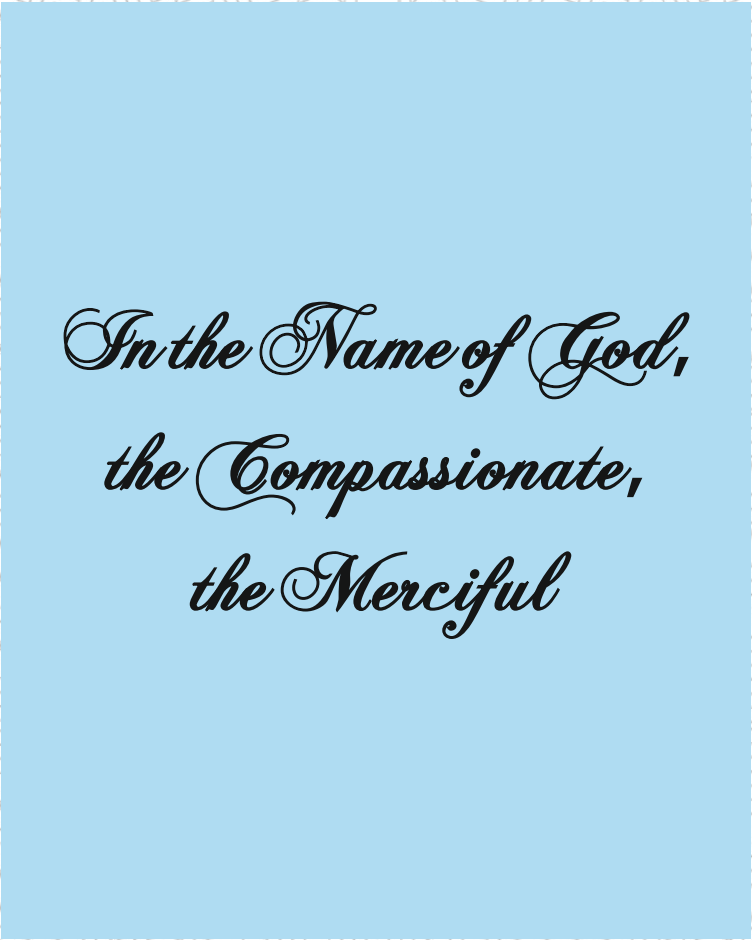




*In the Name of God,
the Compassionate,
the Merciful*

What You Should Know About Investment

*The General Department of Economic Affairs
and Finance of Kermanshah Province*

Compiler: The Economic Deputy

Mahmoud Rashidi Aghdam, Fariborz Shahbazi, Erfan Yousefi,
Abdolkarim Sadeghi, Ali Ashraf Rahimi, and Pourya Mohammadi

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Website:	<i>www.investin-ksh.ir</i>
Email:	<i>Kermanshah@investin-ksh.ir</i>

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Preface:

The importance and necessity of building transparency in today's complex and highly competitive world regarding the choice



and the way to start various economic activities and in other words the expansion and improvement of the business system environment is not hidden from anyone.

Easy access and obtaining reliable information regarding laws, regulations, incentives and processes related to all kinds of investment activities and receiving relevant licenses in a completely transparent manner is considered one of the important and effective pillars in the field of investment and capital attraction, in the productive sectors of the economy.

According to this, the present book was prepared with the aim to familiarize investors with various types of investment activities and related processes in the country with an emphasis on foreign investors, and it is hoped that this collection will be able to answer their questions and concerns so that they can navigate themselves through the path of investment more easily.

Dr. Mahmoud Rashidi Aghdam
Managing Director of Economic Affairs and Finance
of Kermanshah Province
The Vice-President of the Investment Service Centre
of Kermanshah Province

Introduction

In the present era, investment has emerged as a wide-ranging science in economic literature and has opened new ways for the development of countries and their different regions. Investment is one of the most important levers of economic dynamics. Economists consider capital to be the engine of economic growth and development (Saeidi, 2010, p. 182).

Investment and capital accumulation is the main key to economic growth and development. Economic development requires investment in various economic sectors and activities, which one of the most effective factors is investment and providing the necessary capital to increase economic activity.

The Concept of Investment

The meaning of investment in Macroeconomics is that category of final expenses in the economy that leads to maintaining and continuing or increasing the production capacity of goods and services of economy (Rahmani, 2005, p. 174). Investment is generally defined as sacrificing value in the present time in the hope of obtaining any value in the future. In other words, at present, the investor sacrifices a certain value now in order to get more value in the future. In this definition, there are two basic elements, **efficiency** and **time** which are focused on future, and the future is uncertain and precarious. Therefore, it may be said that investment is based on the two bases of **risk** and **return**. An investor starts investing when the optimal level of risk and return is provided for him.

Different Types of Investments

Investments are basically made in the form of natural persons (individuals) and legal persons (companies). Investment in a division is made by the private, public or cooperative sectors. Investment in regard to the subject is divided into two categories of **physical** and **financial** investment.

— **Physical Investment:** Is a type of investment in which a person acquires a physical asset by sacrificing a value in the present time. In fact, the subject of physical investment is physical property. Buying a property or an apartment is an example of this investment.

— **Financial Investment:** In exchange for sacrificing a present value, an individual acquires some kind of financial asset, the result of which is usually a flow of cash. Investing in securities such as ordinary shares or partnership bonds, (in which a person is entitled to receive a flow of cash in the form of profit in return for paying money), is considered a financial investment. In regard to **time**, investment could be divided into **short term** and **long term**.

— **Short Term:** It includes assets that are held for less than one year and have high liquidity.

— **Long Term:** It includes assets that are held for more than one year and the expected return on these assets is usually realized after a certain period of time.

Based on risk or investment risk, all types of investments are faced with a degree of probability of not realizing the investor's desired benefits or risk. Based on the amount or probability of not realizing future benefits, the types of investment could be divided into three categories: “Investment with proportional risk”, “investment with higher relative risk”, and “high-risk investment”. It is a type of investment which its risk is proportional to the expected return. Investing with a relatively higher risk or speculation is a type of investment in which the investor accepts more risk to obtain return on investment (ROI). Finally, a high-risk investment is a type of investment in which a person takes a lot of risk to get a low return.

Types of Private Sector Investment Regarding the Source of the Required Financial Resources

In fact, a part of individuals' income is not allocated to consumption expenses and is used in the form of savings and in order to meet future needs and in the form of various investment methods by natural and legal persons or monetary and financial institutions (in the form of granting facilities or capital direct investment) leads to investment activities in proportion to the expected return and risk acceptance.

A) Domestic Investments

In this case, the required financial resources are provided within the geographical borders of the country and from personal savings or obtaining facilities (loans) from banking sources.



B) Foreign Investments

Foreign investor refers to non-Iranian natural or legal persons or Iranian individuals who use capital of foreign origin after obtaining a foreign investment license to use it in a new or existing economic *firm*. Capital is transferred to the host country in both **cash** and **non-cash** forms (production machinery and equipment, tools and spare parts, patents, technical know-how, and raw materials, etc.).

General Conditions for the Approval of Foreign Capital:

- To cause economic growth, technology improvement, product quality, increase in job opportunities and to increase exports.
- Not to cause threats to national security and public interests, destruction of the environment, disruption of the country's economy and domestic-based production investments.
- According to the capital, the foreign investor should not enjoy privileges and special rights or be in an exclusive position.
- The share value of produced goods and services via foreign investment at the time of issuing a license in each economic sector **shall**

not exceed a maximum of 25% and in each field **must not** exceed a maximum of 35%.

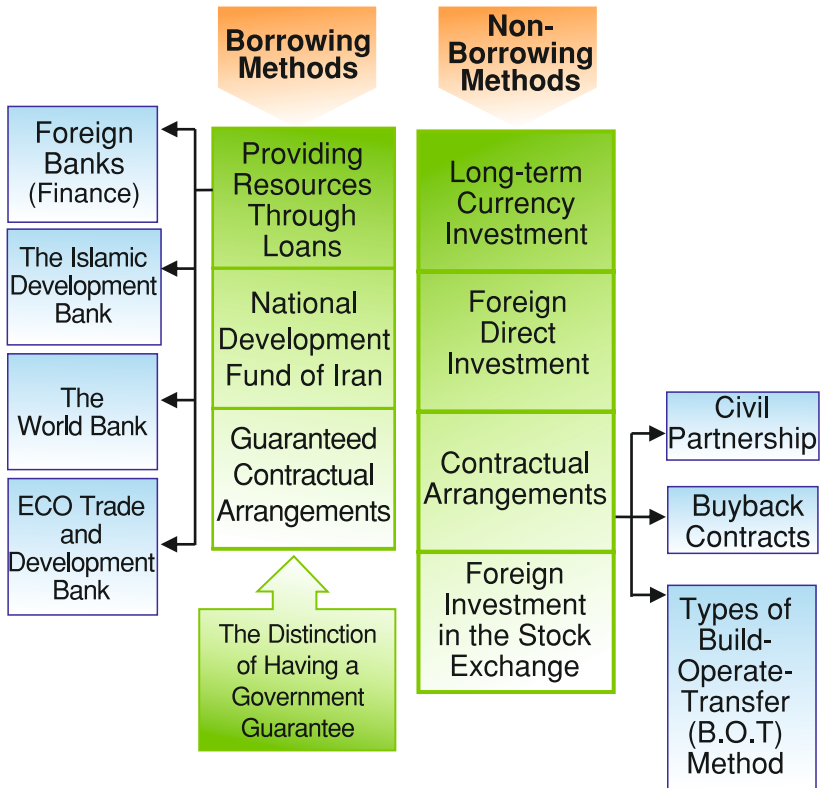
— **Provision:** Foreign investment especially in the production of goods and services for exports is exempt from the above ratios, except for crude oil.

Any type of land acquisition “in any amount” in the name of a foreign investor, is **NOT** permitted

◆ **Note:** Foreign direct investment may be made in all areas where private sector activity is allowed. Foreign investment in government sectors may only be implemented within the framework of contractual arrangements.



Chart 1-1- Types of Foreign Financing Methods



A) Non-Borrowing Methods:

It includes methods that the return of principal and profit are not guaranteed, and the ultimate responsibility for the risk of return of capital (ROC) and resources to the capital owners lies with the investor.

1) Long-term Currency Investment:

In order to obtain a 5-year residence by presenting a payment order (*Hawala*) and currency banknotes in the amount of at least \$100 thousand or its equivalent in other currencies, with guaranteeing the possibility to transfer the Deposit Principal to abroad after the cancellation of the residence in the form of a note in the same currency.

2) Foreign Direct Investment¹:

A foreign investor may make a direct investment in the country in partnership with a domestic investor or in the form of 100% foreign ownership. The minimum participation in the company's shares in foreign direct investment is 10%, because while creating significant ownership, it also provides the possibility of management authority.

1.FDI

Note: There is another type of foreign investment that does not lead to the foreign investor owning a part of the equity capital of the invented firm (management and control of the firm) and purely leads to the joint benefit of the parties from the subject of the contract within the framework of a contract (such as the contract for the transfer of technical knowledge, management, trademarks, etc.), which is called *non-equity foreign investment*.

3) Contractual Arrangements:

1-3-1- Civil Participation: It is called a situation where the parties cooperate with each other for a certain period of time by collecting their cash and non-cash funds in the field of various production, trade, commercial and service activities. Furthermore at the end of the contract period, they will share in the profit and loss account in regard to their contributions.

1-3-2- Buyback Contracts: This method of financing is regarded as a service purchase contract. In this type of contract, the foreign investment company undertakes all the investment funds, as well as the installation of equipment and the start-up and transfer of technology, and after the start-up, hands it over to the host country. Return of capital as well as capital gains are obtained through the sale of products.

1-3-3- Types of Build-Operate-Transfer¹ Method:

1-3-3-1:Build-Operate-Transfer Method:

One of the common and customary methods of financing for the implementation of infrastructure projects is implemented by the private sector (domestic/foreign). In this case, all stages of design, construction, financing and operation are done by the investor, and the period of this contract model is usually from 25 to 40 years, that is, after 25 to 40 years, the project *shall be handed over to the project owner* (the Government).

1-3-3-2:Build-Own-Operate-Transfer² Method:

In this contract, according to the agreement, the project will be built and owned by the private investor, and after the exploitation period according to the agreements, the project will be transferred to the host country. The investor may take the pledge of the property and assets of the project with banks and credit and financial institutions and take loans or other facilities.

