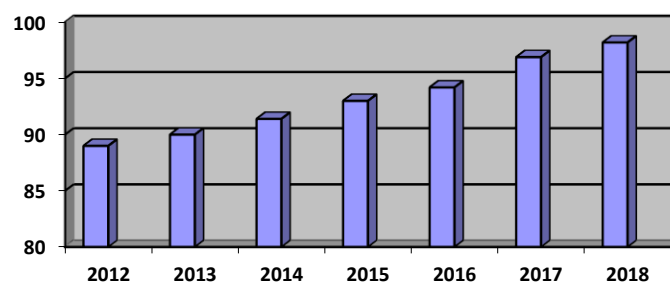


Figure No. (2) Global oil demand for the period from (2012-2018)

Second: Oil supply: It means quantities of oil commodities that are offered in the market in order to be traded in the light of human needs and demand during a specified time and price. It includes the oil supply on crude oil and oil derivatives, and a part of the reserve is sometimes added to it in preparation for any increase. Unexpected demand or an imbalance in oil supplies, meaning that the quantity

supplied of oil has a significant impact on oil prices. The relationship between each of the quantity supplied and the price of oil is an inverse relationship. An increase in the supply of the oil commodity leads to a decrease in prices, while when the quantity supplied decreases, it occurs the opposite. (Al Douri, 115: 2003) Figure (3) shows the evolution of the global oil supply from 2012 to 2018:

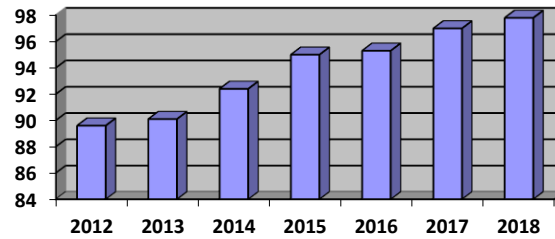


Figure No. (3) The global oil supply for the period (2012-2018)(OPEC,13:2015)

3-1-3/ Effects of oil price fluctuations:

The reflection of fluctuations in oil prices on the economies of the Arab oil-producing countries:- Oil prices are witnessing sharp fluctuations and fluctuations as a result of a group of factors and influences that contribute in one way or another to changing its course and in view of the structure of the economies of developing countries, especially the Arab oil-producing countries that are based on the export of a single commodity, which is Oil, where we find that price fluctuations are reflected positively or negatively in the medium or long term due to the fact that fuel revenues constitute the main resource for bringing in hard currency, supporting the public budget and financing economic development operations within these countries.

The impact of fluctuations in crude oil prices on the economies of developing oil-exporting countries:- Most governments consider that increasing the flow of foreign exchange or oil revenues to finance their general budget, as well as all other financial obligations, are among their priorities, despite the establishment of most governments of sovereign funds and huge

reserves, but they were And it still fails to manage the huge oil revenues, as most of the funds of the funds are used to finance the growing public expenditures, in addition to the depletion of reserves by the Central Bank to stabilize the currency exchange rate and oil price fluctuations pass through the general budget of the economy. Due to the adoption of a predetermined oil price in approving the general budget, in contrast to the rise in oil prices, and for the same reason, and that the decline in oil prices leads to a rise in inflation rates due to deficit financing as well as a current account deficit. Just as the decline in oil prices in itself reduces the gross domestic product, as it is considered a decline Oil prices affect all sectors of the economy, which significantly reduces this GDP, as well as Unemployment increases, while the opposite happens if oil prices rise (Thai and Chang,2013:78)

The second topic: Types of contracts and foreign oil companies:

2-2-1: Types of contracts: - Through figure (4), it shows the main types of oil contracts. My agencies: -

