

Incentives and Benefits of Foreign Investment in Iran

Foreign Investment Promotion and Protection Act (FIPPA)

Features and Advantages of FIPPA

- ▶ There is no restriction on the percentage of foreign shareholding
- ▶ The possibility of registering an Iranian company with 100% foreign capital.
- ▶ Transfer of principal capital, dividend and the profits gained through the utilization of capital in the form of foreign currency or goods.
- ▶ Enjoyment of same and equal treatment as accorded to domestic investors by foreign investors.
- ▶ The possibility of investment by foreign natural and juridical persons and Iranians living abroad.
- ▶ Allowing investing in all areas which are permitted to the private sector.
- ▶ Granting protection coverage to all foreign investment schemes.
- ▶ Quick approval of the foreign investment application
- ▶ Issuing a three-year residence license for foreign investors, directors, experts as well as their immediate family members risks covered under FIPPA
- ▶ Expropriation and nationalization
- ▶ Unlimited transfer of capital and dividend
- ▶ Guarantee of the purchase of the goods and services resulting from investment projects in BOT investment schemes where the government acts as the sole purchaser.

Tax Exemption

1. Agricultural

The income derived from all agriculture and horticulture activities, animal rearing, fish farming, bee-keeping, poultry husbandry, hunting and fishing, sericulture, revival of pastures and forests, is exempt from payment of tax. All the natural and juridical persons (Iranian and Foreign) can enjoy above mentioned exemption at the outset of their activities.

2. Salary Income Exemption

50% of the salary tax of the employees working in less developed regions, as per the list prepared by the State Organization of Management and Planning shall be spared. All natural persons (Iranian and foreign) working in the less developed regions can enjoy tax exemption until their workplace is included in the above-mentioned list.

3. Sport, Services and Education Activities Exemption

The income derived from education and training activities by non-profit schools, whether elementary, junior or senior secondary, technical or vocational, or by non-profit universities and higher education institutions, as well as the income derived from taking care of mental and physical invalids by the institution engaged in such activities, shall be exempt from tax, provided the aforesaid institution having permission from the respective authorities.

The income of sporting institutions and clubs having permission from the physical training organizations shall also be exempt from tax, if it is derived purely from sport activities.

4. Cultural Activities Exemption

All cultural, artistic, and journalistic activities licensed by Iran's Islamic Culture and Guidance Ministry are tax-free. All the natural and juridical persons (Iranian and Foreign) can enjoy the said exemption by observing the regulations of note 3 of the above article.

5. Cooperative Exemption

100% of the income derived from cooperative companies formed by villagers, tribesmen, farmers, hunters, workers, clerks and students are tax-free.

6. Tourism Exemption

All enterprises for internal and international tourism that hold exploitation permit from the Ministry of Culture and Islamic Guidance shall enjoy an annual exemption with regards to 50% of their applicable taxes. All real and juridical persons (Iranian and Foreign) or in private and cooperative sectors shall enjoy the mentioned tax exemption by observing the regulations. Tourism facilities refer to the following units:

- ▶ Hotel, motel and welfare services provided in the road
- ▶ Guesthouse
- ▶ Self-catering units such as hotel apartment, boarding-house and residence of pilgrims
- ▶ Residence for the youth
- ▶ Park, tourism, camps and caravans
- ▶ Amusement and recreational units
- ▶ Tourism and travel services offices
- ▶ Exemplary tourism spots
- ▶ The timesharing residences

7. Export Exemption

- 100% of the income derived from exportation of industrial finished goods and products of agricultural sector (including forming, horticulture, husbandry, poultry, fishery, forest and pasture products) and its conversational- signal and complementary industries and also 50% of the income earned from exportation of other goods that are exported for achieving the objectives of the exportation of non-oil goods, shall be exempt from tax. A list of goods subject to this article, in the course the term of each development plan based on proposal of the ministries of economic affairs and finance, commerce, jihad-e-agriculture and industries and mines, shall be approved by the council of ministers.
- 100% of the income derived from exportation of different goods which have been, or will be, imported to Iran on transit, and are exported without making any changes in the substance there of, or doing any works on them, shall be exempt from tax.

8. Handicraft Exemption

- ▶ The revenues of handicraft and carpet weaving workshops and the relevant cooperative firms and production unions are tax-free.
- ▶ All real and juridical persons can enjoy above mentioned exemption by observing the regulations.

9. Production Activities Exemption

80% of the income from producing and mining activities, which is derived and declared by producing and mining enterprises of cooperative of private sectors or whom exploitation licenses are issued, or with whom extraction and sale contracts are concluded, from the beginning of the year 2002, on words by relevant ministries, shall be exempt from the tax set forth in the article 105 here of for a term of 4 years beginning from the date of exploitation or extraction. As regards the less developed

regions, the exemption shall apply to 100% of the income for a term of 10 years.

Customs Exemption

- ▶ Exemption of production line machineries and equipment from payment of customs tariffs (first-hand machineries)
- ▶ The return of customs tariffs paid for the import of raw materials used for the production of export commodities

Investment Facilities and Incentives in Free and Industrial Zones

- ▶ A 15-year tax exemption for any economic activity
- ▶ No visa for the entrance of foreigners
- ▶ No limitation on the transferring foreign currency
- ▶ Flexible monetary and banking services
- ▶ Exemption of raw materials and industrial machineries of producing units from customs duty.
- ▶ Easy registration of companies, industrial and cultural institutions and intellectual property ownership
- ▶ Easy circumstances for re-export and transit of commodities
- ▶ Easy regulations for the import commodities allowed by law
- ▶ The possibility of exporting products to the mainland within the framework of the added value regime.
- ▶ Sale/lease of the land for the Iranians an long-term lease for the foreigners
- ▶ Suitable rates for the energy consumption

Other Incentives and Benefits of Investment in Iran

- ▶ Unique geographical situation as the junction of the Middle East, Europe and Asia
- ▶ Huge domestic market with 70 million population and quick access to the markets of the neighboring countries with 300 million population
- ▶ A massive resource of efficient, trained and economic-friendly workforce
- ▶ Advanced infrastructure across the country in the fields of telecommunication, energy and rail/road transportation
- ▶ Huge energy resources and low costs of production and public services
- ▶ Suitable climate conditions which allow agricultural activities in all parts of the country and in all seasons.