1.B.O.T

2.B.O.O.T

1-3-3-3:Build-Own-Operate¹ Method:

The most important and distinguishing stage in this type of contracts is the "acquisition" stage, after which the investor becomes the owner of the project and can exercise all ownership rights. The ownership of the project by the investor is not limited to the contract period and the investor is not required to hand over the project to the government.

1-3-3-4:Build-Own-Operate-Sell²Method

In this case, the project investor company undertakes to sell the project to the project owner after the construction and operation of the project under its ownership and the expiration of a certain period. The investor could pledge the property and assets of the project with banks and credit and financial institutions and take loans or other facilities.



1.B.O.O

2.B.O.O.S

1-3-3-5:Buy-Build-Operate¹ Method:

Transferring public assets to a private or quasi-public entity in the form of a contract so that these assets are upgraded and launched within a certain period of time. Public sector control is exercised through contract during the transition period.

1-3-3-6:Build-Lease-Transfer²Method

In this case, the private investor completes the construction of the project according to the contract, and the project is leased by the government, and then the investor's expenses are depreciated according to the agreements of the parties. After the lease period, the ownership of the project is transferred to the government.

1-3-3-7:Build-Transfer-Operate³Method:

In this contract, the investor builds the project by accepting the relevant responsibilities. Then, while the government apparently owns the project, it grants the right of its exploitation to an executive institution through agency. In the next stage, the investor takes over the management of the project on behalf of the mentioned institution, and in the form of agreements, the investor acts on the consumption of the principal and sub-investment of his investment.

1-3-3-8: Rehabilitate-Lease-Transfer¹ Method:

This method is used for projects that need renovation and renovation, so that the current status of the project is brought by the first party (host or owner) and financing and investment for renovation and rehabilitation is provided by the second party (guest) the investor or the partner of the partnership and the permits and other elements of the partnership are included as an agreement by one of the partners, and after the project implementation, the project is leased by the government from the investor, then under the agreements of the parties, during the lease continues until the investor's expenses are consumed. After the end of the capital gaining period and principal capital acquisition, the investor shall return the entire collection to the owner. Because the investor's share is paid in “a fixed amount” and “lease”, so it is R.L.T.

In the same way, if the investor's share is paid as a percentage of profit or a percentage of the income of the subject of exploitation, the name of the method would be R.T.

1.R.L.T

1-3-3-9: Rehabilitate-Own-Operate¹ Method:

The most important and distinguishing stage in this type of contracts is the acquisition stage, after which the investor becomes the owner of the project after equipping and renovating it, and can use it and apply all ownership rights. This is especially important for obtaining financial resources, and the investor could pledge the property and assets of the project to banks and credit and financial institutions and proceed to obtain loans or other facilities. Also, the ownership of the project by the investor is not limited to the contract period and the investor is not required to hand over the project to the government.



1-3-3-10: Modernize-Operate-Transfer¹

Method:

Had the existing infrastructure project been handed over to the private sector to turn it into a modern project but instead been used for a period of time and then being transferred to the employer for free, the term modernize, operate, and transfer or M.O.T is used.

4) Foreign Investment in the Stock Exchange (Foreign Indirect Investment²)

Foreign individuals in compliance with the *Regulation of Foreign Investment in Stock Exchanges and Over-the-Counter Markets* approved on 18th April 2010 by the Cabinet and after receiving a transaction license from the Stock Exchange Organization are allowed to trade securities on the stock exchange or the over-the-counter markets within the limits specified in the trading license.

According to the aforementioned regulation, a foreign investor is defined as an individual who intends to acquire more than 10% of the shares of a company listed on the stock exchange or over-the-counter market, or intends acquiring a seat on the board of directors of a company listed on the stock exchange or the over-the-counter market. (The investment of foreign governments

1.M.O.T 2.F.P.I

is subject to the approval of The *Islamic Consultative Assembly (The Iranian Parliament)*, and the investment of foreign state companies is considered private).

B) Borrowing Methods:

It includes methods that guarantee the return of principal and profit of the resources received by the banking system or the Government.

1) Providing Resources Through Loans:

◆**A)** From international development banks, including The Islamic Development Bank¹, The World Bank², and Eco Trade and Development Bank, The facilities of these banks are for the implementation of development and infrastructure projects, and the rates are relatively low and are granted for a long-term of period.

◆**B)** From the Bank Credits and foreign commercial financial institutions (Finance): the banking facilities are granted in a short-term period and at a higher rate than international development banks.

1.IDM 2.WB

2) National Development Fund of Iran:

This fund is based on *Article (16) of the Law on Permanent Decrees of the Development Programs of the Country* approved on 30th January 1981 with the aim of converting a part of the revenues from the sale of oil and gas, Natural-gas condensates and petroleum products into permanent and productive wealth and economic generative capitals as well as preserving the share of the future generation are made up of these resources. Within the framework of the fund's regulation, a part of its resources can be allocated in the form of foreign currency facilities for production and investment to the private, cooperative and public non-governmental sectors.

3)Guaranteed Contractual Arrangements:

It refers to a state that all types of financing methods subject to the contractual arrangements, including civil partnership, buyback contracts, and all types of Build-Operate-Transfer (B.O.T) Methods enjoy government guarantees. These cases mainly focus on an objective aspect in the context of the implementation of government projects and infrastructure plans.

Official Authority in Charge of Foreign Investment Requests:

Whereby the *Foreign Investment Promotion and Protection Act* approved in 2002, “*The Organization for Investment, Economic and Technical Assistance of Iran*” is the only official institution for foreign investment promotion in the country, which responds to all requests of foreign investors such as Capital approval, Capital inflows, Capital employed, and exit.

The Duties of the Organization¹ in Regard to Foreign Investment

- 1) Foreign Investment Promotion
- 2) Dealing with all matters of attracting, approval, employing, and inflow and outflow of foreign capital in the form of FIPA², preparing, compiling and proposing foreign investment policies, rules and programs.
- 3) Explaining the legal basis, economic advantages and introducing foreign investment opportunities in international meetings and conferences
- 4) Preparing, regulating and carrying out negotiations related to reciprocal “*promotion and protection agreements*” regarding investments with other countries.

1.Organization for Investment, Economic and Technical Assistance of Iran

2.Foreign Investment Promotion and Protection Act

5) Cooperation with international financial institutions related to foreign investment in the field of good implementation of the concluded contracts related to loans and the government credits from abroad, including principal repayments and payment of interest, fees, and other related expenses, and reciprocally taking care in good implementation of concluded contracts related to granting loans and credits paid to governments, foreign and international institutions, including collection of loan principal installments, interest and fees and other related funds.

Procedures for Obtaining a Foreign Investment License

1. Submitting an official request by the applicant to the *Organization for Investment, Economic and Technical Assistance of Iran* as the only official body to deal with the affairs of foreign investors.

2. Completing the relevant form and preparing and uploading the required documents on the organization's website

3. Preliminary examination of the applicant's application after completing the documents and submitting it to the Foreign Investment Committee within 15 days at most

4.Consideration and final decision taking by the Foreign Investment Board within a maximum of one month (30 days) after the applicant's application

5.Issuing a foreign investment license with the signature of the highest official of the Ministry of Economic Affairs and Finance after the board's approval

6.annulment of foreign investment licenses in case of non-fulfillment of the aforementioned clause or failure to renew the said license by presenting convincing reasons to the board.

Methods of Currency Resources Inflow by Investors

A) In-Cash:

1) Through Iranian private and public sector banks in the form of payment orders (*Hawala*) and banknotes with registration in the systems approved by the Central Bank of Iran (*Nima and Sana*).

2) Through authorized “Bank” and “Non-bank” foreign exchange companies under the supervision of the Central Bank in the form of payment orders (*Hawala*) and banknotes with registration in the systems approved by the Central Bank (*Nima and Sana*).

3) In the form of luggage and through border points and declaring at Customs.

◆ **Note:** The Customs is obliged to register and issue the foreign currency declaration of the subject of this instruction without any restrictions on the “Floor and Credit limit” (the maximum limit) of the amount of cash and input capital.

4) Foreign capital inflow provided by accredited foreign investors, through bartering Capital with accredited foreign investors who intend to withdraw the resources from the subject of *Articles (13, 14 and 15) of The Foreign Investment Promotion and Protection Act* (Appendix 2) including capital gains, the principal and benefits from capital.

◆ **Note:** This method is accepted only among accredited foreign investors with the approval of the Foreign Investment Board subject to Article (6) of *The Foreign Investment Promotion and Protection Act*.

5) Bartering between accredited foreign investors-with a foreign investment license who intend to enter cash capital into the country-with domestic economic operators (domestic investor) applying to import authorised goods allowed for import (machinery, equipment and raw materials of the domestic investors' production line) to the Country. (In this method, the domestic investor concludes a contract with

the domestic investor concludes a contract with foreign investors, with the approval of the Ministry of Industry, Mine and Trade (MIMT or abbreviated as SAMT in Farsi), and the *Organization for Investment, Economic and Technical Assistance of Iran*, undertakes the legal importation of authorised goods from “currency of foreign-origin”, and after the confirmation of the final importation into the country by the (electronic import license receipt confirmation) "the equivalent rial amount" is deposited by the domestic investor to the account of the foreign investor's investment company in Iran.)

6) At the level of the countries that have a foreign currency agreement with Iran, this issue is operationalist by delivering Foreign currency resources to the representative offices in the country of origin and receiving its equivalent rial amount inside the country.

◆ **Note:** The Cabinet has accepted the entry of precious metals (gold, silver, and platinum) as one of the forms of foreign investment that could be entered in the country.

B) Non-Cash:

After carrying out the evaluation procedures by the relevant authorities (the Ministry of Industry, Mine and Trade, Customs, etc.) in the form of:

Goods: Including machinery and equipment, raw materials, tools and spare parts

Technology Transfer: Patents, technical know-how, names and trademarks and specialized services

C) Other Methods Approved by the Foreign Investment Board:

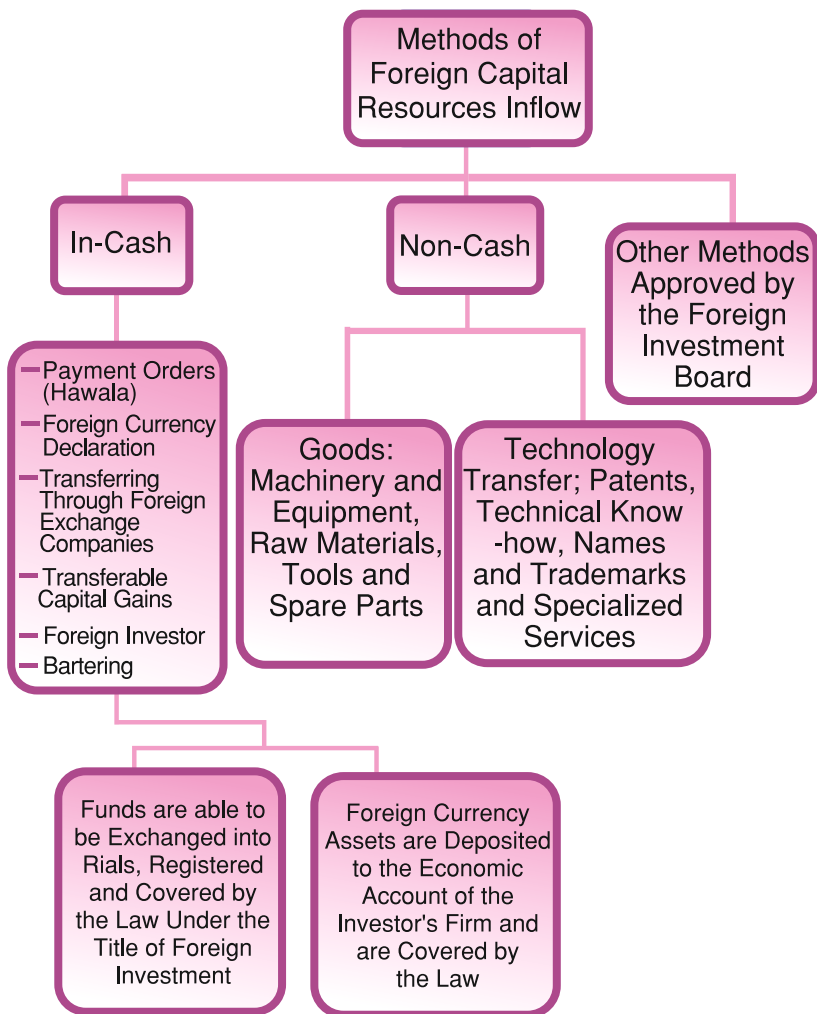
Including, the entry of investment resources in the form of gold bars and their conversion to rial assets with the supervision and approval of the Central Bank of the Islamic Republic of Iran and the *Organization for Investment, Economic and Technical Assistance of Iran*. The subject of *Section (3) of Article (65)* of Cabinet Decree No. 167010/T 60242, of 3rd December 2023.