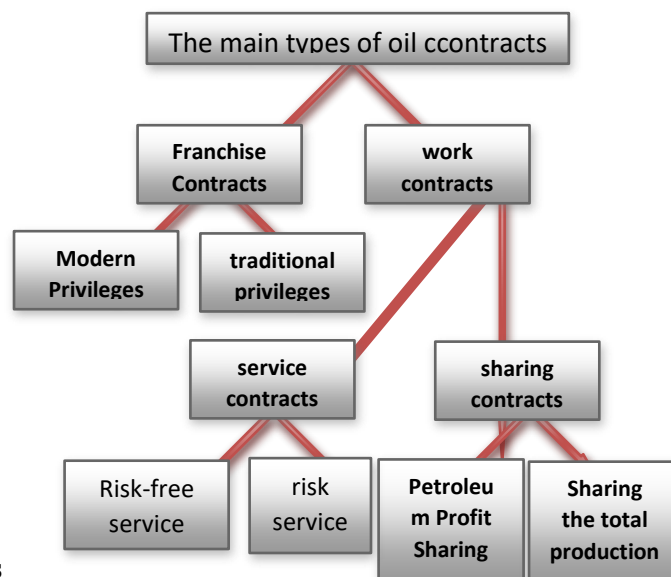


Figure (5) Types of oil contracts

(Ali,2016:52)

Participation contracts: An agreement between three main parties, the first party being the state, the second party represented by the local oil company or the private sector, and the third party representing the foreign oil investing company, the third party to the oil partnership contract. A specific time in which the conditions and shares of participation for each party are determined, and the risk sharing and production management between the parties participating in the project usually ends with the transfer of the joint venture's ownership to the state or its national oil company.

The partnership contract consists of two components:

- The first element relates to the stage prior to the discovery of oil, and the foreign partner here bears all the expenses of research and exploration, meaning that he bears the element of risk alone without an obligation from the state granting the concession.
- The second element starts from the date of the discovery of oil, and here the state enters as a partner according to the ratios agreed upon in the contract. (Abdul Aali, 579: 2008)

Although the details of the partnership contracts differ from one contract to another and from one country to another, the general financial characteristics of the partnership contracts can be summarized as follows:-

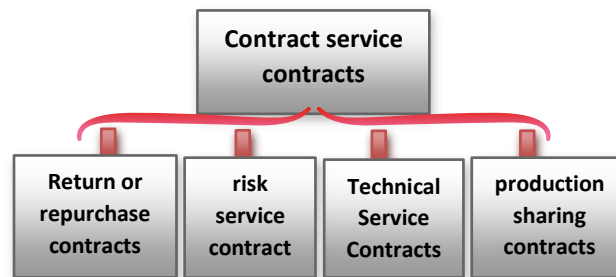
- ❖ The state's share represents a certain percentage of the privileges granted to the company within the state. This percentage varies from one contract to another, but the state's share usually exceeds 50%.
- ❖ The costs of oil exploration and production are distributed between companies and countries according to their respective share in the partnership contracts.
- ❖ Each of the state and companies gets his share of the crude oil produced in proportion to the share of each of them, and each partner markets his share of the crude oil for his own account.
- ❖ Both national institutions and foreign companies are obligated to pay royalties and income taxes due for their share of production, and royalties and income taxes are calculated on the basis of the declared prices.

- ❖ Foreign companies can buy from the state their share of the produced crude oil, and the companies market this oil for their own account. The value of the oil purchased by the companies in this case is estimated at the repurchase prices agreed upon from time to time according to market conditions. (The narrator, 2010:19)

Service contracts (contracting): They are contracts that the state reserves the right to search and exploit oil, then it uses a foreign company to entrust the drilling and oil exploration operations as a special contractor on behalf of the state. (Abu Ela, 2008: 598)

The acceptance by foreign companies of the conditions imposed by the contracting contracts requires obtaining information confirming that there is a great possibility of accuracy that the contract area contains encouraging commercial gas or oil deposits. These contracts, after their commercial discoveries, are much lower than the potential future returns in the case of other contracts.