Required Documents for Registering Foreign Capitals in the *Organization for Investment, Economic and Technical Assistance of Iran*:

In order for the foreign investment applicant to benefit from the incentives and protections contained in the *Foreign Investment Promotion and Protection Act* and other related laws, it is necessary within a period of 6 months (a maximum of one year had the documentary documents be submitted and accepted by the organization) to take action regarding the contribution registration (cash and non-cash) before the organization, otherwise the said license will be invalidated after the deadline.



Chart 1-2- Types of Foreign Financing Methods



◆ **Note:** After announcing the agreement of the organization regarding the inflow of non-cash capital items, the Ministry of Industry, Mine and Trade shall register the order and thereby the relevant Customs office shall evaluate and clear the relevant items. Regarding the registration in the form of patents, technical know-how, etc., after the necessary investigations, the organization prepares and offers a report related to the fulfillment of contractual obligations regarding technology and service contracts to the *Foreign Investment Board* which shall be approved by the Minister of Economic Affairs and Finance, and therefore be registered and covered as Foreign capital.

Current Foreign Currency Rates in the Country

● **Definition of Foreign Currency Rate:** The exchange rate parity of a foreign currency with the domestic currency (rial).

● **Free Exchange Rate:** The rate that is traded in the free market on a daily basis and is determined based on supply and demand and according to the economic and political conditions of the countries and the national bank (Bank Melli Iran).

● **Governmental Exchange Rate (Transactional Currency):** Governmental Exchange (Transactional Currency), a currency, which is provided by the government and in a place called *Iran Center for Exchange*, and not assigned to all commodity groups (currently there are 10 commodity groups).

This currency is limited, controlled and allocated to certain goods with special conditions at a price lower than the free currency price. This currency is offered in the form of cash and LC and only for import from certain countries, and usually takes a long process to be granted. The exchange rate offered in the *Iran Center for Exchange* is separated into two parts, i.e. payment orders (*Hawala*) rate and banknote rate. (Provision of currency for the applicant's share of the company and repayment of the granted facilities (including the principal, interest and overdue payment guarantees) to the beneficiaries from the sources of the World Bank and the Islamic Development Bank, finance, refinance (use of short-term Interbank credit lines, a maximum of one year for opening letters of credit (LC) for importing goods). foreign exchange reserve accounts from the National Development Fund of Iran and other financial resources of banks in Free trade-industrial and special economic zones within the framework of the set of foreign exchange regulations with the approval of the *Organization for Investment, Economic and Technical Assistance of Iran* through the *Iran Center for Exchange* and (from the currency obtained from the export of themselves or others after fulfilling the foreign exchange obligations.)

● **SANA Exchange Rate:** This rate is calculated on the basis of the Sana System (The Iranian Central Bank's currency monitoring system) and based on the weighted average of the buying and selling rates of dollar and other foreign currencies and their transactions in the country's accredited foreign exchange companies and recorded in the system.

● **NIMA Exchange Rate:** Its name is taken from the integrated system of foreign exchange transactions and has been introduced to the market since May 2018 by the Central Bank. This currency is only available to traders and merchants, and in fact, is regarded as an online and safe platform (NIMA system) in order to facilitate the process of providing currency and in general buying and selling of currency by traders. Its rate is usually between the Governmental and the free exchanged rate.

● **The Difference Between SANA and NIMA Exchange Rates:**

The NIMA exchange rate is usually lower than the SANA exchange rate because the currency supply in the NIMA system is more voluminous and its performance time is longer.

Nima System is a completely foreign market because the currencies offered in it are the currency of the exporters and the government

also, which has been delivered outside the country and are available to the importers through foreign exchange companies.

In Regard to Foreign Currency Accounts (FCA):

- Opening a foreign currency account is permissible for all Iranian and foreign natural and legal persons and can be in all types of Qard al-Hasan savings (interest free loans), current, and long-term investment accounts. The minimum amount in order to open an account is at the discretion of the credit institution.
- The minimum duration of a foreign currency deposit to enjoy interest is one month beyond the time of opening the account, and the interest rate will be determined by credit institutions in accordance with the efficiency of using resources, and based on common procedures in international markets, shall be payable in foreign currency.
- Transfer of foreign currency abroad, from the place of foreign currency payment orders received into foreign currency accounts, up to the limit of foreign currency payment orders received and Paid to the order of the stakeholder

or others are permitted, and the payment of banknotes to the stakeholder as much as possible and from the foreign exchange resources of that bank, in accordance with the daily payment limit of up to 10,000 euros or its equivalent in other currencies.

— Cash deposit to a *foreign currency account (FCA)* or its transfer up to a maximum limit up to 10,000 euros or its equivalent to other currencies is permissible, and cash deposit to a foreign currency account or its transfer exceeding the abovementioned limit is subject to compliance with the *Anti-Money Laundering Law*.

The Exchange Rate Used for the Inflow or Outflow of Foreign Capital

The exchange rate applied during the Inflow/Outflow of foreign capital, as well as all foreign exchange transfers, **in the case of single-rate currency**, will be the same current rate in the official financial network of the country, and otherwise, **the free exchange rate of the day** will be determined by the Central Bank of the Islamic Republic of Iran. ■



Conditions for Capital Withdrawal by Foreign Investors:

- The principal of the foreign capital and its benefits or the remainder of the principal of the imported capital can be transferred abroad by submitting and providing a three-month forecast to the *Foreign Investment Board* and after fulfilling all obligations, making legal deductions, approval by the *Foreign Investment Board* and approval by the Minister of Economic Affairs and Finance.
- Foreign investment profits can be transferred abroad after deductions for tax, duties, and legal reserves with the approval of the Cabinet, and the approval of the Minister of Economic Affairs and Finance.
- Payments related to principal installments of the financial facilities and related costs, patent contracts, technical know-how, technical and engineering assistance, trademarks, management and similar contracts in the framework of foreign investment and engineering, trademarks, management and similar contracts in the framework of foreign investment can be transferred abroad based on the approval of the *Foreign Investment Board* and the approval of the Minister of Economic Affairs and Finance.

● Supply of Currency for Transfer is Provided Through Following Ways:

- Buying foreign currency from the banking system and through the *Iran Center for Exchange*
- Through the currency obtained from the export of manufactured products or the provision of services
- Exports of authorized goods with the approval of the Cabinet and in compliance with relevant laws and regulations

Laws Governing Foreign Investment in the Country

- The Foreign Investment Promotion and Protection Act approved in 2002 by the *Expediency Discernment Council*
- Executive regulations of the *Foreign Investment Promotion and Protection Act* approved by the Cabinet in 2003.



Legal Incentives and Special Support for Foreign Investors

- No restrictions on the volume and percentage of foreign investment participation
- The possibility of registering an Iranian company with 100% foreign capital.
- The possibility of handing over all or part of the foreign capital to a domestic investor or transferring it to another foreign investor (with the approval of the *Foreign Investment Board* and the approval of the highest authority of the ministry) and the transferee must at least meet the conditions of the primary investor.
- Guaranteeing the transfer of the principal, capital gains and benefits from the use of capital in the form of currency or goods.
- Foreign investors, have the same rights as domestic investors
- The possibility of investment by foreign (natural and legal persons) also including and applying to Iranian citizens residing abroad.
- The possibility of foreign direct investment in all permitted areas, specified for the private sector.
- Non-expropriation and nationalization of foreign investments except in line with national

interests and according to the law and in return for payment of compensation based on the real value of the Capital and immediately before expropriation

- Granting protective coverage to all foreign investment methods.
- Short and quick process of the approval of foreign investment application (foreign investment registration system) and its approval.
- The possibility of transferring foreign currency in the form of currency accompanying the passenger to the amount required for providing a foreign investment license in the country of origin, so that the transfer of its earnings to the country of origin is also exempted from the laws of *Money Laundering* and *Terrorism Financing*.
- Guaranteeing the freedom of export of manufactured goods of the investee economic firms (in case of export ban, manufactured goods shall be sold domestically and the result may be transferred abroad in foreign currency through the country's official monetary network)
- Issuing a 3-year residence permit for investors, managers, foreign experts, and their first-degree relatives
- The possibility of entering up to three transitional vehicles (one car for every 300 thousand dollars) without paying the relevant

fees.

- Tax exemption of 50% on the declared income purchased through the sale of goods produced by foreign joint ventures (in case of exporting at least 20% of the manufactured products)

- Tax discount up to 50% for foreign joint investment (every 5% of participation is equal to 10% exemption from registered and issued capital)

- Granting a 5-year residence permit to foreign depositors and investors in exchange for a long-term deposit or an equivalent investment of at least 100,000 dollars

- Suggesting, follow-up and applying discounts to foreign investors in payment of customs duty regarding the importation of production line machinery and equipment.

- Facilitating and speedup in the provision of services related to residence, visa extension, issuance of special number, etc. through the establishing of representatives of the *Immigration and Passport Police* and *Pezhvak Company* at the location of the *Organization for Investment, Economic and Technical Assistance of Iran*

- Granting the privilege of citizenship to non-Iranian geniuses and elites in order to benefit from their “knowledge and expertise” and the

governors' authority to identify and introduce elite-eligible persons in accordance with the relevant instructions with the aim of enjoying the above-mentioned benefits

- The methods of approval, entering, exiting (inflow and outflow of) foreign capital and the generated profits to the special economic zone and the manner of the foreigners' participation, in each region is regulated and subject to the *Foreign Investment Promotion and Protection Act*, approved in 2001.

- The possibility of guaranteeing foreign capitals against losses caused by expropriation and nationalization by the *Organization of Free Trade-Industrial Zones* through their assets or by entering into contracts with banks, credit institutions and insurance companies with the approval of the Cabinet.



The Benefits of Realizing Foreign Direct Investments

- Transferring technology and increasing the level of technology
- An increase in the level of production and income, and therefore increasing the economic growth
- An increase in the level of productivity
- Transferring capital and increasing financing sources
- Increasing the level of expertise and management and improving the level of workforce skills
- Facilitating Export development and the possibility of presence in international markets
- A decrease in the exchange rate (inflow of capital leads to an increase in the value of the domestic currency. Thus, it would result in a decrease in the demand for the purchase of foreign assets, and therefore the demand for currency and exchange rate shall decrease, and as a result, the strength of the domestic currency would increase and inflation would decrease).
- A decrease in interest rate (inflow of capital results in liquidity increase. Thus it would lead to a decrease in interest rate, and due to the inverse

relationship between interest rate and private investment, the investment volumes shall increase).

- Increase in employment
- Increase in security
- Reduction of government debts
- Improving income distribution (through reducing inflation and increasing the real value of wealth and income of the lower classes and increasing the level of economic well-being)

Obstacles to the Realization of Foreign Investments

- Uncertainty and political and economic instability
- Frequent changes in exchange rates and restrictions on currency transfers
- Existence and intensification of international economic sanctions
- Weakness of proper development infrastructure
- Redundant administrative bureaucracy, discriminatory behaviors and subjective approaches
- The Lack of unity of opinion and lack of coordination of institutions regarding the implementation of policies

Strategies to Increase the Share of Foreign Investments

- Creating economic stability, controlling inflation, and establishing order in monetary and financial markets
- Creating and developing the required infrastructure
- Applying the necessary support to foreign investors active in the country as agents of attracting new foreign investments
- Facilitating the process of the approval for foreign investment delegations and accelerating the preparations for the implementation of foreign investment plans
- Paying attention to the effective role of the country's economic consultants in different parts of the world in order to introduce the country's investment capacities and capabilities in different economic sectors while interacting with the *Organization for Investment, Economic and Technical Assistance of Iran*
- Revision of regional and international policies with the aim of lifting/reducing international sanctions as well as improving the level of international cooperation and active presence in international assemblies and organizations.

- Strengthening the private sector in order to participate with foreign investors with the aim of improving the level of cooperation and the ability of the domestic sector in investment in order to complete the value chains.



(Appendix 1)

Investment Incentives in
Different **Economic** Sectors

Industrial and Mining Incentives and Exemptions

- The possibility of providing a part of the financial resources needed by the project in the form of banking facilities with minimum fees
- The possibility of national land allocation in minimum time by the relevant organization
- Providing the infrastructure facilities needed by the project such as water, electricity, gas, etc., in minimum time.
- The producers of export goods are entitled to the export bonuses in proportion to the products exported abroad
- The possibility of land allocation in all industrial estates of the province with special conditions and facilities for industrial and mining projects
- Exemption of commercial profit for the entry of capital industrial machinery

— Commitment to provide raw materials and feed for downstream industries for at least 10 years at export price

— Removal of regulations leading to the imposition of unrelated and overhead costs for the production of materials in order to create stability in the economic calculations of the production of minerals.

— The establishment of an insurance fund for the investment of mining activity to cover all or part of the financial losses of prospectors and exploiters.

— 10-year tax exemption for production and mining units located in less developed areas of the province and a tax exemption of 13 years for those located in special economic zones or industrial estates (specially for less developed areas)

— 5-year tax exemption for production and mining units located in the developed areas of the province and a 7-year tax exemption for those located in special economic zones or industrial estates (special for developed areas)

— The tax exemption of the total taxable income of industrial units subject to *Articles (10) and (11)* will continue until it reaches 2 times the registered and paid capital, at the rate of 100% in less developed areas and at the rate of 50% in other areas.

— Persons who provide cash income (investors) to finance the project-plan and working capital of production enterprises in the form of partnership contracts, equivalent to the minimum expected profit of partnership contracts (facility profit) are exempted from paying income tax.

— If investment in different economic sectors leads to product export, 100% of the income from the export of services and non-oil goods and 20% of the income from the export of raw materials will be taxed at a *zero* rate.

— Annual increase in the length of the tax exemption period in case of an annual increase of at least 50% in the workforce employed during the exemption period (especially for production and service units with more than 50 employees).

— 100% of the income of hand-knotted carpet workshops will be calculated with a *zero* tax rate.

— The import of machinery and production line equipment for authorized production, industrial and mining units subject to the determination of The Ministry of Industry, Mine and Trade (MIMT or abbreviated as SAMT in Farsi) are exempted from payment of import duties.

— In the case of imported goods and materials used in the manufacture of export goods that have been definitively cleared from customs, the funds paid for definitive importation can be refunded after the product is issued at the time of issuance.

— The import duties collected from the same imported goods that are exported from the country and the materials of consumer goods and foreign packaging materials used or consumed in the production, completion or packaging of the exported goods in compliance with the provisions of this law and its executive regulations with taking the time of arrival of the goods must be returned to the exporter.

— If domestically produced goods are sold to persons who are exempted from importing similar foreign goods, the funds paid for importing the goods, materials, components and parts used in its production will also be returned to the seller according to the provisions of this law.

— One hundred percent (100%) of the income from the export of various goods that are imported or imported to the Islamic Republic of Iran in transit and are exported without any change in nature or by doing any work on it is exempt from tax.

Special Incentives and Exemptions for **Industrial Estates**

- The parties to the contract who pay the royalties and the exploitation right of the workshop, industrial units, etc. in cash at the time of signing the contract, are subject to a discount and remission based on the total amount of the contract (the percentage of remission is determined by the *Board of Directors of the Industrial Estates Company*)
- Payment in cash and installments regarding the exploitation right to use land and facilities (only 20-40% of the exploitation right of the land is in cash and the rest is paid without interest and fees)
- The possibility of transferring Title Deeds and issuing the Deed of Partition after obtaining the operating license, completion report, and meeting the specified conditions
- The possibility of pledging exploitation right contract booklets regarding the land and facilities before the banks and financial institutions, documented by the approval of the honorable Cabinet and current laws.
- Exemption from the law of municipalities.

- Issuing of construction permits and completion reports in the shortest possible time for free.

- Granting a special incentive up to 10% for the right to exploit land for altruists, elites, Knowledge-based companies, inventors, foreign investors, and export consortiums with an area of 2,000 square meters or less)

- ◆ **Provision 1)** For every 500 square meters of land, one month is added to the one-year period of operation (the maximum period is up to 30 months from the date of the contract for an area of 11,000 square meters and more)

- ◆ **Provision 2)** Premature exploitation incentive is awarded to industrial land allocation contracts that have not used the incentive of less developed areas and have not separated or aggregated the allocated lands and therefore have also paid the installments on time.

- In case of having a technical and economic justification report, incentives equivalent to five percent (5%) and to ten percent (10%) shall be granted for large and (uneven and poor terrain) respectively.

- Allotment of free land for applicants to build a CHP power plant (100 square meters for every megawatt of electricity)

— 13-year tax exemption in less developed cities including Gilan-e Gharb Industrial Estate, Gor-e Sefid Industrial Region, Qasreshirin Industrial Estate and Qasreshirin Border Industrial Estate (located at the border point of Qasreshirin), Sarpol-e Zahab Industrial Estate, “Dalahu” and “Salas-e Babajani” Industrial Regions, “Javanrud” and “Paveh” Industrial Estates and Zagros Industrial Estate, *Kermanshah*.



Table 2-1. Specialized and Special Support Services - Small Industries Located in Industrial Estates and Regions of the Province

Row	Service Title
1	Holding short-term training courses for employees and managers of small industries in various fields of entrepreneurship, expertise, management, skills, etc., focusing on the needs of industrial units and paying at least 70% of the cost of the courses in the form of subsidies.
2	Organizing industrial and exhibition tours with the aim of transferring experiences and increasing interactions and paying at least 50% of the cost of the tours in the form of subsidies.
3	Providing specialized consulting services through the system: eservice.isipo.ir and also through the Provincial Industry Clinic to small industries in the province (including troubleshooting and implementation of improvement projects and identifying and solving the technological needs of small industrial units in the province) and paying subsidies for the cost of all clinical services
4	Network and cluster development of small industries in order to improve their competitiveness by taking advantage of synergistic benefits and paying at least 40% of the cost of implementing collective cluster development programs in the form of subsidies.
5	Supporting the development of the market of small industries and paying subsidies for attending domestic and foreign exhibitions, equivalent to at least 40% of the expenses for attending the exhibition.

Continue the Table 2-1. Specialized and Special Support Services - Small Industries Located in Industrial Estates and Regions of the Province

Row	Service Title
6	Holding a free and mobile industrial consultation clinic and the presence of consultants in industrial estates to check the situation and monitor the problems of small industries, especially in the cities
7	The possibility of providing specialized services and industrial consulting at the Kermanshah Technology and Business Services Centre located at the beginning of the entrance ramp of Bisotun Industrial Estate (the building where consultants and technical engineering service companies are located in the field of specialized services for small industries)
8	Creating and managing the regional technology market of Kermanshah Province in order to facilitate technology exchange
9	Organizing start-ups and supporting new ideas for the development of small industries
10	Supporting the sending or hosting of business delegations with the aim of developing the market of small industries and paying 50% of the expenses of business delegations approved by the <i>Organization of Small Industries and Industrial Estates of Iran</i> .

Continue the Table 2-1. Specialized and Special Support Services - Small Industries Located in Industrial Estates and Regions of the Province

Row	Service Title
11	Supporting the formation of consortia and export networks of small industries with the aim of developing exports and helping to implement collective export development programs.
12	Cooperation with the <i>Small Industries Investment Guarantee Fund</i> with the aim of facilitating the verification process of obtaining bank loans by small industries
13	Preparing a feasibility study for priority projects with the aim of attracting investors and financing them
14	Financial support for applied research projects and student theses related to the field of small industries
15	Efforts to restart the closed industrial units, through the provision of specialized and supportive services and holding meetings of the working group and the provision of advisory; supportive and specialized services.
16	Supporting Knowledge-based projects and industrial units and facilitating their establishment in industrial estates and regions.

Investment Incentives and Exemptions for Free Trade-Industrial Zones (FTZ) and Special Economic Zones (SEZ)

Free Trade-Industrial Zones

- Tax exemption (income and property tax) for 20 years for natural and legal persons who are engaged in various economic activities in the free-trade zone from the date of use.
- Commercial exchanges between regions and abroad after Customs registration are excluded from the scope of export and import regulations.
- The import of goods produced in the free zone to other parts of the country, up to the value added in that zone, with the approval of the Council of Ministers, are exempted from paying all or part of Customs duties and commercial interest.
- The importation of goods that all or part of the raw materials are procured from within the country and produced in the free zone will be exempted from all or part (proportionately) of Customs duties and commercial profits related to domestic raw materials.
- The possibility of 100% foreign investment without Iranian participation (leasing land to foreigners is permitted in these areas).

- Issuing employment permits and no need for entry/exit visas for foreigners
- Other investment incentives include: No need for visa for foreigners; no restrictions on currency transfers, flexible finance and banking services, and simple formalities for re-export and transit of goods, appropriate rates for energy consumption.



Incentives and Special Support for Qasreshirin Free Trade-Industrial Zone

- Exemption from paying Customs duties and commercial interest regarding the import of machinery and raw materials for the purpose of investment
- Land assignment in installments
- Economical and cheap warehousing
- The possibility of regional participation with investors interested in participation
- Determination, confirmation, and order registration of raw materials and foreign machines by the Free Zone Organization.
- Registration of companies by the Organization of Free Trade Zones, itself within 24 hours
- Supporting Knowledge-based projects and providing special services in their implementation process
- Being adjacent to both the Kurdistan and Arab Region of the Iraqi Central Government through the two official borders of Parvizkhan and Khosravi with the possibility of road connection as well as the possibility of rail and air connection in the future.

■ Preparation for attracting domestic and foreign investors in the fields of industry, services, agriculture, petrochemical, mining, and tourism.

Special Economic Zones

— Commercial exchanges of the Zones with foreign countries or with other Special economic zones and Free trade-industrial zones are exempted from Customs duty, commercial profits, and all import and export duties under any title after registration in the Customs and are **NOT** subject to the restrictions and prohibitions of the import and export regulations, with the exception of the legal and *Sharia* Restrictions and Prohibitions, and the commercial exchanges of the Zones with other parts of the country, with the exception of the above-mentioned zones, are subject to the regulations of exports and imports.

— The entry of goods from abroad or from Free trade-industrial zones into the Special Zones will be done with minimal customs formalities, and the internal transit of the goods imported into the region will be done according to the relevant regulations.

— Goods imported from abroad or from Free trade-industrial zones or other Special zones can be exited from the country without any formalities.

- The management of the Special zones can assign the right to provide its sections to qualified natural or legal persons after classifying and valuing the Special zones

- The owners of goods imported to the Special zones can declare all or part of their goods to the customs for temporary entry into the country and clear them by following the relevant regulations

- Goods produced or processed in the Special zones while being entered into other parts of the country will be regarded as domestic production and exempted from paying of Customs duty at the total amount of value added and the value of domestic raw materials and domestic parts used in it.

- Raw materials and foreign parts used in manufactured or processed goods are allowed subject to the payment of Customs duty, and in terms of raw materials and domestic parts.

- The management of each Special zone is allowed to issue Certificates of Origin (CO) for exported goods that leave the Special zone with the approval of Iranian Customs, according to the request of the applicant. Banks of the country are **obliged** to accept written certificates.

- Customs is **obliged** to accept the request of the goods owners for the transit of goods and direct transportation from other points of entry to

the Special zones and to provide the necessary facilities in this regard.

- Mandating the (Land Registry) or Deeds and Properties Registration Organization of Iran, regarding the registration of companies or representative branches of companies that intend to operate in the region, regardless of the amount of their domestic or foreign shares, as well as the registration of material and spiritual properties in the Special zones
- All goods that are imported to produce or to provide the required services in the Special zones are waived from the general regulations of exports and imports.