- ❖ The company undertakes the financing and implementation of development, operation and production operations and recovers its investments in return for a lump sum wage for each barrel of product paid in cash or in kind with crude oil. This lump sum wage covers all costs and profits.
- ❖ The company manages oil operations for the duration of the contract, which ranges between (15-20) years, and forms a joint management committee between them to coordinate and follow up on common matters. The benefit of this contract is to get rid of the problem of agreeing on the price of crude oil, as the commission is fixed and includes all costs and profits with Knowing that the oil companies do not like this type of contracts, especially those in which the investments are large, because the method of recovering the investment takes a long time, and they do not benefit from the increase in crude oil prices. (Hassani, 18: 2013) Accordingly, there are some contracts or organizational forms for this type of contracts as shown in Figure (5), the most important of which are as follows:-



Form (5) types of service contract (contracting)

Source: Prepared by the researcher.

2-2-2/ Foreign oil companies: The company is the most important form in terms of size of business organization and the company is a separate legal entity. (Abboud, 13:2021)

Here we mention some of the company's characteristics, including:-

1.With regard to the name of the company: Legislations agree that the name of the company must be derived from its activity, which it performs, just like the rest of the legal persons, but they differed in that some of them generalized the provisions of the name to all companies in what others demand in a particular type of company and require the address for other types of companies.

2. With regard to the financial liability: once the company acquires its legal personality, its financial liability becomes independent of the liabilities of the partners, so it must be responsible towards others for its obligations, and in its dealings it expresses itself only and not the partners. (Kumani and Al-Wafei, 252: 2000)

3.Nationality: The issue in determining the nationality of the company does not come out with the help of the criteria that were previously referred to regarding legal persons in general, but these criteria are preferred, especially the criteria of establishment and domicile or management center always, and in most cases a third criterion is used, which is either the criterion of the center of activity Or the standard of control, supervision or exploitation.

4.As for the domicile: the domicile of the company is determined based on the legal concept on which the civil law depends, whether with regard to comparative laws or Iraqi law, as it is decided based on the country in which the company's main management center is located if it is an establishment in it or the country in which its local management is located if It was an offshore institution. (Iraqi Companies Law in force: 13)

2-2-3: Types of companies:-

➤ **The Limited Public Shareholding Company:** It is a company without a title that is composed of a number of people who subscribe in tradable shares who are not responsible for the company's debts except to the extent of the money they have subscribed.

➤ **Private or Mixed Limited Company:** It is the preferred type for many small and medium enterprises, meaning that the requirements for the internal organization of this type of company are less than what is in the joint-stock company, as the transfer of ownership of shares is more restricted and there is no public subscription to the shares, but the capital is not Less than two million Iraqi dinars, and the number of natural or legal persons does not exceed twenty-five people, all of whom contribute to its shares and bear responsibility for its debts at the nominal value of the shares they contributed. (Hashem, 70:2008)

➤ **Foreign companies:** The Iraqi Income Tax Law refers to defining the company as a joint stock company or a limited liability company that is established outside Iraq and operates business or has a department, workplace or control in Iraq. What is meant here is the branches of companies that engage in trade in Iraq, whether they are foreign Or Arab, or whose place of business, management or control is located there, where they are subject to tax on the basis of residence and regional criteria, unless they are exempt. (The Intruder,285:2003)

The third topic: Income tax on foreign oil companies

2-3-1: Income tax The definition of income "is the monetary value or that can be estimated in money, which is periodically verified from a

source that has the character of stability and relative stability in a certain period of time (Noor, 29:2002).

Income tax cafes:-

First: The economic concept of income: It is defined as “the net change in wealth” and they rely on the definition of economist Hicks, who defined income as “the maximum that an individual can consume during a period of time without affecting the value of his wealth.” Based on this definition, income For projects, it is the value that can be disposed of by distributing dividends to project owners without affecting the invested capital. This concept is known as the concept of capital preservation.

Second: The accounting concept of income: It is defined as “the difference between revenues and expenses.” Accountants are based on the interview principle. They also follow the accrual basis to determine income. Accountants have relied on the method of operations or transactions by recording all project operations with others, and accordingly, the project’s records and books appear. Detailed items of revenues and expenses, and on this basis, income or profit may be positive, which is in the case of excess of revenues over expenses, and income may be negative, and it is in case of excess of expenses over revenues, and it is called a loss at the time (Abu Hashish, 26:2010).