Incentives and Special Investment Support for Industrial and Mineral Knowledge-based Manufacturing Units

- Exemption from paying taxes, Customs duties, commercial profits, and export duties for 15 years

- Knowledge-based companies can use this exemption for imports related to Knowledge-based activities, including the following:

- Production line machinery in line with the production of Knowledge-based goods
- Laboratory equipment, testing and quality control
- Goods for the purpose of reverse engineering
- Goods and parts for making Knowledge-based products up to the prototype level

Tax support for the development of innovation and Knowledge-based economy:

- If the hereinafter conditions are met, the expenses incurred will be granted to the applicant companies and institutions as a tax credit with the ability to be transferred to future years, and the equivalent will be deducted from the determined tax of the year of the expenditure or the following years:

◆ (A) The equivalent of the cost incurred for research and development activities, including the research and development contracts of production units with research and development units with one of the university units and related higher education and research centres, with the priority of the province where that industry or production unit is located.

◆ (B) A maximum of 30% of direct investment by companies accepted in the Tehran Stock Exchange or the Primary or Secondary over-the-counter markets (called *Fara Bourse*) or companies with a registered capital of at least a thirtieth part of the appropriated capital for the Innovation and Prosperity Fund in Knowledge-based and technological companies and institutions

◆ (C) Indirect investment of the companies mentioned in Section (b) in establishing or increasing the capital for research and technology funds subject to *Article (44) of the Law on Removing Obstacles to Competitive Production and Improving the Country's Financial system* and investment funds and institutions subject to *Sections (20) and (21) of Article (1) of the Securities Market Law of the Islamic Republic of Iran approved in 2005*, whose activities in financing technology and

innovation and Knowledge-based activities have been approved by the *Steering Council of Knowledge-Based Technologies and Productions*.

■ Research, technology and engineering units located in Science and technology parks possessing legal advantages of Free zones, regarding labour relations, tax exemptions; foreign investment duties and international financial exchanges in order to create and to develop Knowledge-based companies and institutions and to strengthen international cooperation, for the purpose of carrying out assigned missions.

■ The possibility of companies and Knowledge-based institutions and technological units located in growth centres, science and technology parks benefiting from part of the income or facilities of non-governmental institutions and public institutions in order to complete the value chain and to produce priority strategic items, including high-value items with a foreign currency outlay cost of more than one million dollars as well as sensitive goods in the field of food security, defense, health, industry, and country's security in the form of a partnership and cooperation agreement.

— The possibility of accepting definite demands of companies and Knowledge-based institutions and technological units located in growth centres and science and technology parks in regard to contracts related to executive bodies subject to *Article (5) of the Civil Service Management Law*, Armed Forces, and groups under the supervision of the Supreme Leader with His permission as valid guarantees for work referral process, fulfillment of obligations, advance payment and effective work performance and obstructing the applicant's demands until the fulfillment of obligations to the same extent. Moreover, if the amount of the applicant's demand is less than the amount of the desired guarantees, the applicant must provide a valid guarantee just equivalent to the deficit of the claims.

— Issuing Title Deeds for those buildings that are built by the private sector and cooperatives in the lands of the Science and Technology Park. Furthermore, the possibility of handing over the right of proprietary exploitation and permission to use the lands belonging to science and technology parks and other lands at the disposal of the park to Knowledge-based, technological and innovative companies within the framework of the approvals of the board of trustees and its approved master plan, in the form of partnership contracts with Private sector, long-term lease or

definite assignment, subject to no land use conversion and exclusive exploitation within the framework of the park's missions.

- Exclusion of the offices of Knowledge-based companies from commercial use in the completion of *Section (24) of Article (55)* of the Amended Municipal Law approved in 1973.

- The possibility of establishing Knowledge-based companies and institutions, science and technology parks, and creative units (non-governmental natural and legal entities active in the field of cultural industries and humanities, social sciences, and New technologies) in the properties, land, and buildings of the subject executive bodies. *Article (5) of the Civil Service Management Law* without transfer of ownership and within the framework of relevant laws and regulations.

- Exemption of employees working in science and technology parks from paying income tax

- The possibility of waiving formalities of the *Law on Holding Low-bid Procurements for the Purchase of Knowledge-based Products* that are produced for the first time in the country and do not have domestic equivalents from Knowledge-based institutions, companies, and technological units located in growth centres and Science and technology parks, innovation centres of the Islamic Azad University, Academic Centre for

Education, Culture and Research, and its creative units in order to promote the market of Knowledge-based products.

- The possibility of employing the employees of companies and Knowledge-based institutions or their board members and CEOs as legal representatives in addition to using lawyers to file any lawsuits or defend or prosecute related lawsuits, along with the cases specified in *Article (35) of the Law of Procedure General and Revolutionary Courts (in civil affairs)* approved in 2000, subject to having a bachelor's degree or higher in the field of law, or two years of experience in judicial work, legal counsel or legal advice, subject to having no previous disqualification from employment as a judge or lawyer.

Applying the joint investment of banks and credit institutions with the *Innovation and Prosperity Fund* in projects approved by the *Steering Council of Knowledge-Based Technologies and Productions* as a banking activity and being excluded from the inclusion of *Section (b) of Article (16) of the Law on Removing Obstacles to Competitive Production and Improving the Country's Financial System* approved in 2015 (possibility of increasing the time period for completion and withdrawal of investment up to a maximum of 7 years from the

starting time)

- Discount on fixed tax (subject of *Article (105)* of the *Direct Tax Act*), equivalent to the expenses incurred during the schedule up to the amount of expenses included in the approved research and development plans and projects based on the announced strategies and priorities, carrying out the aforementioned expenses for the mentioned year or years after that.

- Acceptance of the *Guarantee of Innovation and Prosperity Fund*, the *Export Guarantee Fund* and the *Non-Governmental Fund of Research and Technology* with compliance with validation and credit rating regarded as valid and accepted guarantees by Customs



Investment Incentives and Exemptions in the **Agriculture Sector**

- The possibility of handing over lands of national resources to agricultural projects with the least possible rent or even for free
- Issuing the necessary licenses for the activity of the agriculture sector and also issuing the license to *change the use* in the least possible time
- Providing advice to investors to choose the type of activity, the location of the project and to obtain an activity license for free
- Financial support for projects and introduction to the relevant authorities to receive facilities at lower rates than the conventional bank interest rate, including from the sources of the National Development Fund, technical assistance credits, etc.
- 100% tax exemption on income for the export of finished products of the agriculture sector and its complementary and process manufacturing industries.
- 100% tax exemption on income from all activities of agriculture, animal husbandry, fish farming, poultry, beekeeping, fishing and fisheries, silk farming, restoration of pastures and forests, tree gardens of all kinds and plants

- Exemption of agricultural projects and industries related to agriculture from paying the employer's paid insurance premiums
- Having a customs exemption for the import of essentials and machinery needed for agricultural projects
- The possibility of Issuing Title Deeds in land assignment projects by the Agricultural Parks Company (APCP) in the form of lease contracts under Lease-purchase contracts, after the implementation and exploitation of the project.
- Exemption of agricultural projects and industries related to agriculture from paying the employer's paid insurance premiums
- Having a customs exemption for the import of essentials and machinery needed for agricultural projects
- The possibility of Issuing Title Deeds in land assignment projects by the Agricultural Parks Company (APCP) in the form of lease contracts under Lease-purchase contracts, after the implementation and exploitation of the project.



Incentives and Support for Knowledge-Based Investment in the Agriculture Sector

- It is possible to pay low-cost facilities through operating banks and from the approved credits of the Ministry of Agriculture Jihad to Knowledge-based companies that use agricultural technology and technological inputs to reduce the cost of producing agricultural products and improve productivity, including in the field of Intelligent distribution of agricultural products, smart agriculture, development of Hydroponics and Aeroponics, etc.

- Helping to create up to a thousand hectares of model farms annually up to 20 provinces, including Kermanshah Province, through Knowledge-based companies, with priority implementation in the farms of agricultural colleges and universities, with the aim of optimizing the production of various agricultural and animal husbandry products through approved credits provided by the Ministry of Agriculture Jihad with the cooperation of *Bank Keshavarzi Iran* also known as *Agribank* and the *Innovation and Prosperity Fund*.

- The possibility of paying direct subsidies to agricultural businesses that use agricultural technology and technological inputs by the Ministry of Agriculture Jihad and within the framework of laws and regulations in order to reduce the cost of producing basic agricultural products by improving productivity
- Granting a special discount by the Agricultural Insurance Fund for the share of producers of technological products, especially the executive operations of dense fisheries and certified Tissue culture products in order to support the production of basic agricultural goods.



Incentives and Exemptions for **Tourism** and the Artisanal Handicraft Sector

- With regard to the *Law on the Formation of the Ministry of Cultural Heritage, Tourism, and Handicrafts*, considering the field of foreign financing (*Finance*), at least 10% of the country's finance quota shall be allocated to the development of tourism and handicraft projects.
- 50% tax exemption for all *Iran-tourism* and *world-wide* tourism facilities which do possess operating licenses for a period of 6 years
- Granting special powers to the governors regarding assignment and approval of tourism plans at the provincial level only in the planning and development council of the province.
- 10-year tax exemptions for hospitals, hotels, and tourist accommodation centers located in less developed areas and 5-year exemptions in regard to other areas
- Tax exemption for hand-woven rug workshops and handicrafts
- Social insurance coverage for Artisans who are identified, in case of full-time employment
- Exemption from employer's paid insurance premiums regarding the small handicraft workshops up to 5 workers

— In regard to hotels, exemption from pricing regulations based on the approval of the *Program and Budget Organization* No. 62/1924, dated 26th July 1992, which bears the meaning of applying service rates by the hotel management in accordance with their internal policies regarding time and conditions.

— Providing free places in international tourism exhibitions and also paying facilities at rates lower than the rates approved by the *Money and Credit Council* for creating, developing, and equipping artisanal handicraft workshops.

— In order to accelerate the development of hotels, resorts, and other tourism facilities with the request of the Organization of Cultural Heritage, Handicrafts, and Tourism:

◆ (A) The *National Land and Housing Organization* is obliged to provide investors with the required land at the appraised value in the form of 5-year Lease-purchase contracts.

◆ (B) Changing land use for the establishment of hotels with the proposal of the Organization of Cultural Heritage, Tourism, and Handicrafts in the Commission of *Article (5) of the Law on the Establishment of the Supreme Council of Urban Planning and Architecture of Iran*, will be extraordinarily reviewed and acted upon.

◆C) Charges regarding the 'change of use' and gaining more sales and supply by providing more floor area ratio, will be paid by the investors to the relevant municipality in installments of five (5) to ten (10) years since its coming into operation.

— According to *Article (6) of Iran-Tourism and World-wide Tourism Industry Development Law* (approved in 1991), the Organization of Urban Land, municipalities, the natural resources and watershed management organization, including other relevant ministries and organizations are **obliged** to provide the applicants with the 'required land' for the construction of Iran and world-wide tourism facilities with the proposal of the *Organization of Cultural Heritage, Tourism, and Handicrafts* at regional or finished land values so that it would not reduce public income.



— According to *Article (12) of the Executive Regulations of Iran Tourism Industry Development Law*, in regard to paying for issuing construction permit fees, the Iranian-tourism and world-wide tourism facilities, travel agencies, and other similar facilities, including institutions inside tourism facilities are subject to the industrial tariffs. Furthermore the municipalities are **obliged** to receive the prescribed fees and payments from the abovementioned facilities (which are exempt from *Gross Floor Area* fees except for other renovation fees), and evaluate fees only in the case of the building. In this regard:

◆ (A) Municipalities are obliged to calculate and receive prescribed fees based on the tariff of the industry sector with a maximum discount to increase the infrastructure of Iran-tourism and world-wide tourism facilities.

◆ (B) Iran tourism facilities and travel service offices in terms of fuel, water, electricity and telephone costs, including the conveyance, distribution, and consumption are subject to the industrial tariffs, and the relevant institutions are **obliged** to pay the related costs, regardless of the type of license, the premise use and to calculate and to receive the amount of consumption based on the tariff of the industrial sector.