Third: The legal concept of income: This concept is mainly related to the financial concept of income, which differs from one country to another and from one period to another according to what is dictated by financial, social and economic considerations, and that this difference leads to the absence of a single concept of taxable income or a specific philosophy for it because it has become It is related to the philosophy of the existing system in each country, the economic and political conditions and the extent of its progress. (Ramadan, 140:2002)

Fourth: The concept of income tax: There has been a lot of controversy about the concept of income from a tax point of view, and the reason for this in the opinion of some writers is the lack of clear differences to distinguish income from capital, on the one hand, and the same money may be considered income at one time and capital at another time.

2-3-2:- Characteristics of the income tax in Iraq:- The income tax in Iraq has the following characteristics:-

1. First: progressive tax.
2. Second: Personal tax.
3. Third: the annual tax.
4. Fourth: The territoriality of the tax.
5. Fifth: A tax imposed on labor income and capital.

2-3-3- The company in the Income Tax Law:

The nature of control over oil companies differs in terms of scope, responsibility and the method used to achieve them from the regular and special control methods of the state’s general control or oversight over the integrity of procedures and financial transactions that are followed by the commercial sector In view of the absence of acceptable international accounting standards, that general acceptance in the field of oil accounting, this will undoubtedly be reflected in the exercise of control over the oil company from the governmental side, in addition to the modernity of most countries with oil activity and the need to provide appropriate means to qualify technical and accounting staff to ensure the availability of information Basic control of oil companies. (Hijr, 393:2001)

Chapter Three: The first topic: The Companies Department in the General Tax Authority

3-1-1: - The Companies Department: It is a department that undertakes the task of completing the tax assessment on the profits of joint-stock and limited companies of all nationalities and setting annual controls in conjunction with the Department of Business, Professions and Tax Collection. On December 30 1996, the Direct Deduction Division was separated and became the Department It includes the following people:

1. Estimated units: The speculative units consist of 14 units, and each unit consists of an appraiser and an assessor assistant.
2. Audit Division: It is the audit of files related to companies that have been held accountable according to procedures and instructions.
3. Collection Division: It undertakes the task of collecting taxes resulting from accounting

Tax accounting mechanism for foreign oil companies The Companies Department works according to specific work mechanisms by

conducting the tax accounting process with the taxpayer and according to the following steps:

- ❖ The company submits its final accounts that were audited by the auditor and approved by the Iraqi Association of Certified Public Accountants within the legal period.
- ❖ After that, the final accounts are recorded in the incoming records and transferred to the competent assessor, after which the authorized manager reviews this assessor to carry out the tax accounting process.
- ❖ In the event of the company not being reviewed, i.e. the absence of the authorized manager or his agent to the assessor, it will be assessed administratively.

3-1-3: - Iraq's production of oil in light of fluctuations in oil prices for the period (2012-2019)

The growth rate of oil decreased in 2013, reaching (3103) thousand, with a growth rate of (0.779%) compared to 2012, which was (3079).) thousand barrels and a growth rate of (11.035%) and increased in 2015 to reach (3986) thousand barrels and a growth rate of (23.063%) due to the increase that occurred with the contract with foreign oil companies that the Iraqi government contracted with it since 2009 until the increase declined In 2017, it reached a growth rate of (2.193%) and (4520) thousand barrels and continued to decline until the growth rate in 2019 reached (4700) thousand barrels and a growth rate of (1.819), as shown in Table (1) and my agencies.

Table (1) Oil production in Iraq since (2012-2017)

tax revenue	annual growth rate%	Oil production (thousand barrels)	Oil price \$	Yesrs
0	11.035	3079	111.67	2012
0	0.779	3103	108.66	2013
109914	4.383	3239	98.95	2014
256214	23.063	3986	52.39	2015
536122	10.963	4423	43.73	2016
1196163	2.193	4520	54.19	2017
692076	2.123	4616	60.5	2018
549021	1.819	4700	61.6	2019

Source: Prepared by the researcher based on the British Oil Company.