Incentives and Exemptions of the Co-operation Sector

- Guaranteeing payment facilities by the *Guarantee and Investment Fund* of the co-operative sector for companies and co-operative unions.
- Payment of low-cost government facilities with long-term repayment for cooperatives' employment and economic projects
- The existence of a huge network of cooperatives and large cooperative unions, as well as *The Cooperative Chamber*, *The Entrepreneurial Development Foundation of the Cooperative Sector*, and the *House of Associates of the Province* regarded as a suitable platform for the expansion of cooperatives.
- Deriving the full benefit of exemptions provided for employer's paid insurance premiums, providing free training, and gratuitous grants on a case-by-case basis
- Carrying out most of the affairs of cooperative companies through smart systems without the need of in person visit.
- 100% tax exemption on income of rural, nomadic, agricultural, fishery, labour, employee, students, and pupils' cooperatives and their unions.

Incentives and Exemptions of the **Electricity Generation** Sector

A) Small-Scale Power Plants

- Signing contracts of guaranteed purchase of electricity for a period of 5 years since its coming into operation.
- Payment of the gas consumption of the power plant by the Ministry of Energy
- The possibility of using rials and foreign currency banking facilities, such as other industrial production projects and other power plant projects



B) Renewable Energy

- Signing contracts of guaranteed purchase of electricity for a period of 20 years since its coming into operation
- The possibility of buying electricity, produced from different renewable sources at different

- prices in the new tariff system with the aim of creating a balance and also allowing investors to enter this field with more confidence and less risk acceptance.

- Exemption or reduction of Customs duties for renewable power plant construction license holders in case of import and installation of required foreign parts and equipment.

- The possibility of land acquisition where the facilities would be built and the implementation of the project by the Ministries of Energy and Agriculture Jihad.

- Had domestic and foreign investors used Iranian technologies and equipment to produce electricity, the Ministry of Energy (The Government) will allocate a maximum of 30% in addition to the base rate to renewable technologies and equipment and furthermore will pay a higher price.

C) Incentives and Special Support for Knowledge-Based Companies in the Field of Energy

- The possibility of providing the financial resources needed for the implementation of energy consumption optimization projects by Knowledge-based companies and other companies implementing energy consumption

optimization projects by banks agreeing and making a tripartite contract between “*the aforementioned companies*”, the “*bank*” and a “*subsidiary of the Ministry of Oil*”, while accepting this contract as a guarantee for loan facility repayments, in such a way that the repayment of facilities will be made directly from the fuel thrift.

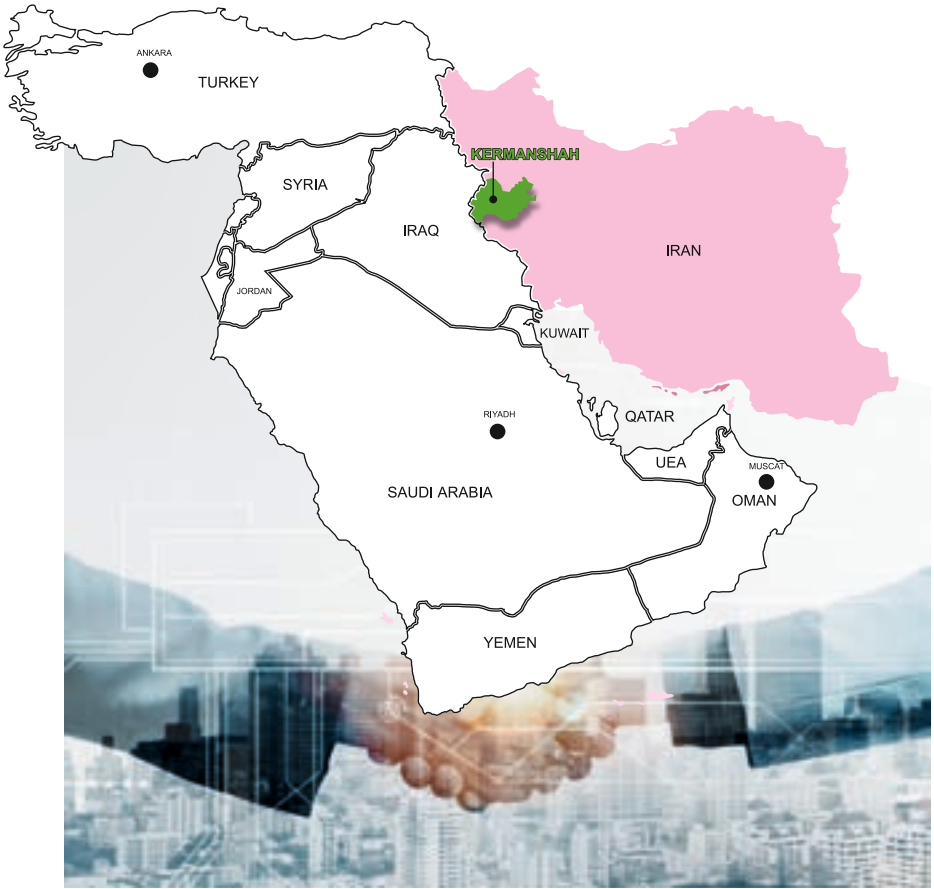
- Guaranteeing the repayment of facilities, granted to Knowledge-based companies with the priority of implementing consumption optimization plans, including the construction of equipment and supplies effective in reducing energy consumption, digital transformation in the oil industry, completion of the value chain of downstream oil, gas and petrochemical industries, etc., by the Ministry of Oil with the cooperation of *The Vice-Presidency for Science and Technology* and with the participation of the *Non-Governmental Research and Technology Fund* of the Oil Industry in order to support Knowledge-based companies.

- Applying special support to laboratories, Knowledge-based companies, startup accelerators, and other matters related to the development of electricity in line with the development of Knowledge-based industries related to renewable energies and the generation of clean electricity at point of final use.

Incentives and Special Support for Knowledge-Based Companies in the Health Sector

- The possibility of increasing the research and development index, up to a limit of (25%) in regard to the total cost of the product in the pricing process, citing a ceiling price for health-oriented products subject to pricing, within the framework of laws and regulations
- Applying maximum facilitation in the export process of Knowledge-based health items within the framework of laws and regulations, especially in the field of freeing the price of export products based on the understanding between the exporter and the country of destination.
- Employing services of technology and Knowledge-based companies in order to distribute medicine through platforms and internet businesses, respecting the principle of competitiveness and the prevention of commercial monopolies.

Using the capacity of Knowledge-based companies and technological sets licensed by the Ministry of Health to provide at least (20%) of the imported capital equipment needed by medical institutions, if available, from those similar quality equipment from the 'laboratory equipment recovery site', 'medical diagnosis', and the available 'analysis' in compliance with the relevant laws and regulations.



(Appendix 2)

Other Laws Related to
Investment

According to the Implementation of the Permanent Orders of the Country's Development Programs

1- Section (c), Provision (2) of Article (20):

Banks, financial and credit institutions charged with paying facilities under equal conditions, in order of priority, respectively, for the working capital required by exporters and producers of goods or services for export, investment for the production or trade of goods or services for export, capital Setting up to produce goods or services that have a salable market inside the country with more profitability

2- Article (22): Reimbursement of the import rights of raw materials and intermediate goods that are imported into the country for the purpose of export production, especially by Knowledge-based companies, within 15 days after administrations. The subject of the addition to Article (66) of the *Law on Customs Affairs* approved on 13th November 2011.

3- Section (a) of Article (23): The prohibition of imposing any taxes or duties for the export of permitted and non-subsidized goods

4- Section (b) of Article (25): Permission for the participation of foreign insurance companies with domestic commercial insurance companies with the priority of the non-governmental sector in order to establish a joint commercial insurance company in Iran, attract foreign Capital by domestic insurance companies, and furthermore establish and operate branches, agencies of foreign commercial insurance companies and institutions, and foreign insurance brokers and their branches in compliance with the general policies of *Article (44)* of the Constitution and its related regulations.

5- Section (c) of Article (32): In order to facilitate and to promote industrial and mineral investment in the country, the following measures shall be taken by the government:

◆A) Cities which unemployment rate is higher than the average unemployment rate of the country are defined as areas without employment.

◆B) The government is **obliged** to implement the necessary incentives, to create employment and to reduce the unemployment rate and furthermore offering internships for the unemployed in these areas while including the necessary credits in the annual budget bills.

◆ C) Applying the tax exemption for industrial, mining, and service units in non-employment areas to the extent of the minimum exemption granted in Free Trade-Industrial Zones.

◆ D) The government is **obliged** to allocate three percent (3%) of the export earnings from crude oil and natural gas (one third to the oil-rich provinces and two-thirds to the cities of less developed regions, respectively, which are divided according to the underdevelopment indicators for each city by the country's *Program And Budget Organization* in order to determine and allocate annual budgets for the implementation of construction programs.

6- Section (b) of Article (34): The government charged with using the capacities of the private sector in the form of "public-private" partnership, such as "providing financial resources, Build-Own-Operate-Transfer (B.O.O.T)", "providing financial resources, construction and operation", "Turn-Key project", or "construction, operation and ownership" with the prediction of sufficient guarantees and budgetary measures with the aim of increasing the efficiency and effectiveness of capital acquisition planning.

7- Section (a) of Article (39): The Ministry of Economic Affairs and Finance (*Iranian National Tax Administration*) charged with issuing the entry and clearance permits for machines and

equipment of production lines that are authorized by the industrial and mining production units, with the recognition of the *Ministry of Industry, Mine and Trade*, in compliance with the relevant legal provisions, without tax receipts and duties subject to the *Value Added Tax (VAT) Law* approved in 2008 and by obtaining the necessary guarantees.

8-Article (41): Tax exemption subject to *Article (107)* of the amended *Direct Tax Act* approved in 2021 for foreign legal entities residing outside Iran with the introduction of the Central Bank of the Islamic Republic of Iran and the approval of the Minister of Economic Affairs and Finance regarding the granting of facilities and financing.

9- Article (44): The permissibility of transferring national and state lands for industrial projects that cannot be established in industrial estates with the approval of the licensing authority, in compliance with other laws

10- Section (2) of Article (51): Supporting the creation, empowerment and development of Knowledge-based companies and strengthening the research and development activities of economic firms with the aim of increasing production, stimulating demand and promoting the export of Knowledge-based goods and services.

11- Article (54): Permission granted to the government to provide the necessary assistance to governmental and non-governmental estates and industrial regions, especially in road infrastructures, water, electricity, gas and telephone supply until the entrance of units located in these estates in the form of annual budgets in line of supporting the establishment of Industries in industrial estates and regions and the competitiveness of industrial and mineral products

12- Article (60): The government charged with supporting purposefully the organization and establishment of the former and the latter industries, specially the expansion of the process manufacturing industries and preservation of basic agricultural products by the non-governmental sector in the production hubs, while preparing a comprehensive study plan as regards the reducing of agricultural waste, and moreover a planning project in regard to process manufacturing industries and preservation of agricultural products with coordinated policymaking and planning for supporting the agriculture sector, sustainable production, export development, competitiveness, reduction of the cost price, and support for reconstruction and modernization along with technology improvement, and reforming the structure of agricultural industries.

13- Section (b) of Article (65): Exemption from paying import duties for goods produced or processed in Free-trade zones and Special economic zones while entering other parts of the country in proportion to the value added and the value of raw materials and internal parts used in it.

◆ **Provision 1-** Raw materials and foreign intermediate goods used in production, subject to payment of import duties, are regarded as raw materials and domestic goods.

◆ **Provision 2-** Raw materials and foreign parts used in goods produced or processed in Free-trade and Special economic zones, which in the past were sent to the “Zone” from other zones of the country and used in the production or processing of products that are imported into the country be used and regarded as raw materials and be exempted from payment of import duties.

14- Section (d) of Article (65): Tax and import duties exemption in regard to importation of goods exchange between Free-trade zones, abroad and also other free zones from all duties (except for the duties subject to *Article (10)* of the *Law on Free Trade-Industrial Zones Administration and Management of the Islamic Republic of Iran* approved on 29th August 1993.

The Foreign Investment Promotion and Protection Act and its Executive Regulations

A) The Foreign Investment Promotion and Protection Act

Chapter One: Definition

Article 1- The terms and expressions used in this law have the following meanings:

— **Act:** *The Foreign Investment Promotion and Protection Act*

— **Foreign Investor:** Non-Iranian or Iranian natural or legal persons using capital of foreign origin who have obtained the investment license under *Article (6)*.