4-1:- How to calculate a barrel of crude oil

Oil companies depend on this list to calculate the cost of producing a barrel and the taxable revenues through Table No. (2) and that tax

revenues are affected by the quantity of production and that the quantity of production is determined by the World Organization of Petroleum Exporting Countries based on a factor Supply, demand and global oil prices

Table (2) How to calculate the barrel

Salaries H/31
Commodity requirements h/32
Service requirements h/33
Decays h/37
Contributions H/382
Expenses of previous years h/391
Total net expenses h/3
Gas costs center 4+18+38
9+22+23 Center (Capital Operations)
2018 receipt and delivery expenses
Cost of internally manufactured assets 45 (account 45-9 + 22 + 23)
Revenue from service activity h/43
Revenues from previous years 491
Total revenue h/4

Total 3-total 4, net expenses including profit wages
Offers contributions to institutes and centers for research and development
commission for explorations
Subtract Marketing Commission
Introduces profitability wages for the year 2020
Subtract the proportional depreciation
Subtracts the salaries of the missing
Offers the Ministry's incentives
Offers salaries and incentives for affiliates
Total exclusions
net expenses after exclusion
The number of barrels produced
The cost of barrels without profit fees
20% profit margin is added without profit fees
The cost of a barrel without a margin, including profitability
Actual barrel cost after deducting the profit margin percentage from the profitability wages
Local processed quantity
chart barrel price
domestic revenue
The difference between the planned price per barrel and the actual cost per barrel
The difference in the price of domestic revenue from the price of the source
Amount of exported oil
source oil revenue
Revenue of exported and domestic crude oil
gas revenue
Total crude oil and gas

The source was prepared by the researcher using data from the Ministry of Planning \ Statistics Department

The second topic: the financial statements of foreign oil companies:

3-2-1: Tax accounting for foreign oil companies according to the service contract: - a comparison on revenue realization and the impact of oil prices on it for three years (2018-2019-2020)

The main contracts concluded: - The branch of Company (Q) concluded a TSC technical service contract with the Maysan Oil Company, the Basra Oil Company and Eni for the development of the Zubair Oil Field. The duration of the contract is 20 years, starting from the date of January 22, 2010 and ending on January 21, 2030. The parties agreed on the participation rates. The following are in Table (3) as follows:-

Table (3) of the main contracts concluded for the years (2018-2019-2020)

Share profitability ratio	Participation rate in additional costs	Participation rate in petroleum costs	Partner
%5	%0	%0	Misan oil company
%29.690	%31.25	%31.25	Al basra oil company
%41.65	%43.75	%43.75	Eney company
%23.75	%25	%25	S branch company

Source: Prepared by the researcher based on the data of the General Tax Authority / Senior Taxpayers Section / Companies Division.

The participation of the government side is less than the foreign side, with this percentage, the foreign side is in control of many things.

Through the mentioned percentages, the percentage of foreign companies is 66% and the government side is 34%, which is a small percentage compared to the foreign side, as it

must be close to or slightly greater in order to The government side is the one with the power and the biggest controller, not the weak side in terms of oil contracts.

Table (9) Detailed data for the year (2018-2019-2020)

2020	2019	2018	
77380867464	79181100088	71285764668	Revenues
3907812131	6902331612	41872471907	Expenses
---	46935699509	29413292761	Profit
---	---	---	Wages
1460	1225	1200	exchange rate
---	---	---	The main events
27-20	67-66	79-70	Oil price
2708330361	2771338503	2495001763	Revenues×35%

Source: Prepared by the researcher, based on the data of the General Tax Authority.

The researcher finds:

1- The price of oil for the year 2018 ranges between (70-79) dollars per barrel and it tends to rise. However, we do not notice an increase in tax revenues, which were (2495001763) and that the general situation was relatively stable during the year. As for salaries, there are no wages for the workforce during these times.

The year, as the salaries are included in the list of the result of the activity of the Kocazakazpi branch. As for the material events that did not occur to the branch or its assets during the year from the date of the budget to the date of approval, which have a direct impact on the financial situation.