— **Foreign Capital:** All Types of capital, including cash, which are brought into the country by foreign investors. They include the following:

◆ **A)** Cash Inflow that can be exchanged into foreign currency is imported into the country through the banking system or other means of transferring funds approved by the Central Bank of the Islamic Republic of Iran.

◆ **B)** Machinery and Equipment

- ◆ C) tools and spare parts, components and raw, additive, and auxiliary materials
- ◆ D) Patents, technical know-how, trade names and trademarks, and specialized services
- ◆ E) Transferable dividends of foreign investors
- ◆ F) Other permissible cases with the approval of the *Cabinet Office Board*
 - **Foreign Investment:** Using foreign capital in a new or existing *Economic Firm* after obtaining an investment license
 - **Investment License:** A license issued for each case of foreign investment according to *Article (6)* of this law.
 - **Organization:** The *Organization for Investment, Economic and Technical Assistance of Iran*, subject to *Article (5)* of the *Law on the Formation of the Ministry of Economic Affairs and Finance*, approved on 23rd June 1974.
 - **Board:** The Foreign Investment Board as stipulated in *Article (6)* of this law.

Chapter Two: General Conditions for Capital Approval

Article 2- According to this law and in compliance with other current laws and regulations of the country, the approval of foreign investment should be provided for the purpose of improving and reconstructing production activities including industrial, mining, agriculture, and services based on the following criteria:

- **A)** To cause economic growth, upgrade technology; improve the quality of products, to increase in job opportunities, and boost exports;
- **B)** Not to threaten national security and public interests, nor destroy the environment, nor disrupt the country's economy, and damage products based on domestic investments;
- **C)** Not to be a guarantor or not giving an undertaking to provide privileges granted by the government to foreign investors. What are meant by privilege are special rights that may place foreign investors in a monopolistic position;
- **D)** The share of the value of goods and services produced via foreign investment subject to this law compared to the value of goods and services offered in the domestic market at the time of issuing the license shall **not** be more than twenty-five percent (25%) in each economic sector, **nor** more than thirty-five

percent (35%) in each field. Determining the fields and the amount of investment in each, will be according to the regulations that will be approved by the Cabinet. To outside the country, these rates are exempted, except for crude oil;

◆ **Provision:** The *Law on Acquisition of Immovable Property by Foreign Nationals* approved on 7th June 1931 still remains in force to date. Gaining possession of any sort of land, of whatever size in the name of a foreign investor all foreign investment is **not** permitted within the framework of this law.

Article 3- Foreign investments that are accepted based on the provisions of this law enjoy the facilities and protections of this law. These investments can be accepted in the following two ways:

— **A)** Foreign investment in all sectors within the framework of (civil partnership), (buyback contracts), and (Build-Operate-Transfer (B.O.T) Methods), where the return of capital (ROC) and benefits are derived solely from the economic performance of the investment plan **SHALL NOT** rely on the **governmental guarantees**, nor guarantees related to **banks** nor **state-owned enterprises**.

◆ **Provision:** As long as the foreign capital used for the methods (Build-Operate-Transfer) above mentioned in *Section (b)* and the profit resulting

from it, has not been depreciated, therefore the application of the ownership rights regarding the remaining Capital share in the in vestee economic firm by the foreign investor is permitted.

Article 4- The investments made by foreign governments in *the Islamic Republic of Iran* are contingent upon the approval of *The Islamic Consultative Assembly (The Iranian Parliament)*. The investments of foreign state-owned enterprises are considered private.

Chapter Three: Competent Authorities

Article 5: The organization is the only official entity for promoting foreign investments in the country while dealing with all matters related to foreign investments, and requests of foreign investors regarding related matters such as *approval, employment, inflow and outflow of Capital* shall be submitted and delivered to that organization.

Article 6: In order to consider and make a decision regarding the requests of the subject of *Article (5)*, a board called *The Foreign Investment Board* is formed, headed by the Deputy Minister of Economic Affairs and Finance as the head of the organization which comprises the Deputy Minister of Foreign Affairs, the Deputy Head of the Country Management and Planning Organization of Iran, the Deputy

Governor of the Central Bank of the Islamic Republic of Iran and according to the circumstances, the Deputy Ministers of the relevant ministries.

In connection with the application for approval, the investment license is issued after the approval of the board with the approval and signature of the Minister of Economic Affairs and Finance.

When accepting foreign investment, the board is **obliged** to comply with the criteria listed in *Article (2)* of this law.

◆ **Provision:** The organization is **obliged** to present the investment requests to the board with its opinion within fifteen days from the date of receiving them after the preliminary review. The board is **obliged** to consider the issue and announce its final decision in writing, within a maximum period of one month from the date of raising the mentioned requests.

Article 7: In order to facilitate and accelerate matters related to the approval and activity of foreign investment in the country, all related institutions including the Ministry of Economic Affairs and Finance, the Ministry of Foreign Affairs, the Ministry of Commerce, the Ministry of Labor and Social Affairs, the Central Bank of the Islamic Republic of Iran, the Islamic Republic of Iran Customs Administration, the General

Department of Registration of Companies and Industrial Property, and the Department of Environmental Protection are **obliged** to introduce a duly authorized representative to the organization with the signature of the highest authority of the entity.

The introduced representatives are known as coordinators of all related matters in the mentioned entity or organization.

Chapter Four: Guarantee and Transfer of Foreign Capital

Article 8: Foreign investments subject to this law have all the same rights, protections and facilities that are available for domestic investments.

Article 9: Non-expropriation and nationalization of foreign investments except in line with public interests and according to the law and in return for payment of compensation based on the real value of the Capital and immediately before expropriation

◆**Provision 1:** The request for compensation for the damage caused shall be submitted to the board within one year after expropriation or nationalization.

◆**Provision 2:** The dispute resulting from expropriation or nationalization would be resolved based on *Article (19)* of this law.

Article 10: The transfer of all or part of the foreign capital to a domestic investor is permitted or either its transfer to another foreign investor with the approval of the board and the Minister of Economic Affairs and Finance.

In case of transfer to another foreign investor, the transferee, who must have at least the conditions of the initial investor, will be the substitute or partner of the previous investor in terms of the provisions of this law.

Chapter Five: Regulations for Acceptance, Inflow/Outflow of Foreign Capital

Article 11: Foreign capital can be entered into the country in one or a combination of the following ways and be covered by this law:

- **A)** Cash being exchanged into rials
- **B)** Cash **not being** exchanged into rials and used directly for purchases and orders related to foreign investment
- **C)** Non-cash items after going through the evaluation process by the competent authorities.

◆ **Provision:** Arrangements related to the evaluation and registration of foreign capital will be determined in the executive regulations of this law.

Article 12: The exchange rate applied during the Inflow/Outflow of foreign capital, as well as all foreign exchange transfers, in the case of single-

rate currency, will be the same current rate in the official financial network of the country, and otherwise, the free exchange rate of the day will be determined by the Central Bank of the Islamic Republic of Iran.

Article 13: The principal of the foreign capital and its benefits or the remainder of the principal of the imported capital can be transferred abroad by submitting and providing a three-month forecast to the Foreign Investment Board and after fulfilling all obligations, making legal deductions, approval by the Foreign Investment Board and approval by the Minister of Economic Affairs and Finance.

Article 14: Foreign investment profits can be transferred abroad after deductions for tax, duties, and legal reserves with the approval of the Cabinet, and the approval of the Minister of Economic Affairs and Finance.

Article 15: Payments related to principal installments of the financial facilities and related costs, patent contracts, technical know-how, technical and engineering assistance, trademarks, management and similar contracts in the framework of foreign investment and engineering, trademarks, management and similar contracts in the framework of foreign investment can be transferred abroad based on the approval of the *Foreign Investment Board*

and the approval of the Minister of Economic Affairs and Finance.

Article 16: The transfer subject to *Articles (13), (14), and (15)* are enforceable by complying with the provisions of *Section (b) of Article (3)*.

Article 17: Supply of Currency for Transfer subject to *Articles (13), (14), and (15)* is possible in the following ways:

—**A)** Buying foreign currency from the banking system

—**B)** Through the currency obtained from the export of manufactured products or the provision of services of an economic firm in which foreign capital is used.

—**C)** Exports of authorized goods according to the list with the approval of the Cabinet and in compliance with relevant laws and regulations

◆ **Provision 1:** The use of one or a combination of the above methods would be included in the investment license.

◆ **Provision 2:** In the case of investments subject to *Section (b) of Article (3)*, if the government's laws or approvals prohibit or stop the implementation of financial agreements accepted within the framework of this law, the resulting loss will be provided and paid by the government up to the maximum of the overdue installments. The limits of acceptable obligations

are approved by the Cabinet within the framework of this law.

◆ **Provision 3:** The Central Bank of the Islamic Republic of Iran is **obliged** to provide and to make the exchange rate of transferable funds-subject to *Section (a)* of this article -available to the foreign investor with the approval of the organization and the approval of the Minister of Economic Affairs and Finance.

◆ **Provision 4:** Had the investment license been referred to *Section (b)* or *(c)* of this article, the aforementioned license shall be considered being an export license.

Article 18: The withdrawal of that part of the foreign capital that entered the country under the investment license but not being used is excluded from the inclusion of all foreign exchange, export and import laws and regulations.

Chapter Six: The Settlement of Disputes

Article 19: Disputes between the Government and foreign investors regarding investments subject to this Law, if not resolved through negotiations, will be dealt with in domestic courts, unless another method of settling disputes regarding the bilateral investment treaty (BIT) had been established and agreed upon with the government of the existing foreign investor.

Chapter Seven: Final Regulations

Article 20: The relevant executive bodies are **obliged** to take action based on the request of the organization, regarding reciprocal obligations in the framework of issuing visas, residence permits, issuing work and employment permits for investors, managers, and foreign experts and their first degree relatives in regard to private sectors related to foreign investments covered by this Law.

◆ **Provision:** Disputes between the organization and executive bodies are resolved with the opinion of the Minister of Economic Affairs and Finance.

Article 21: The organization is **obliged** to provide the possibility of public access to all information related to investment and foreign investors, investment opportunities, Iranian partners subject to the activity and other information available to that organization.

Article 22: All ministries, companies, government organizations, and public institutions, whose names are **required to** be covered by the law are **obliged** to provide the organization with all the information required for foreign investment and the report of the foreign investments made, so that the organization can act based on the above article.

Article 23: The Minister of Economic Affairs and Finance is **obliged** to send a report on the

performance of this organization regarding foreign investment, subject to this Law to the relevant commissions of *The Islamic Consultative Assembly (The Iranian Parliament)* once every six months.

Article 24: From the date of approval of this Law and its executive regulations, the *Law on Attracting and Supporting Foreign Investments*-approved on 29th November 1955-and its executive regulations should be repealed. Foreign capitals that were previously accepted based on the aforesaid law are now covered by this law. The provisions of the law shall be repealed or changed by the laws of the future regulations if the cancellation or change of this law is specified in the aforesaid laws and regulations.

Article 25: The executive regulations of this law would be prepared by the Ministry of Economic Affairs and Property within two months and will be approved by the Cabinet. The abovementioned law composed of 25 articles and 11 provisions has been approved in the open meeting of Sunday dated 10th March 2002 of *The Islamic Consultative Assembly*, and the *Articles (1) and (2), Sections (c) and (d) of Article (2), Section (b) of Article (3), and Provision (2) of Article (17)* have been approved by the *Expediency Discernment Council* meeting of Saturday dated 25th May 2002.

B) The Foreign Investment Promotion and Protection Act Regulations

Chapter One: Definitions

Article 1: All the terms and expressions defined in *Article (1)* of the *Foreign Investment Promotion and Protection Act* have the same meanings in this regulation.

Other terms and expressions used in this regulation have the following meanings:

- A) Regulation: Executive regulations of the *Foreign Investment Promotion and Protection Act*.
- B) Economical Firm: A new or existing Iranian company in which foreign capital is used in one of the ways specified in the law.
- C) Non-Governmental Sector: Private sectors, cooperatives, institutions and public non-governmental organizations
- D) Center: *The Foreign Investment Service Center*, which is established in the organization in implementation of *Article (7)* of the law.
- E) The Country's Official Monetary Network: Banking system (The Central Bank and the banking system which comprises both governmental and non-governmental) and institutions of the country: Non-bank Financial Institution that engage in monetary and foreign

exchange activities with the permission of the Central Bank.