3-2-5: Summary of foreign oil companies contracting with the Iraqi Ministry of Oil for the years (2018-2019-2020-2021): - and as shown in Table (8), my agencies: -

Table (8) Revenues of foreign point companies operating in Iraq

Year 2021 company(f)	Year 2020 company(p)	Year 2019 company (s)	Year 2018 company (r)	
21022213931	51318400000	79181100088	98680012320	Revenue
--	121852632	6902331612	78944009856	Expense
90-85dollar	27-20dollar	67-66dollar	79-70dollar	Oil price
1470	1460	1225	1184	Exchange rate
22418655039	316751585510	5627640064	19736002464	surplus
Spare	Spare		Spare	Estimate
%35	%35	%35	%35	tax rate
22418655039	573432240636	67531680768	20723444385	subject income
7846529264	200701285000	236368900	725325535	Tax

Source: Prepared by the researcher based on the data of the General Tax Authority

Company (R) (2018): - Company (R) registered its branch inside Iraq on 01/17/2006 according to the registration certificate numbered 2422 on the same date issued by the Companies Registration Department. The company contracted under the service contract with the Ministry of Oil, the South Oil Company and Company (Dargon Holding Ltd. is to implement the exploration, development and production service for the contracting area for the ninth exploration block in Basra Governorate - Shatt Al-Arab District.

The service contract is for a period of 30 years for oil drilling and 40 years for gas drilling.

Company (S) (2019):- Company (S) Iraq B in the Corporation in the Netherlands registered a branch in Iraq on October 29, 2010 under the registration license No. MSM / 2821 issued by the Companies Registration Department, Department of Foreign Companies Affiliated to the Ministry of Trade in the Republic of Iraq.

The branch concluded a TSC technical service contract with the Basra Oil Company and ETI Development Company for the development of the Zubair oil field. The term of the contract is 20 years, starting from the date of January 22, 2010 and ending on January 21, 2030. The parties

agreed on participation rates between Maysan Oil Company, Basra Oil Company, Eni Company and (Q) Iraq b at 25% in oil and additional costs, the same percentage, and profitability was 23.75%

Company (P) (2020):- The branch of Company (P) in the People's Republic of China was legally established in Iraq after the issuance of the registration certificate by the Companies Registrar Department No. MSM / 2712 on June 21, 2010, where the branch was working in the extraction of oil and the development of oil fields In southern Iraq and carrying out production activities in the fields of Halfaya, Ramla and West Qurna.

Company (F) (2021): - Company (F) Iraq registered its branch in Iraq in 2010 under a registration license issued by the Companies Registrar Department, as it was working on extracting oil to develop oil fields in southern Iraq.

The researcher believes that:

- ❖ In 2018, the oil price is on the rise from 70-79 dollars per barrel and it affects the increase in revenues for foreign oil companies, and this must be fixed in the contract according to the expected increase in oil in order to ensure achieving the highest revenues for the General Tax Authority.
- ❖ In 2019, at the beginning of the year, things were fine, and the price of oil in this year was 66-67 dollars per barrel, and it decreased slightly from the price of oil at the end of 2019 due to the Corona pandemic. However, revenue was achieved for most foreign oil companies, and that there is a difference In the revenues in the appraisal memorandum and the company's data, as the revenue in the appraisal memorandum amounted to (67531680768) and the amount in the company's data amounted to (79181100088).
- ❖ In the year 2020 and the emergence of the Corona Covid-19 pandemic, and with the world completely stopped due to this virus, and the price of oil began to collapse until it reached 20-27 dollars per barrel, and this affects the amount of crude oil sold, and that was most companies whose percentage was approximately equal to the price of a barrel and therefore It led to a decrease in revenues, as well as taxable income and the amount of tax, and some paragraphs in the contract must be amended in the event of oil rise or fall or to meet emergency circumstances, thus ensuring tax revenue in the worst

circumstances, and that there is a difference in the revenues in the estimate note and company data (p.) As the revenues contained in the appraisal note amounted to (57343224936) and the amount found in the company's statements amounted to (51318400000).

- ❖ In 2021, normal life began to return to all countries in the world, and the wheel of life began to spin after it was stopped due to the Corona pandemic, and the price of oil began to rise gradually, and the price of a barrel was between 85-90 dollars per barrel, and this leads to an increase in revenues as well as an increase in the amount tax.