— **F) Audit Institutions:** A selected audit institution, which has been selected by the organization from among the audit institutions that are members of the Certified Public Accountants Society of Iran, subject to the *Law on the Use of Specialized and Professional Services of Competent Accountants as Certified Accountants and Auditing Organizations*, approved in 1993.

Chapter Two: Approval Methods and Criteria

Article 2: Foreign investment, which is accepted in the territory of the Islamic Republic of Iran based on the law, would be afforded by the facilities and protections stipulated in the law. The acceptance of such investments is subject to the general conditions for the acceptance of foreign capital and is based on the submission of a written request by the foreign investor and compliance with the laws stipulated in this regulation.

Article 3: Acceptance of foreign investment is possible based on the law and criteria contained in this regulation within the framework of the following methods. The table of foreign investment methods, features and facilities that can be provided within the framework of the law

is prepared and announced by the Ministry of Economic Affairs and Finance.

- **A)** Foreign direct investment
- **B)** Foreign investment within the framework of contractual arrangements including various methods of Build-Operate-Transfer, Buyback contracts, and civil partnership.

Article 4: The subject methods of *Article (3)* of this regulation in terms of investment method and protective coverage of the law and regulations have common or special features and facilities, as follows:

- **A)** Common Features and Facilities:

- ▶ **1)** Foreign investors are treated the same as domestic investors.
- ▶ **2)** The Inflow and Outflow of cash and non-cash foreign capital flows only based on the investment license and no other license is needed.
- ▶ **3)** The amount of foreign investment in each case is not subject to any restrictions.
- ▶ **4)** Foreign capital is guaranteed against nationalization and expropriation, and foreign investors have the right to receive compensation in these cases.

► 5) The possibility of transferring the Principal capital, capital gains and benefits from the use of capital in the form of currency and as the case may be, in the form of goods in the order specified in the investment license.

► 6) Guaranteeing the freedom of export of manufactured goods of the investee economic firms (in case of export ban, manufactured goods shall be sold domestically and the result may be transferred abroad in foreign currency through the country's official monetary network).

— B) Special Features and Facilities:

► 1) Foreign Direct Investment

1-1) The possibility of investing in all areas permitted for private sector activity.

1-2) No limit on the percentage of foreign investment participation.

► 2) Foreign investment within the framework of contractual arrangements

2-1) The possibility of investing in all areas permitted for private sector activity.

2-2) In the methods of “Build-Operate-Transfer, and civil partnership”, the contracting government entity **shall be** fully guaranteeing the purchase of the produced goods and services of the investment plan within the framework of legal regulations, in cases where the government entity is the exclusive buyer or supplier of the produced goods and services at subsidized prices.

Article 5: Iranian natural and legal persons applying for investment in the country, in order to enjoy the facilities and protections of the law, must also provide documents that prove their economic and commercial activities abroad.

Article 6: A foreign investor, who has previously invested in Iran without the coverage of law, could be covered by the law for the principle of the investment by going through the acceptance process. After issuing the investment license, the investor will enjoy all the benefits of the law, including the possibility of profit transfer. These types of investments are generally considered existing investments and follow the general laws of the approval of foreign capital.

Article 7: Foreign investment in existing economic firms shall enjoy the benefits of this law through either the purchase of shares, capital increase or a combination of them via the stages of approval, provided that the aforesaid investment creates added values. The new added value can be achieved as a result of capital increase in the economic firm or the realization of goals such as improving management, exports development or improving the level of technology in the existing economic firm.

Article 8: When evaluating and issuing a license for each foreign investment proposal, the *foreign investment board* examines and verifies the proportions determined in *Section (d)* of *Article (2)* of the law in the following order:

—A) The specifications of the proposed project, including the type and amount of production of goods and services, the timing of the implementation and exploitation of the project, and the forecast of domestic sales or exports to abroad, are included in the investment request samples.

—B) The official statistics of the relevant authorities regarding the value of goods and services offered in the domestic market at the time of license issuance, in the relevant department and field, are obtained by the Deputy of Economic Affairs of the Ministry of Economic Affairs and Finance. The basis of the board's decisions is the statistics that are presented to the organization by the end of the first quarter of each year.

—C) The separation of economic sectors and fields is done based on the list attached to this regulation.

— D) The amount of investment in each of the sectors and disciplines shall be issued in compliance with the items listed in Sections (a, b, and c) of this article. Regarding the share value of the goods and services offered in the domestic market and in compliance with the exemption of investment restrictions for the export of goods and services to abroad via foreign investment, they shall be determined by the board and had the plan be approved, the investment license would be issued.

◆ **Provision:** A number of modifications in the share value of goods and services produced via foreign investment, or changes in the value of goods and services offered in the domestic market, which were used as the criteria for the board's decision at the time of issuing the investment license. Therefore the modifications made after the issuance of the license do **NOT** have an impact on the validity of the license.

Article 9: Assignment of ownership rights to the Iranian party determined in the Build-Operate-Transfer (B.O.T) method contracts is carried out according to the agreement of the contracting parties, through the gradual assignment of ownership rights during the contract period or a one-time assignment of the acquired rights at the end of the contract period.

Article 10: In the Build-Operate-Transfer (B.O.T) method contracts, the assignment of ownership rights of the foreign investor to the institution providing the financial resources of the investment project can be done with the approval of the board.

Article 11: In the case of those investment projects where a government entity is the exclusive buyer of productive goods and services, and also in cases where the aforementioned goods and services of the investment projects are offered at subsidized prices, the government entity could guarantee the purchase of goods and production services at the amount and price determined in the relevant contract within the framework of legal regulations.

Chapter Three: Approval System

Article 12: While performing the duties related to the acceptance and support of foreign investments within the framework of the law, the organization is responsible for conducting and directing foreign investment promotion activities inside and outside the country, as well as introducing legal platforms and investment opportunities, conducting studies and applied research, holding conferences and seminars, joint cooperation with relevant international

institutions and organizations, and establishing communication and coordination with other institutions in collecting, organizing and presenting information related to foreign investment.

Article 13: The board is responsible for reviewing and making decisions regarding all investment requests, including those related to the approval, inward flow and *employment* and outflow of foreign capital and the resulting benefits.

Article 14: The permanent members of the board are the four deputies specified in *Article (6)* of the law, and the meetings of the board are formalized with the presence of at least three of the permanent members and decisions are taken with at least three favorable votes. The deputies of other relevant ministries will attend the meetings with the right to vote at the invitation of the head of the board. In these cases, decisions are taken by majority vote.

Article 15: Investors submit their written request to the organization along with the documents specified in the relevant sample. After conducting the necessary investigations and obtaining the opinion of the ministry of the relevant department, the organization shall submit the investment request to the board with

the expert supervision of the organization within a maximum period of 15 working days. Failure to announce the relevant ministry's opinion within 10 days from the date of receipt of the inquiry shall be regarded as the approval of that ministry to the aforementioned investment. Based on the decision taken for which the favorable opinion of the foreign investor has already been obtained, the investment license is prepared and issued with the approval and signature of the Minister of Economic Affairs and Finance.

◆ **Provision:** The investment license will contain the information of the investors, the type and manner of foreign investment, how to transfer the profits, benefits, and other conditions related to the approval of each investment plan.

Chapter Four: The Foreign Investment Service Center

Article 16: In order to facilitate and speed up the organization's legal duties in the fields of promotion, approval, and protection of foreign investors in the country, The *Foreign Investment Service Center* will be established at the organization's location and the representatives of relevant entities will be stationed there. This center will be the hub for all foreign investment applicants' referrals to relevant organizations.

Article 17: The Ministry of Economic Affairs and Finance (Iranian National Tax Administration, The Islamic Republic of Iran Customs Administration), The Ministry of Foreign Affairs, The Ministry of Commerce, The Ministry of Labor and Social Affairs, The Ministry of Industry, Mine and Trade, The Ministry of Agriculture Jihad, The Central Bank of the Islamic Republic of Iran, General Department of Registration of Companies and Industrial Property, The Department of Environmental Protection, and other executive bodies designated by the Minister of Economic Affairs and Finance would introduce their representatives to the organization with the signature of the highest executive authority of that body.

According to the employment regulations, the said representatives are considered among the employees of the relevant organization and according to the need and according to the volume of foreign investment requests and the investors' referrals, they should be present at the center with the announcement of the organization in such a way that they can respond to the inquiries according to the duties assigned in this article.

Article 18: The representatives who are introduced by the relevant bodies are the implementers of all executive affairs and services related to that institution in connection with foreign investments. In order to properly perform the duties assigned to the representative in the implementation of the law and this regulation, the relevant executive body **SHALL** communicate the duties, responsibilities, and powers of the representative to all its subordinate units and at the same time would review the process of executive affairs related to foreign investments in the area of their responsibility in such a way that the performance of the representative's duties in the center would be facilitated.

Article 19: In order to maintain the continuity of its executive and service activities in the center, the relevant executive body should make arrangements to introduce another person with the same characteristics as his replacement in addition to the nominated representative performing the duties in the absence of the body representative. If necessary, the executive body can deploy a maximum of two persons at the expert level to carry out executive affairs related to that body in the center.

Article 20: The duties of the foreign investment service center are determined as follows:

- ▶ 1) Informing and providing necessary consultations to foreign investors
- ▶ 2) Making the necessary arrangements in matters related to obtaining the necessary permits from the relevant authorities before the investment license, issuance, including the establishment declaration, *Environmental Protection* Organization permit, conveyance and distribution permits related to water, electricity, gas and telephone, mining exploitation and extraction permits, etc.
- ▶ 3) Making the necessary arrangements in matters related to visa issuance, resident permits, and work permit issuance for people related to foreign investment
- ▶ 4) Carrying out the necessary coordination in matters related to foreign investments after the investment license issuance, including joint company and order registration and therefore matters related to entering, and exiting (inflow and outflow) of foreign capital, Customs and tax issues, etc.
- ▶ 5) Carrying out the necessary coordination by the representatives of the governing bodies among the executive units of their relevant

agency in connection with foreign investment requests.

► **6)** Taking care in good implementation of the decisions taken regarding foreign investments.

◆ **Provision:** The corresponding duties of *the foreign investment service center* have been delegated to the *Economic Affairs and Finance Organization* of the provinces in order to attract and carry out foreign investment with the coordination and approval of the *Foreign Investment Organization*.

Chapter Five: Regulations of the Inward Flow, Evaluation and Registration of Foreign Capital

Article 21: The arrangements related to the inward flow, evaluation and registration of foreign capital, whether in cash or non-cash, are as follows:

A) Cash Capital

► **1)** Foreign currency funds subject to *Section (a) of Article (11)* of the law, which are imported into the country with the intention of converting them into rials, based on a “one-time” or through “series of inflows over a period of time”. These funds would be registered on the date of conversion, via the aforesaid organization under the name of the foreign investor according to the bank certificate, and therefore would be covered

by the law. "The equivalent rial amount" is deposited into the account of the foreign investor's economic firm or the account of the investment project in Iran.

► **2)** Foreign currency funds subject to *Section (b) of Article (11)* of the law, which are imported into the country in a process of a "one-time" or through "series of inflows over a period of time", and therefore **Shall Not be exchanged** into rials, are deposited into the *Foreign Currency Account (FCA)* of the foreign investor's economic firm or the account or the account of the investment project. These funds would be registered and therefore covered by the law, on the Date of Deposit, under the name of the foreign investor. The abovementioned funds shall be appropriated for purchases and foreign orders related to foreign investment.

Provision: Regarding the foreign currency payment orders (demand drafts) related to foreign investment, the official monetary network of the country is bound by law to mention the name of the drawer, the total amount of currency, the type of currency, the date of issue, the date of exchange, and to certify the title of the investee economic firm, and the inward flow of the equivalent rial amount directly to the organization in case of conversion to rial.

B) Non-Cash Capital

Foreign Non-Cash capital comprises items listed in Sections (b, c, and d) under the definition of foreign capital in *Article (1)* of the law which the inflow, evaluation and registration step is as follow:

►1) In the case of foreign non-cash capital, items subject to *Sections (b) and (c)* above (including machinery, equipment, tools and spare parts, components, raw additive, and auxiliary materials), the Ministry of Commerce shall act on and proceed the registration of a statistical order and inform the relevant Customs for evaluation and clearance of imported items after announcing the agreement of the organization with the entry of foreign non-cash capital items