3-2-3: Challenges facing the impact of oil price fluctuations.

1- Justifications for the demand for oil

- Population: where the size of the population contributes to determining the demand for energy completely.
- Average per capita income: Countries vary in the average per capita energy consumption, and the higher the average per capita income, the greater the need for energy
- Production structure: It is expressed by the sectors' contribution to the generation of the gross domestic product.
- Technology: In recent decades, with the development of technology, countries have turned to alternative energy and economical technology.
- The price of oil: The factors that affect the price of oil are the prices of alternative energy, environmental policies and controls, and tax policies.

2- Justifications for the offer on oil

- Oil needs.
- Costs and the price of oil has a direct relationship with supply because the increase allows for the production of oil at higher costs.
- International conditions: greatly affect the oil prices through civil and armed conflicts.
- Natural factors: - The weather and climate affect the price of oil.
- The economic and political conditions in the oil-producing countries. Any disturbance in these countries affects oil prices.
- There are uncalculated factors, such as what happened at the end of 2019 about the outbreak of the Corona virus, and its

impact was clearly demonstrated in 2020, when activity stopped in the world, as well as oil prices were significantly affected.

3- Justifications for the costs of oil

- The capital cost refers to what is spent on exploration and development operations, such as drilling wells, pipes, and others.
- Capital costs are classified into two categories: drilling costs, and the other category costs tasks other than drilling.
- There are other operating costs, including maintenance and transportation of produced oil, and others.
- When the price of oil rises, exploration thrives economically through the development of fields and the movement of investment on a large scale.
- As for the drop in the price of oil, the investments will recede, and when the decline is violent, the projects will become useless.

third topic: Petroleum laws and regulations:

3-3-1: The most important petroleum laws and regulations for the period (2003 - 2021)

1. Law of Imposing Income Tax on Foreign Oil Companies Contracting to Work in Iraq No. (19) of 2010: According to this law, an income tax was imposed on contracts concluded with foreign oil companies contracting to work in Iraq, or their branches or offices, and their subcontractors in the field of production and oil and gas extraction and related industries

2. Law 64 of 2017 exempting foreign contracting companies and contractors in licensing rounds from fees: This special law was initiated in order to exempt foreign companies and foreign subcontractors contracting in licensing rounds from fees. (Iraqi facts: 3, 2017)

3-3-2: Tax accounting instructions for contracts concluded between Iraqi and foreign contracting parties in 2018:

- ✓ the contractor's request from the contractors to provide evidence of their registration.
- ✓ Send a copy of the referral to the General Tax Authority or one of its branches.
- ✓ Providing the General Tax Authority with information.
- ✓ The Iraqi and foreign contractors working in Iraq who want to leave Iraq must pay all the sums they deducted from the subcontractors who contracted with them to the General Tax Authority before his departure.

- ✓ The amounts deducted by the Iraqi authorities from the primary and secondary contractors shall be transferred to the financial department of the General Commission for Taxes.

3-3-3: Commitment to the laws and regulations in force:

The foreign company must be subject to the laws of the host country, in the same way as others who reside in this region, whether citizens or foreigners, whether the foreign company is an investor or contractors with it, such as the subcontractor and foreign employees. The third paragraph of the Article (29) of the contract states that "the contractor and operator shall, in all their contracts with the sub-contractors, include the provision that the sub-contractors must undertake to abide by and be subject to the law."

Chapter Four: Conclusions and Recommendations:

The first study, conclusions:

- ❖ Iraq is considered a rentier economy that depends mainly on oil sales revenues by 94%, and oil revenues are subject to fluctuations in oil prices, up and down.
- ❖ There is joint cooperation between the Ministry of Oil and the General Authority for Taxes, as the share of the foreign partner is not paid until after the tax has been deducted, which is 35%.

second topic: Recommendations:

- ❖ Benefit from the global technological expertise and techniques provided by foreign oil companies.
- ❖ Amending some paragraphs in the tax system by issuing deterrent and incentive legislation at the same time for the purpose of addressing some of the gaps in the tax system.

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